KAISA GROUP HOLDINGS LTD.

佳兆業集團控股有限公司*

(於開曼群島註冊成立的有限公司)

(股份代號：1638)

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證券上市規則(「**上市規則**」)第13.10B條刊發。

茲提述佳兆業集團控股有限公司(「**本公司**」)日期為二零一九年十一月五日及二零一九年十一月六日之公告(「**該等公告**」)，內容有關發行額外票據。除另有界定者外，本公告所用所有詞彙與該等公告所界定者具有相同涵義。

請參閱隨附之有關額外票據的發售備忘錄(「**發售備忘錄**」)，其已在新加坡交易所網站刊發。

在香港交易及結算所有限公司網站登載發售備忘錄僅為向香港投資者同步發布資訊及遵守上市規則第13.10B條，並無其他目的。

發售備忘錄並不構成在任何司法權區向公眾人士提呈出售任何證券的招股章程、通告、通函、小冊子或廣告，亦不作為向公眾人士提呈以供認購或購買任何證券的邀請，亦不得擬用作公眾人士提呈認購或購買任何證券的邀請。

發售備忘錄不應被視為誘使認購或購買本公司任何證券，亦不旨在進行該等勸誘。投資者不應根據發售備忘錄所載資料作出任何投資決定。

承董事會命
佳兆業集團控股有限公司
主席兼執行董事
郭英成

香港，二零一九年十一月十八日

於本公告日期，執行董事為郭英成先生、孫越南先生、鄭毅先生、麥帆先生及翁昊先生；非執行董事為陳少環女士；獨立非執行董事為張儀昭先生、饒永先生及劉雪生先生。

* *僅供識別*

STRICTLY CONFIDENTIAL – DO NOT FORWARD

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering memorandum following this page. You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached offering memorandum. In accessing the attached offering memorandum, you agree to be bound by the following terms and conditions including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: You have accessed the attached document on the basis that you have confirmed your representation to BOCI Asia Limited, Credit Suisse (Hong Kong) Limited, Deutsche Bank AG, Singapore Branch and Haitong International Securities Company Limited that (l) either (i) you and any customers you represent are outside the United States and to the extent you purchase the securities described in the attached offering memorandum, you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") AND (2) that you consent to delivery of the attached offering memorandum and any amendments or supplements thereto by electronic transmission.

The attached offering memorandum is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The securities described in the attached offering memorandum are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "PRIIPs Regulation") for offering or selling the securities described in the attached offering memorandum or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities described in the attached offering memorandum or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The communication of the attached offering memorandum and any other document or materials relating to the issue of the securities described in the attached offering memorandum is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, the securities described in the attached offering memorandum are only available to, and any investment or investment activity to which the attached offering memorandum relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached offering memorandum or any of its contents.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Initial Purchasers or any person who controls it or any of its directors, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the issuer of the securities or to the Initial Purchasers to subscribe for or purchase any of the securities described therein and access has been limited so that it shall not constitute a general advertisement or solicitation in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be described to be made by the Initial Purchasers or their respective affiliates on behalf of the issuer in such jurisdiction.

You are reminded that you have accessed the attached offering memorandum on the basis that you are a person into whose possession such offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver such offering memorandum, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

Actions That You May Not Take: You should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORIZED AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING MEMORANDUM, IN WHOLE OR IN PART, IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other items of a destructive nature. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

KAISA GROUP HOLDINGS LTD.

(incorporated in the Cayman Islands with limited liability)

US$150,000,000 10.875% Senior Notes due 2023

(to be consolidated and form a single class with the US$300,000,000 10.875% Senior Notes due 2023)

Issue Price: 96.6825%
plus accrued interest from (and including) July 23, 2019 to (but excluding) November 13, 2019

Our US$150,000,000 10.875% Senior Notes due 2023 (the "New Notes") will constitute a further issuance of, and be consolidated and form a single class with, the Company's outstanding US$300,000,000 10.875% Senior Notes due 2023 issued on July 23, 2019 (the "Original Notes," together with the New Notes, the "Notes") bear interest at the rate of 10.875% per annum and will mature on July 23, 2023. The New Notes have the same terms and conditions as the Original Notes in all respects except for issue date and issue price. Interest on the New Notes will be payable semi-annually in arrears on January 23 and July 23 of each year, commencing January 23, 2020.

The New Notes are senior obligations of Kaisa Group Holdings Ltd. (the "Company"), guaranteed by certain of our existing subsidiaries (the "Subsidiary Guarantors"), other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in "Description of the Notes." We refer to the guarantees by the Subsidiary Guarantors as Subsidiary Guarantees. The Company and the Subsidiary Guarantor Pledgors (as defined herein) have agreed to pledge the capital stock of the Subsidiary Guarantors held by them to secure the Notes and the Subsidiary Guarantees of such Subsidiary Guarantor Pledgors.

We may at our option redeem the Notes, in whole or in part, at any time and from time to time on or after July 23, 2021, at the redemption price as set forth in this offering memorandum plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to July 23, 2021, we may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 110.875% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, we may at our option redeem the Notes, in whole but not in part, at any time prior to July 23, 2021, at a redemption price equal to 100% of the principal amount of the Notes plus a premium as set forth in this offering memorandum and accrued and unpaid interest if any, to (but not including) the redemption date. See "Description of the Notes — Optional Redemption." Upon the occurrence of a Change of Control Triggering Event (as defined in the indenture governing the Notes (the "Indenture")), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The New Notes will be (1) at least *pari passu* in right of payment against the Company with all other unsecured, unsubordinated Indebtedness (as defined in the Indenture) of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law), (2) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes, (3) effectively subordinated to the secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor (other than the collateral securing the Notes), and (4) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below). In addition, applicable law may limit the enforceability of the Subsidiary Guarantees, the JV Subsidiary Guarantees (as defined herein) and the pledge of any collateral. See the section entitled "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral."

For a more detailed description of the New Notes, see the section entitled "Description of the Notes".

Investing in the New Notes involves risks. See the section entitled "Risk Factors" beginning on page 15.

The Original Notes are listed and quoted on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). Application will be made to the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering memorandum. Approval in-principle from, admission to the Official List of, and listing and quotation of the New Notes on, the SGX-ST are not to be taken as an indication of the merits of the offering, the Company, the Notes, the Subsidiary Guarantees, the Subsidiary Guarantors or their respective Subsidiaries or associated companies (if any).

The New Notes and the Subsidiary Guarantees have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The New Notes and the Subsidiary Guarantees are being offered and sold outside the United States in compliance with Regulation S under the U.S. Securities Act ("Regulation S").

The Original Notes were rated "B2" by Moody's and "B" by Fitch and the rating is not expected to be affected by the issuance of the New Notes. A rating is not recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning agency. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes.

With reference to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (《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發改外資[2015]2044號》) (the "NDRC Notice") promulgated by National Development and Reform Commission (the "NDRC") of the PRC on September 14, 2015 which came into effect on the same day, we have registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC dated December 29, 2018 evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the Notes to be reported to the NDRC within ten PRC working days after the issue date of the Notes.

It is expected that delivery of the New Notes will be made on or about November 13, 2019 through the book-entry facilities of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream") against payment therefor in immediately available funds.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

BOC International **Credit Suisse** **Deutsche Bank** **Haitong International**

The date of this offering memorandum is November 5, 2019

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This offering memorandum does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this offering memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this offering memorandum or that the information contained in this offering memorandum is correct as of any time after that date.

This offering memorandum is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "PRIIPs Regulation") for offering or selling the New Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The communication of this offering memorandum and any other document or materials relating to the issue of the New Notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended (the "FSMA"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, the New Notes offered hereby are only available to, and any investment or investment activity to which this offering memorandum relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this offering memorandum or any of its contents.

Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") — the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the New Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

IN CONNECTION WITH THIS OFFERING, EACH OF THE INITIAL PURCHASERS (AS DEFINED HEREIN), AS STABILIZING MANAGER, OR ANY PERSON ACTING ON ITS BEHALF, MAY PURCHASE AND SELL THE NEW NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NEW NOTES. AS A RESULT, THE PRICE OF THE NEW NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE STABILIZING MANAGER, AND NOT FOR US OR ON OUR BEHALF.

We, having made all reasonable inquiries, confirm that: (i) this offering memorandum contains all information with respect to us, our subsidiaries and affiliates referred to in this offering memorandum, the New Notes and the Subsidiary Guarantees that is material in the context of the issue and offering of the New Notes; (ii) the statements contained in this offering memorandum relating to us and our subsidiaries and our affiliates are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this offering memorandum with regard to us and our subsidiaries and affiliates are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, our subsidiaries and affiliates, the New Notes and the Subsidiary Guarantees, the omission of which would, in the context of the issue and offering of the New Notes, make this offering memorandum, as a whole, misleading in any material respect; and (v) we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. We accept responsibility accordingly.

This offering memorandum is highly confidential. We are providing it solely for the purpose of enabling you to consider a purchase of the New Notes. You should read this offering memorandum before making a decision whether to purchase the New Notes. You must not use this offering memorandum for any other purpose, or disclose any information in this offering memorandum to any other person.

We have prepared this offering memorandum, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the New Notes. By purchasing the New Notes, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section entitled "Transfer Restrictions" below.

No representation or warranty, express or implied, is made by BOCI Asia Limited, Credit Suisse (Hong Kong) Limited, Deutsche Bank AG, Singapore Branch and Haitong International Securities Company Limited (the "Initial Purchasers") or Citicorp International Limited (the "Trustee"), Citibank, N.A., London Branch (the "Paying Agent", the Transfer Agent" and the "Registrar") or any of their respective affiliates, directors or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation, whether as to the past or the future. None of the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent or the Registrar or any of their respective affiliates, directors or advisors has independently verified any of the information contained in this offering memorandum, they can give no assurance that this information is accurate, truthful or complete, and, to the fullest extent permitted by law, none of them accepts any responsibility for the contents of this offering memorandum. This offering memorandum is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Company, the Subsidiary Guarantors, the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent or the Registrar that any recipient of this offering memorandum should purchase the New Notes.

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers, the Trustee or any person affiliated with the Initial Purchasers or the Trustee in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the New Notes or the Subsidiary Guarantees (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of our company and the terms of the offering of the New Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers or the Trustee.

The New Notes and the Subsidiary Guarantees have not been approved or disapproved of by the United States Securities and Exchange Commission ("SEC"), any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

We are not, and the Initial Purchasers are not, making an offer to sell the New Notes, including the Subsidiary Guarantees, in any jurisdiction except where an offer or sale is permitted. The distribution of this offering memorandum and the offering of the New Notes, including the Subsidiary Guarantees, may in certain jurisdictions be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers and sales of the New Notes, including the Subsidiary Guarantees, and distribution of this offering memorandum, see the sections entitled "Transfer Restrictions" and "Plan of Distribution" below.

This offering memorandum summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. We are not making any representation to you regarding the legality of an investment in the New Notes by you under any legal, investment, taxation or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice regarding an investment in the New Notes.

We reserve the right to withdraw the offering of New Notes at any time, and the Initial Purchasers reserve the right to reject any commitment to subscribe for the New Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the New Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the New Notes.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering 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 Kaisa Group Holdings Ltd. itself, or to Kaisa Group Holdings Ltd. and its consolidated subsidiaries, as the context requires.

Market data, industry forecast and PRC and property industry statistics in this offering 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 the Initial Purchasers or their respective directors and advisors, and neither we, the Initial Purchasers nor our or their respective 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 offering 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").

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.8650 to US$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on June 28, 2019, and all translations from H.K. dollars into U.S. dollars were made at the rate of HK$7.8103 to US$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on June 28, 2019. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see the section entitled "Exchange Rate Information."

References to "PRC" and "China," for the statistical purposes of this offering memorandum, except where the context otherwise requires, do not include Hong Kong, Macau Special Administrative Region of the PRC ("Macau"), 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.

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS") which differ in certain respects from generally accepted accounting principles in certain other countries.

Unless the context otherwise requires, references to "2016", "2017" and "2018" in this offering memorandum are to our financial years ended December 31, 2016, 2017 and 2018, respectively.

References to the "2021 CB" are to our 10.5% convertible bonds due 2021.

References to the "2012 Notes" are to our 12.875% Senior Notes due 2017, which is no longer outstanding.

References to the "2014 Notes" are to our 9.0% Senior Notes due 2019, which is no longer outstanding.

References to the "2020 Notes" are to our 7.25% Senior Notes due 2020.

References to the "2021 Notes" are to our 7.875% Senior Notes due 2021.

References to the "2022 Notes" are to our 8.50% Senior Notes due 2022.

References to the "2024 Notes" are to our 9.375% Senior Notes due 2024.

References to the "April 2013 Notes" are to our RMB denominated 6.875% Senior Notes due 2016, which is no longer outstanding.

References to the "April 2022 Notes" are to our 11.25% Senior Notes due 2022.

References to the "Convertible Bonds" are to our U.S. dollar settled 8% convertible due 2015, which is no longer outstanding.

References to the "December 2019 Notes" are to our 12.0% senior notes due 2019.

References to the "Existing Notes" are to the 2020 Notes, the 2021 Notes, the 2022 Notes, 2024 Notes, the December 2019 Notes, the February 2021 Notes, the April 2022 Notes, the January 2023 Notes, the July 2023 Notes and the October 2022 Notes.

References to the "February 2021 Notes" are to our 11.75% senior notes due 2021.

References to the "IPO" are to our initial public offering listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange," "Stock Exchange" or "HKSE") in December 2009.

References to the "January 2013 Notes" are to our 10.25% Senior Notes due 2020, which is no longer outstanding.

References to the "January 2023 Notes" are to our 11.5% senior notes due 2023.

References to the "July 2023 Notes" or the "Notes" are to our 10.875% Senior Notes due 2023.

References to the "March 2013 Notes" are to our 8.875% Senior Notes due 2018, which is no longer outstanding.

References to the "Mandatorily Exchangeable Bonds" are to US$259,486,248 Variable Rate Mandatorily Exchangeable Bonds due 2019, which is no longer outstanding.

References to the "October 2022 Notes" are to our 11.95% Senior Notes due 2022.

References to "Original HSBC Facilities" are to the offshore loan facilities between us and The Hong Kong and Shanghai Banking Corporation Limited in an aggregate amount of HK$760 million, which is no longer outstanding.

References to "Original ICBC Facilities" are to the offshore loan facilities between us and Industrial and Commercial Bank of China (Asia) Limited and/or Industrial and Commercial Bank of China, Paris Branch in an aggregate amount of HK$155 million and US$159.5 million, which is no longer outstanding.

References to "Original Offshore Facilities" are to the Original HSBC Facilities and the Original ICBC Facilities.

References to the "Series A Notes" are to our US$277,460,905 Series A Variable Rate Senior Notes due December 31, 2019, which is no longer outstanding.

References to the "Series B Notes" are to our US$499,429,957 Series B Variable Rate Senior Notes due June 30, 2020, which is no longer outstanding.

References to the "Series C Notes" are to our US$610,414,552 Series C Variable Rate Senior Notes due December 31, 2020, which is no longer outstanding.

References to the "Series D Notes" are to our US$665,906,865 Series D Variable Rate Senior Notes due June 30, 2021, which is no longer outstanding.

References to the "Series E Notes" are to our US$721,398,993 Series E Variable Rate Senior Notes due December 31, 2021, which is no longer outstanding.

References to the "Series A-E Senior Notes" are to the Series A Notes, Series B Notes, Series C Notes, Series D Notes and Series E Notes.

References to "share" are to, unless the context indicates otherwise, an ordinary share, with a nominal value of HK$0.10, in our share capital.

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. All site area and gross floor area ("GFA") information presented in this offering memorandum represent the site area and GFA of the entire project, including those attributable to the minority shareholders of our non-wholly owned project companies. References to "sq.m." are to the measurement unit of square meters.

In this offering memorandum, a land grant contract refers to a state-owned land use rights grant contract (國有土地使用權出讓合同) between a developer and the relevant PRC governmental land administrative authorities, typically the local state-owned land bureaus.

In this offering memorandum, a land use rights certificate refers to a state-owned land use rights certificate (國有土地使用證) or a real property certificate (不動產權證) issued by a local real estate and land resources bureau with respect to the land use rights; a construction land planning permit refers to a construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction works planning permit refers to a construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction permit refers to a construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China; a pre-sale permit refers to a commodity property pre-sale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties; a certificate of completion refers to an inspection and acceptance form of construction completion (竣工驗收備案表); and a property ownership certificate refers to a property ownership certificate (房屋所有權證) (or in certain areas of the PRC, a property ownership and land use rights certificate (房地產權證)) or a real property certificate (不動產權證) issued by a local real estate bureau with respect to the ownership rights of the buildings on the relevant land.

Totals presented in this offering memorandum may not total correctly because of rounding of numbers.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include statements relating to:

- our business, financing and operating strategies;
- our capital expenditure and property development plans;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- various business opportunities that we may pursue;
- the interpretation and implementation of the existing rules and regulations relating to land appreciation tax and its future changes in enactment, interpretation or enforcement;
- the prospective financial information regarding our businesses;
- availability and costs of bank loans and other forms of financing;
- our dividend policy;
- projects under development or held for future development;
- the regulatory environment of our industry in general;
- the performance and future developments of the property market in China or any region in China in which we may engage in property development;
- changes in political, economic, legal and social conditions in China, including the specific policies of the PRC central and local governments affecting the regions where we operate, which affect land supply, availability and cost of financing, pre-sale, pricing and volume of our property development projects;
- significant delay in obtaining the various permits, proper legal titles or approvals for our properties under development or held for future development;
- timely repayments by our purchasers of mortgage loans guaranteed by us;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and undertakings of the third-party contractors under various construction, building, interior decoration, material and equipment supply and installation contracts;
- changes in currency exchange rates; and
- other factors beyond our control.

In some cases, you can identify forward-looking statements by such terminology as "may," "will," "should," "could," "would," "expect," "intend," "plan," "anticipate," "going forward," "ought to," "seek," "project," "forecast," "believe," "estimate," "predict," "potential" or "continue" or the negative of these terms or other comparable terminology. Such statements reflect the current views of our management with respect to future events, operations, results, liquidity and capital resources and are not guarantee of future performance and some of which may not materialize or may change. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that those expectations will prove to be correct, and you are cautioned not to place undue reliance on such statements. In addition, unanticipated events may adversely affect the actual results we achieve. Important factors that could cause actual results to differ materially from our expectations are disclosed under the section entitled "Risk Factors." Except as required by law, we undertake no obligation to update or otherwise revise any forward-looking statements contained in this offering memorandum, whether as a result of new information, future events or otherwise after the date of this offering memorandum. All forward-looking statements contained in this offering memorandum are qualified by reference to the cautionary statements set forth in this section.

ENFORCEMENT OF CIVIL LIABILITIES

We are an exempted company incorporated in the Cayman Islands with limited liability, and each Subsidiary Guarantor is also incorporated or may be incorporated, as the case may be, outside the United States, such as in the Cayman Islands, the British Virgin Islands (the "BVI") and Hong Kong. The Cayman Islands, BVI, Hong Kong and other jurisdictions have different bodies of securities laws from the United States and protections for investors may differ. All of our assets and all of the assets of the Subsidiary Guarantors are located outside the United States. In addition, all of our directors and officers and the Subsidiary Guarantors' directors and officers are nationals or residents of countries other than the United States (principally of the PRC or Hong Kong), and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us, any of the Subsidiary Guarantors or such directors and officers or to enforce against us or any of the Subsidiary Guarantors or such directors and officers judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

We and each of the Subsidiary Guarantors expect to appoint Cogency Global Inc. as our and their respective agent to receive service of process with respect to any action brought against us or any Subsidiary Guarantor in the United States federal courts located in the Borough of Manhattan, the City of New York under the federal securities laws of the United States or of any state of the United States or any action brought against us or any Subsidiary Guarantor in the courts of the State of New York in the Borough of Manhattan, the City of New York under the securities laws of the State of New York.

We have been advised by our BVI legal adviser, Harney Westwood & Riegels, that any final and conclusive monetary judgment for a definite sum obtained in the United States courts against us would be treated by the courts of the BVI as a cause of action in itself and could be sued upon as a debt at common law so that no retrial of the issues would be necessary, provided that: (a) the court giving such judgment had jurisdiction in the matter and that we either submitted to such jurisdiction or were resident or carrying on business within such jurisdiction and were duly served with process; (b) the judgment given was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations; (c) the judgment was not procured by fraud; (d) recognition or enforcement of the judgment in the BVI would not be contrary to public policy; and (e) the proceedings pursuant to which judgment was obtained were not contrary to the principles of natural justice.

We have been advised by our Cayman Islands legal adviser, Harney Westwood & Riegels, that any final and conclusive monetary judgment for a definite sum obtained in the United States courts against us would be treated by the courts of the Cayman Islands as a cause of action in itself and sued upon as a debt at common law so that no retrial of the issues would be necessary provided that: (a) the court giving such judgment had jurisdiction in the matter and that we either submitted to such jurisdiction or were resident or had a fixed place of business within such jurisdiction and was duly served with process; (b) the judgment given was not in respect of penalties, taxes, fines or other amounts payable to any government entity; (c) the judgment was not procured by fraud; (d) recognition or enforcement of the judgment in the Cayman Islands would not be contrary to public policy; and (e) the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

We have been advised by Sidley Austin, our Hong Kong legal adviser, that Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. However, under Hong Kong common law, a foreign judgment (including one from a court in the United States predicated upon U.S. federal or state securities laws) may be enforced in Hong Kong by bringing an action in a Hong Kong court, and then seeking summary or default judgment on the strength of the foreign judgment, provided that the foreign judgment is for a debt or definite sum of money and is final and conclusive on the merits. In addition, the Hong Kong courts may refuse to recognize or enforce a foreign judgment if such judgment:

(a) was obtained by fraud;

(b) was rendered by a foreign court that lacked the appropriate jurisdiction at the time;

(c) is contrary to public policy or natural justice;

(d) is for penal damages; or

(e) is based on foreign penal, revenue or other public law.

We have also been advised by our PRC legal adviser, Commerce & Finance Law Offices, that there is uncertainty as to whether the courts of China would (i) enforce judgments of U.S. courts obtained against us, our directors or officers, any Subsidiary Guarantor or their directors or officers predicated upon the civil liability provisions of the U.S. federal or state securities laws or (ii) entertain original actions brought in China against us, our directors or officers, any Subsidiary Guarantor or their directors or officers predicated upon the U.S. federal or state securities laws.

SUMMARY

This summary does not contain all the information that may be important to you in deciding to invest in the New Notes. You should read the entire offering memorandum, including the section entitled "Risk Factors" and our consolidated financial statements and related notes thereto, before making an investment decision.

Overview

We are a leading PRC property developer with a sizable and diversified land bank of approximately 25.8 million sq.m. GFA in 47 cities across six regions. According to China Real Estate Information Corporation and China Real Estate Appraisal Center, we were ranked 31st among Chinese property developers nationwide in terms of attributable contracted sales. We focus on mass market housing demand and are primarily engaged in the development of large-scale residential properties as well as integrated commercial properties.

Headquartered in Shenzhen, the Special Economic Zone adjacent to Hong Kong, we have historically focused our property development in the Pearl River Delta region. Our well-established position in the Pearl River Delta region is supported by our geographically diversified development portfolio, including projects in Shenzhen, Foshan, Guangzhou, Huizhou, Dongguan, Zhongshan, Zhuhai, Yangjiang and Qingyuan. Leveraging our success in the Pearl River Delta region, we have expanded into other areas in China, including Shanghai, Hangzhou, Taizhou, Suzhou, Zhangjiagang, Ningbo, Nanjing, Changzhou, Taicang, Shaoxing, Jiaxing, Xuzhou and Jiangyin in the Yangtze River Delta region, Chengdu, Chongqing, Pengzhou and Nanchong in the Western China region, Changsha, Hengyang, Wuhan, Ezhou, Xiaogan, Xinzheng, Xinxiang and Zhuzhou in the Central China region, and Shenyang, Yingkou, Benxi, Anshan, Weifang, Liaoyang, Dalian, Dandong, Huludao, Bazhou, Gu'an and Qingdao in the Pan-Bohai Bay Rim.

As of June 30, 2019, we had a total of 167 property development projects, including completed properties, properties under development and properties for future development, in 47 cities in China. As of June 30, 2019, we had completed properties with a total GFA of approximately 26.3 million sq.m., and had a land bank with an estimated total GFA of approximately 25.8 million sq.m., including completed properties held for sale with a total GFA of approximately 2.2 million sq.m., properties under development with an estimated total GFA of approximately 12.8 million sq.m. and properties for future development with an estimated total GFA of approximately 10.8 million sq.m.

We focus primarily on development of the following:

- Residential properties. Our large-scale residential properties are generally located in suburban areas with access to public transport and other urban facilities in selected cities in China. These properties include apartments, serviced apartments and townhouses, often with complementary commercial facilities, restaurants and community facilities. The principal target customers for our residential properties are middle to upper-middle income households. We often develop our residential properties in a number of phases. We believe our multi-phased approach has enabled us to manage our capital resources efficiently and has increased our returns through the higher average selling prices which we expect to achieve at subsequent development phases.
- Commercial properties. Our integrated commercial properties are generally located in central business districts in selected cities in China. Our other commercial projects consist of a mixture of office buildings and retail spaces.

Our revenue was RMB17,771.5 million, RMB32,779.3 million, RMB38,705.0 million (US$5,638.0 million) and RMB20,106.0 million (US$2,928.8 million) in 2016, 2017, 2018 and the six months ended June 30, 2019, respectively.

We have historically contracted out construction works of all our development projects to construction contractors, and intend to continue to outsource substantially all of our construction works. We cooperate with Centaline and World Union to jointly promote our developed properties in different regional markets in China. Going forward, we will continue to improve the management of our sales through our dedicated sales team and intend to continue to engage professional property sales agencies to provide marketing and sales services for our properties in China.

We intend to continue to focus on developing residential and commercial properties in the Pearl River Delta region and further diversify geographically through expansion into other promising markets in China. In addition to our focus on residential and commercial development projects, we also aim to increase our investment properties and consequentially our rental income. We intend to retain certain of our commercial properties for long-term investment purposes. In managing our investment property portfolio, we will take into account the estimated long-term growth potential, overall market conditions and our cash flows and financial conditions.

Our Competitive Strengths

We believe we have the following competitive strengths:

- market leadership in the Pearl River Delta region with a national footprint;
- quality land bank at relatively low cost and supplemented by acquisition by redevelopment;
- responsiveness to market trends and prudent financial management; and
- experienced and long-serving senior management team and continuous recruitment of management talent.

Our Business Strategies

We aim to continue to grow as a leading property developer with a national presence in key economic regions in China. We have developed the following business strategies to pursue our growth objectives:

- continue to enhance profit margin from urban redevelopments in Shenzhen and the rest of the Pearl River Delta region and achieve further geographical diversification in China;
- further enhance asset turnover and cost efficiency through standardized product lines and a scalable business model;
- continue to focus on residential mass market and commercial property development while enhancing property diversification and selectively expanding our land bank and diversify our business; and
- further enhance our brand recognition.

Recent Developments

On July 2, 2019, we issued an additional US$200,000,000 in aggregate principal amount of the April 2022 Notes and an additional US$300,000,000 in aggregate principal amount of the January 2023 Notes. See "Description of Material Indebtedness and Other Obligations — April 2022 Notes" and "Description of Material Indebtedness and Other Obligations — January 2023 Notes."

On July 23, 2019, we issued the July 2023 Notes in an aggregate principal amount of US$300,000,000. As of the date of this offering memorandum, the entire principal amount of the July 2023 Notes remain outstanding. See "Description of Material Indebtedness and Other Obligations — July 2023 Notes."

On August 10, 2019, we completed the repurchase and cancellation of US$161,300,000 in principal amount of the December 2019 Notes. As of the date of this offering memorandum, US$138,700,000 in aggregate principal amount of the December 2019 Notes remains outstanding.

On August 16, 2019, we completed the repurchase and cancellation of HK$1,162.0 million (US$148.8 million) in entire principal amount of our 6.1% senior notes due December 2019.

On October 22, 2019 and November 1, 2019, we issued the October 2022 Notes in an aggregate principal amount of US$400,000,000 and an additional October 2022 Notes in an aggregate principal amount of US$200,000,000. As of the date of this offering memorandum, the entire principal amount of the October 2022 Notes remain outstanding. See "Description of Material Indebtedness and Other Obligations — October 2022 Notes."

On November 4, 2019, we entered into purchase agreement, pursuant to which we expect to issue US$300,000,000 11.95% senior notes due November 2023 ("November 2023 Notes") on November 12, 2019.

General Information

We were incorporated in the Cayman Islands on August 2, 2007, as an exempted company with limited liability. Our principal place of business in the PRC is at Room 3306, Kerry Center, Ren Min Nan Road, Luohu, Shenzhen, China. Our place of business in Hong Kong is at Suite 2001, 20th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. Our registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our website is www.kaisagroup.com. Information contained on our website does not constitute part of this offering memorandum.

THE OFFERING

Terms used in this summary and not otherwise defined have the meanings given to them in the section entitled "Description of the Notes."

Issuer	Kaisa Group Holdings Ltd.
New Notes Offered	US$150,000,000 aggregate principal amount of 10.875% Senior Notes due 2023 (the "New Notes"), to be consolidated and form a single class with, the Company's outstanding US$300,000,000 10.875% Senior Notes due 2023 issued on July 23, 2019 (the "Original Notes," together with the New Notes, the "Notes")
Offering Price	96.6825% of the principal amount of the New Notes Plus accrued interest from (and including) July 23, 2019 to (but excluding) November 13, 2019
Maturity Date	July 23, 2023
Interest	The Notes will bear interest from and including July 23, 2019 at the rate of 10.875% per annum, payable semi-annually in arrears
Interest Payment Dates	January 23 and July 23, commencing January 23, 2020
Ranking of the Notes	The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described in "Description of the Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees" and in "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral";
- effectively subordinated to the secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor (other than the Collateral); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

After the pledge of the Collateral by the Company and the Subsidiary Guarantor Pledgors as described below under the caption "Security to be Granted," subject to the limitations described in "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral," the Notes will be secured by a pledge of the Collateral as described below under the caption "Security to be Granted" and will:

- be entitled to a lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement); and
- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

Subsidiary Guarantees and JV Subsidiary Guarantees . . . . . . Each of the Subsidiary Guarantors and JV Subsidiary Guarantors will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes provided that any JV Subsidiary Guarantees will be limited to the JV Entitlement Amount. The initial Subsidiary Guarantors will be Chang Ye Investment Company Limited (昌業投資有限公司), Da Hua Investment Company Limited (大華投資有限公司), Dong Chang Investment Company Limited (東昌投資有限公司), Dong Sheng Investment Company Limited (東升投資有限公司), Guang Feng Investment Company Limited (廣豐投資有限公司), Heng Chang Investment Company Limited (恒昌投資有限公司), Jie Feng Investment Company Limited (捷豐投資有限公司), Jin Chang Investment Company Limited (進昌投資有限公司), Rong Hui Investment Company Limited (榮輝投資有限公司), Rui Jing Investment Company Limited (瑞景投資有限公司), Tai He Xiang Investment Company Limited (泰和詳投資有限公司), Ye Chang Investment Company Limited (葉昌投資有限公司), Zheng Zhong Tian Investment Company Limited (正中天投資有限公司), Tai He Sheng Investment Company Limited (泰和盛投資有限公司), Tai An Da Investment Company Limited (泰安達投資有限公司), Tai Chang Jian Investment Company Limited (泰昌建投資有限公司), Tai Chong Fa Investment Company Limited (泰昌發投資有限公司), Tai Chong Li Investment Company Limited (泰昌利投資有限公司), Bakai Investments Limited (八凱投資有限公司), Yifa Trading Limited (益發貿易有限公司), Advance Guard Investments Limited (先驅投資有限公司), Victor Select Limited (凱擇有限公司), Central Broad Limited (中博有限公司), Guo Cheng Investments Limited (國承投資有限公司), Ri Xiang Investments Limited (日翔投資有限公司), Yin Jia Investments Limited (銀佳投資有限公司), Jet Smart Global Development Limited (捷利環球發展有限公司), Apex Walk Limited (崴行有限公司), Vast Wave Limited (廣濤有限公司), Fulbright Financial Group (Enterprise) Limited (富昌金融集團(企業)有限公司), Fulbright Financial Group (Development) Limited (富昌金融集團(發展)有限公司), Kaisa Investment Consulting Limited, Cornwell Holdings (Hong Kong) Limited, Goldenform Company Limited, Hong Kong Jililong Industry Co., Limited, Kaisa Holdings Limited, Leisure Land Hotel Management (China) Limited, Regal Silver Manufacturing Limited, Success Take International Limited, Woodland Height Holdings Limited, Yi Qing

Investment Company Limited, Yong Rui Xiang Investment Company Limited, Zhan Zheng Consulting Company Limited, Kaisa Investment (China) Limited, Wan Rui Fa Investment Company Limited, Wan Rui Chang Investment Company Limited, Wan Tai Chang Investment Company Limited, Wan Jin Chang Investment Company Limited, Multi-Shiner Limited, Hong Kong Kaisa Industry Co., Limited, Bakai Investments (Hong Kong) Limited, Topway Asia Group Limited, Kaisa Financial Group (China) Company Limited, Hong Kong Kaisa Trading Limited, Hong Kong Wanyuchang Trading Limited, Hong Kong Zhaoruijing Trading Limited, Central Broad (Hong Kong) Investment Limited, Guo Cheng (Hong Kong) Investment Limited, Ri Xiang (Hong Kong) Investment Limited, Yin Jia (Hong Kong) Investment Limited, Rich Tech Hong Kong Investment Limited, Apex Walk (Hong Kong) Limited, Vast Wave (Hong Kong) Limited and Fulbright Financial Group (Hong Kong) Limited. Other than the initial Subsidiary Guarantors, none of the Company's other Restricted Subsidiaries organized outside of the PRC (the "Other Non-Guarantor Subsidiaries") and the Restricted Subsidiaries organized under the laws of the PRC (the "PRC Non-Guarantor Subsidiaries," and together with the Other Non-Guarantor Subsidiaries, the "Existing Non-Guarantor Subsidiaries") will be a Subsidiary Guarantor on the Original Issue Date. The initial Subsidiary Guarantors do not have significant operations or assets.

In addition, the Company is in the process of designating Zhan Zheng Consulting Company Limited, Cornwell Holdings (Hong Kong) Limited and Central Broad (Hong Kong) Investment Limited (together, the "Target Subsidiaries"), which are guarantors under the Original Notes and the Existing Notes other than the October 2022 Notes and the November 2023 Notes (such existing notes, the "Target Notes"), as Unrestricted Subsidiaries under and pursuant to the respective provisions under the indentures (the "Target Indentures") governing the Target Notes. Upon the designation of the Target Subsidiaries as Unrestricted Subsidiaries under the Target Indentures, (i) the Target Subsidiaries will no longer guarantee the Target Notes, including the Original Notes, and (ii) the security created in respect of the Capital Stock of the Target Subsidiaries will be released under the Target Indentures, including the In-denture. The Company expects to complete such designation and release on or before the settlement date. The Target Subsidiaries will not provide guarantee for the New Notes. Also See "*Risk Factors — Risks relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The pledge of certain Collateral may be released under certain circumstances*".

None of the existing or future Restricted Subsidiaries organized under the laws of the PRC or Exempted Subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future.

Each future Subsidiary of the Company (other than Subsidiaries organized under the laws of the PRC and Exempted Subsidiaries) will provide a guarantee of the Notes as soon as practicable after such Subsidiary becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary (and its Restricted Subsidiaries) organized outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary so long as such Restricted Subsidiary does not guarantee any other Indebtedness of the Company or any other Restricted Subsidiary; *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 20% of Total Assets.

A Subsidiary Guarantee may be released or replaced in certain circumstances. See "Description of the Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees — Release of the Subsidiary Guarantees and JV Subsidiary Guarantees." In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may (i) release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, (ii) discharge the pledge of the Capital Stock granted by such Subsidiary Guarantor, and (iii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in such Subsidiary Guarantor, *provided* that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including the Subsidiary Guarantors whose Subsidiary Guarantees were released) do not account for more than 20% of Total Assets.

Ranking of Subsidiary Guarantees . . . . The Subsidiary Guarantee of each Subsidiary Guarantor is:

- a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;

- ranks at least *pari passu* with all unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

After the pledge of the Collateral by the Company and the Subsidiary Guarantor Pledgors as described below under the caption "Security to be Granted," subject to the limitations described in "Risk Factors — Risks Relating to the Subsidiary Guarantees and the Collateral," the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor will be secured by a pledge of the Collateral as described below under the caption "Security to be Granted" and will:

- be entitled to a lien on the Collateral pledged by such Subsidiary Guarantor Pledgor (subject to any Permitted Liens and the Intercreditor Agreement); and
- rank effectively senior in right of payment to unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral pledged by such Subsidiary Guarantor Pledgor securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

Ranking of JV Subsidiary Guarantees . . . .

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- subject to the limitation to the JV Entitlement Amount, will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee;
- subject to the limitation to the JV Entitlement Amount, will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

The JV Subsidiary Guarantees of each JV Subsidiary Guarantor will not be secured.

Security to be Granted	The Company has agreed for the benefit of the holders of the Notes, to pledge, and cause each initial Subsidiary Guarantor Pledgor to pledge, the Capital Stock of the initial Subsidiary Guarantors (the "Collateral") owned by it (subject to Permitted Liens and the Intercreditor Agreement) in order to secure the obligations of the Company under the Notes and the Indentures and of each such initial Subsidiary Guarantor Pledgor under its Subsidiary Guarantee. None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future (unless they cease to be Non-Guarantor Subsidiaries). In addition, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future. If any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned by the Company or any Subsidiary Guarantor will be pledged to secure the obligations of the Company under the Notes and the Indentures, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, none of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Restricted Subsidiaries as security in favor of the Common Security Trustee for the benefit of the Trustee and the Holders.
Intercreditor Agreement	The Company, the Subsidiary Guarantor Pledgors, Citicorp International Limited as Common Security Trustee, and other secured parties thereto, respectively, entered into an amended and restated intercreditor agreement dated July 21, 2016 (as so amended and supplemented from time to time, the "Intercreditor Agreement"), to which the Trustee acceded on the Original Issue Date. The Intercreditor Agreement provides that the security interests in the Collateral with respect to the Notes will be shared on a *pari passu* basis among (i) the trustee for the benefit of the holders of each series of Existing Notes, (ii) the Trustee for the benefit of the holders of each series of the Notes and (iii) any other creditors with respect to future Permitted Pari Passu Secured Indebtedness. Notwithstanding the above, the Capital Stock of the Target Subsidiaries has not been pledged to secure the obligations of the Company and the subsidiary guarantors under the October 2022 Notes.
Use of Proceeds	The Company intends to use the net proceeds of the offering of the Notes to refinance our existing indebtedness.

Optional Redemption	At any time and from time to time on or after July 23, 2021, the Company may at its option redeem the Notes, in whole or in part, at the redemption price as set forth in "Description of the Notes — Optional Redemption" plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time prior to July 23, 2021, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes, plus the Applicable Premium as of, and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to July 23, 2021, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 110.875% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date.
Repurchase of Notes Upon a Change of Control Triggering Event	Not later than 30 days following a Change of Control Triggering Event, the Company will make an offer to purchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of repurchase.
Additional Amounts	All payments on the Notes or under the Subsidiary Guarantees or the JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a successor of the Company or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes or any jurisdiction from or through which payment is made (or any political subdivision or taxing authority thereof or therein), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. Subject to certain exceptions and as more fully described herein, in the event that any such withholding or deduction is so required, the Company, a successor of the Company or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such Additional Amounts as will result in receipt of such amounts as would have been received by the holder of each Note had no such withholding or deduction been required. See "Description of the Notes — Additional Amounts."
Redemption for Taxation Reasons	Subject to certain exceptions and as more fully described herein, the Company may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date of redemption, if the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor would be obligated to pay certain Additional Amounts as a result of certain changes in specified tax laws or other circumstances. See "Description of the Notes — Redemption for Tax Reasons."

Covenants	The Notes, the Indenture and the Subsidiary Guarantees will limit the Company's ability and the ability of its Restricted Subsidiaries to, among other things: • incur additional Indebtedness and issue preferred stock; • make investments or other Restricted Payments; • guarantee Indebtedness; • enter into certain transactions with affiliates; • create Liens; • enter into Sale and Leaseback Transactions; • sell assets; • enter into agreements that restrict the Company's Restricted Subsidiaries' ability to pay dividends; • issue and sell Capital Stock of Restricted Subsidiaries; • effect a consolidation or merger; and • engage in different business activities. All of these limitations are subject to a number of important qualifications and exceptions. See "Description of the Notes — Certain Covenants."
Ratings	The Original Notes were rated B2 by Moody's and B by Fitch and the rating is not expected to be affected by the issuance of the New Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agencies.
Transfer Restrictions	The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) will not be registered under the Securities Act or under any state securities laws of the United States. See "Transfer Restrictions."
Form, Denomination and Registration	The New Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof and will be initially represented by one or more global notes deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear or Clearstream.
Book-Entry	The New Notes will be issued in book-entry form through the facilities of Euroclear or Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see "Description of the Notes — Book-Entry; Delivery and Form".
Delivery of the New Notes	The Company expects to make delivery of the New Notes, against payment in same-day funds on or about November 13, 2019, which is expected to be the fifth business day following the date of this offering memorandum. See "Plan of Distribution."

Trustee and Common Security Trustee	Citicorp International Limited
Paying Agent, Transfer Agent and Registrar	Citibank, N.A., London Branch
Listing and Trading	The Original Notes are listed and quoted on the SGX-ST. Application will be made to the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000.
Governing Law	The New Notes, the Subsidiary Guarantees and the Indenture will be governed by and will be construed in accordance with the laws of the State of New York.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the New Notes, see "Risk Factors."

Identification Numbers for the Notes

ISIN	Common Code
XS2030334192	203033419

Summary Consolidated Financial and Other Data

The following table presents our summary financial and other data. The summary consolidated statement of profit or loss and other comprehensive income data for 2016, 2017 and 2018 and the summary consolidated statement of financial position data as of December 31, 2016, 2017 and 2018 set forth below (except for EBITDA data) have been derived from our consolidated financial statements as of and for the year ended December 31, 2017 and 2018, as audited by Grant Thornton Hong Kong Limited, included elsewhere in this offering memorandum. Our interim financial information as of and for the six months ended June 30, 2019 have been derived from our consolidated financial statements as of and for the six months ended June 30, 2019, which has been reviewed by Grant Thornton Hong Kong Limited, Certified Public Accountants, and are included elsewhere in this offering memorandum. Our financial results for any past period are not, and should not be taken as, an indication of our performance, financial position or results of operations in future periods. Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income and Other Financial Data

	For the year ended December 31,				For the six months ended June 30,		
	2016	2017	2018		2018	2019	
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(US$ in thousands) (unaudited)	(RMB in thousands) (unaudited)	(RMB in thousands) (unaudited)	(US$ in thousands) (unaudited)
Revenue	17,771,517	32,779,347	38,704,967	5,638,014	15,027,788	20,105,995	2,928,768
Cost of sales	(15,459,546)	(23,845,129)	(27,576,209)	(4,016,928)	(10,291,313)	(13,398,448)	(1,951,704)
Gross profit	2,311,971	8,934,218	11,128,758	1,621,086	4,736,475	6,707,547	977,064
Other gains and (losses), net	(560,512)	(123,454)	(638,696)	(93,037)	115,704	(314,136)	(45,759)
Net gain on deemed disposal of subsidiaries	—	—	2,912,593	424,267	1,994,891	979,449	142,673
Selling and marketing costs	(842,695)	(896,012)	(1,262,466)	(183,899)	(361,269)	(730,644)	(106,430)
Administrative expenses	(1,745,262)	(2,501,232)	(2,601,078)	(378,890)	(1,402,041)	(1,323,494)	(192,789)
Fair value gain on investment properties	4,161,371	2,088,849	212,374	30,936	134,806	390,345	56,860
Fair value loss on financial derivatives	(21,500)	(969,204)	—	—	—	—	—
Loss on step acquisition of a subsidiary	—	(146,258)	—	—	—	—	—
Operating profit	3,303,373	6,386,907	9,751,485	1,420,464	5,218,566	5,709,067	831,619
Share of results of associates	(40,578)	31,685	239,913	34,947	(55,223)	(63,182)	(9,203)
Share of results of joint ventures	8,223	37	(48,726)	(7,098)	33,234	(122)	(18)
Finance (costs)/income, net	(2,120,366)	247,798	(2,170,787)	(316,211)	(623,956)	(353,639)	(51,513)
Gain on extinguishment of financial liabilities	716,143	—	—	—	—	—	—
Profit before income tax	1,866,795	6,666,427	7,771,885	1,132,103	4,572,621	5,292,124	770,885
Income tax expenses	(2,214,306)	(3,622,579)	(4,477,629)	(652,240)	(2,340,530)	(2,514,984)	(366,349)
(Loss)/profit for the year/period	(347,511)	3,043,848	3,294,256	479,862	2,232,091	2,777,140	404,536

	For the year ended December 31,				For the six months ended June 30,		
	2016	2017	2018		2018	2019	
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(US$ in thousands) (unaudited)	(RMB in thousands) (unaudited)	(RMB in thousands) (unaudited)	(US$ in thousands) (unaudited)
Other comprehensive (loss)/income, including reclassification adjustments							
Items that may be reclassified subsequently to profit or loss							
Changes in fair value of available-for-sale financial assets, net of tax	(210)	—	—	—	—	—	—
Exchange differences on translation of foreign operations	—	(6,387)	6,641	967	13,516	(31,692)	(4,616)
Other comprehensive (loss)/income for the year/period, including reclassification adjustments	(210)	(6,387)	6,641	967	13,516	(31,692)	(4,616)
Total comprehensive (loss)/income for the year/period	(347,721)	3,037,461	3,300,897	480,830	2,245,607	2,745,448	399,920
(Loss)/profit for the year/period attributable to:							
Owners of the Company	(612,380)	3,284,889	2,750,206	400,613	1,704,082	2,837,222	413,288
Non-controlling interests	264,869	(241,041)	544,050	79,250	528,009	(60,082)	(8,752)
	(347,511)	3,043,848	3,294,256	479,862	2,232,091	2,777,140	404,536
Total comprehensive (loss)/ income attributable to:							
Owners of the Company	(612,590)	3,283,297	2,734,394	398,309	1,712,587	2,822,823	411,191
Non-controlling interests	264,869	(245,836)	566,503	82,520	533,020	(77,375)	(11,271)
	(347,721)	3,037,461	3,300,897	480,830	2,245,607	2,745,448	399,920
Other Financial Data							
EBITDA(1)	2,904,215	9,918,282	15,123,772	2,203,026	6,980,976	8,129,366	1,184,176
EBITDA margin(2)	16.3%	30.3%	39.1%	39.1%	46.5%	40.4%	40.4%

(1) *EBITDA for any period consists of profit or loss for the period, changes in fair value of investment properties, changes in fair value of financial derivatives, net fair value change on financial assets at fair value through profit or loss ("FVTPL"), waiver of other payables, net gain on repurchase of senior notes, net finance cost (excluding net exchange gains/losses), net exchange gains/losses, impairment loss on interest in an associate, provisions for expected credit loss, capitalized interest charged to cost of sales, income tax expense, depreciation, amortization of intangible assets, amortization of land use rights, share-based payments and write down of completed properties held for sale, provisions for properties under development, write off of intangible assets, gain on disposal of financial assets at FVTPL, loss on disposal of investment properties, loss on disposal of deposits for land acquisitions and (gain) loss on disposal of property, plant and equipment. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our profit or loss for the year under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein is calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes, in particular, EBITDA as presented herein does not exclude EBITDA of our Unrestricted Subsidiaries or EBITDA of our PRC subsidiaries, which cannot freely distribute dividends. Interest expense excludes amounts capitalized. See the sections entitled "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indentures governing the Notes.*

(2) *EBITDA margin is calculated by dividing EBITDA by revenue.*

Summary Consolidated Statement of Financial Position Data

	As of December 31,				As of June 30,	
	2016	2017	2018		2019	
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(US$ in thousands) (unaudited)	(RMB in thousands) (unaudited)	(US$ in thousands) (unaudited)
Assets						
Non-current assets	34,602,673	53,558,098	65,915,004	9,601,603	78,178,416	11,387,970
Current assets	131,219,294	159,830,069	163,113,036	23,760,093	180,835,030	26,341,592
Total assets	165,821,967	213,388,167	229,028,040	33,361,696	259,013,446	37,729,562
Equity and Liabilities						
Non-current liabilities	83,977,948	93,515,966	96,278,821	14,024,592	98,830,079	14,396,224
Current liabilities	58,797,620	89,874,051	96,409,907	14,043,686	115,304,660	16,796,017
Total liabilities	142,775,568	183,390,017	192,688,728	28,068,278	214,134,739	31,192,241
Total equity	23,046,399	29,998,150	36,339,312	5,293,418	44,878,707	6,537,321
Total equity and liabilities	165,821,967	213,388,167	229,028,040	33,361,696	259,013,446	37,729,562

You should carefully consider the risks and uncertainties described below and other information contained in this offering memorandum before making an investment decision. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operations. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the New Notes, and you could lose all or part of your investment.

Risks Relating to the Business

We are heavily dependent on the performance of the PRC real estate market, particularly in the Pearl River Delta region

Our business and prospects depend on the performance of the real estate market in China and, in particular, in the Pearl River Delta region. Any real estate market downturn in China generally or, in particular, in the Pearl River Delta region and other cities and regions where we operate, could adversely affect our business, results of operations and financial condition. As of June 30, 2019, the total GFA of our land bank was 25.8 million sq.m., 14.1 million sq.m. were located in the Pearl River Delta region, 3.0 million sq.m. were located in the Western China region, 2.4 million sq.m. were located in the Central China region, 2.1 million sq.m. were located in the Yangtze River Delta region, 4.1 million sq.m. were located in the Pan-Bohai Bay Rim, and 0.1 million sq.m. were located in Hainan. We also intend to enter into other regions and cities in China. We cannot assure you that the demand for new properties in the Pearl River Delta region and other regions and cities in China where we 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 the Pearl River Delta region and other cities and regions of China where we operate or intend to expand. Any such over-supply or economic downturn may result in a slow down in property sales or downward pressure on property prices regionally or nationwide. Any adverse development in the real estate market in the Pearl River Delta region or other regions and cities in China where we operate or 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 governmental 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 the 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, 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, 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. In recent years, the PRC Government has 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 a certain prescribed percentage; and
- restricting PRC commercial banks from granting loans to property developers for the purpose of paying land grant premiums.

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 business tax 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;
- imposing a 20.0% individual income tax on the gain from the sale of second-hand properties; and
- limiting the availability of individual housing provident fund loans for the purchase of second (or more) residential properties by employees and their family members.

The PRC government has also in recent years announced a series of other measures designed to stabilize the growth of the PRC economy and to stabilize the growth of specific sectors, including the property market, to a more sustainable level. In particular, since the second half of 2016, the local governments in certain cities including without limitation Shenzhen, Guangzhou, Foshan, Dongguan, Huizhou, Zhuhai, Chengdu, Qingdao, Changsha, Wuhan, Changzhou, Shanghai, Suzhou, Hangzhou and Nanjing, where we have property projects, have issued new property market control policies, including restoring or strengthening the restriction on purchases of residential properties and tightening credit policy. From time to time, local governments may adopt more stringent policies to regulate the property market. For instance, Shanghai has recently launched a new campaign to clamp down on so-called commercial-title apartments by which the approval of all new commercial-title apartment projects is to be suspended, while the construction and sale of commercial and office projects will be strictly regulated. Property developers will be required to rectify any unsanctioned modifications to their original designs before the release of the commercial and office projects. We cannot assure you that our projects in Shanghai will not be affected by such new policy. Other political, economic and social factors may also lead to further adjustments and changes of such policies. In August 2018, the Urban Planning, Land & Resources Commission of Shenzhen Municipality issued a circular which required that since July 31, 2018, commercial apartments shall be only for rent and cannot be sold and change of usage is prohibited, subject to limited exceptions. We cannot assure you that the PRC government, local governments or other regulatory bodies will not impose restrictions or 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. Moreover, the geographical concentration of our property development projects in Pearl River Delta Region makes us vulnerable to regional policy changes. 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 prospects, results of operations and financial condition may be materially and adversely affected. For more information on the governmental regulation, policies and measures, see "Regulations."

See "— Risks Relating to the Real Estate Industry in China — The PRC government may adopt further measures to slow down growth in the property sector" for more risks and uncertainties relating to the extensive PRC regulations.

We may not always be able to obtain land reserves at a commercially acceptable cost, or at all, that are suitable for development

We derive our revenue principally from the sale of properties that we have developed. Therefore, we must maintain or increase our land reserves in strategic locations at an appropriate pace in order to ensure sustainable business growth. Our ability to identify and acquire suitable development sites is subject to a number of factors, some of which are beyond our control.

The supply of substantially all of the land in China is controlled by the PRC government. The land supply policies adopted by the PRC government directly impact our ability to acquire land use rights for development and our costs of such acquisitions. In recent years, the PRC central and local governments have implemented various measures to regulate the means by which property developers may obtain land. The PRC government also controls land supply through zoning, land usage regulations and other means. All these measures further intensify the competition for land in

China among property developers. The implementation of these regulations may increase land transfer prices and require property developers to maintain a higher level of working capital. See "Regulations — Land for Property Development" for information on the regulatory procedures and restrictions relating to land acquisition in PRC.

In addition, we cannot assure you that the parcels of land we have acquired to date will appreciate in value, or that we will continue to be able to acquire land of sufficient size and with an appropriate scope of usage in desirable locations at a commercially acceptable cost, or at all. If we fail to acquire sufficient land reserves in a timely manner and on acceptable terms, or at all, our business, results of operations, financial condition and prospects may be materially and adversely affected.

We may not always be able to obtain land use rights certificates with respect to certain parcels of land in connection with which we have entered into various contractual arrangements

We may not always be able to obtain land use rights certificates with respect to certain parcels of land. We have entered into various land grant contracts with the PRC government. As of June 30, 2019, the deposits paid in respect of the abovementioned parcels of land totalled approximately RMB21,791.1 million (US$3,174.2 million). We have not obtained the land use rights certificates with respect to these parcels of land. We cannot assure you that the relevant PRC government authorities will grant us the appropriate land use rights or issue the relevant land use rights certificates in respect of these parcels of land or in respect of other land we may contract to acquire in the future, in a timely manner, or at all. Nor can we assure you that our contractual arrangements will eventually result in our acquisition of any land use rights. As these contractual arrangements are subject to various government approvals that involve relatively complex procedures, it is not uncommon to take years to complete the acquisition of the underlying land, if at all. If we fail to obtain, or experience material delay in obtaining, the land use rights certificates with respect to any parcels of land we have contracted or may contract to acquire in the future, in a timely manner, or at all, our business, results of operations and financial condition may be materially and adversely affected. Furthermore, as of June 30, 2019, our total contracted commitment for property development expenditures was approximately RMB45,929.7 million (US$6,690.4 million). We cannot assure you that the transactions as contemplated in the relevant agreement can be completed, any refund of our prepayments will be provided in a timely manner or at all. In addition, we have not yet obtained land use rights certificates or property ownership certificates for certain of our properties mainly for water-way transportation business and we also lease certain land and buildings mainly for football training purposes from third parties who have not provided the relevant land use rights or property ownership certificates. There can be no assurance that the use of such properties will not be challenged as a result of the properties' title defects. If we fail to complete the acquisition of the underlying land and obtain land use rights certificates, to obtain refunds or our use of properties are challenged, our financial condition, cash flow and results of operations and business may be materially and adversely affected.

Our acquisition of companies holding land use rights may be unsuccessful and our acquisition agreements may not provide us with sufficient protection against potential liability

We intend to continue to acquire the controlling equity interests in companies holding land use rights as a means of expanding our business and land bank. However, we may face strong competition during the acquisition process and we may not be successful in selecting or valuing target companies or their land appropriately. As a result, we may be unable to complete such acquisitions at reasonable cost, or at all. In addition, we may have to allocate additional capital and human resources to integrate the acquired business into our operations. We also cannot assure you that the integration of any acquired company will be successfully completed within a reasonable period of time, or at all, or that it will generate the economic benefit that we expected.

We experienced net cash outflows from operating activities in the past and maintain a significant amount of indebtedness, which may materially and adversely affect our liquidity and our ability to service our indebtedness

We had a net cash inflows/(outflows) from operating activities of RMB8,771.5 million, (RMB3,431.2 million), RMB10,599.2 million (US$1,543.9 million) and (RMB6,093.9 million) (US$887.7 million) in 2016, 2017, 2018 and the six months ended June 30, 2019, respectively. We maintain a significant amount of indebtedness to finance our operations. As of December 31, 2016, 2017 and 2018 and June 30, 2019, our total borrowings were RMB87,536.8 million, RMB111,173.2 million, RMB108,766.0 million (US$15,843.6 million) and RMB115,538.2 million (US$16,830.0 million), respectively. Our gearing ratio (total borrowings less cash and bank balances, bank deposits and restricted cash divided by total equity) was approximately 307.9%, 300.0%, 236.2% and 190.6%, respectively, as of December 31, 2016, 2017, 2018 and June

30, 2019. Of our total outstanding borrowings of RMB115,538.2 million (US$16,830.0 million) as of June 30, 2019, RMB22,446.5 million (US$3,269.7 million) was repayable within 12 months and RMB93,091.7 million (US$13,560.3 million) was repayable in more than one year. Furthermore, our leverage, measured by net debt to adjusted inventory, may remain high.

Our cash flow and results of operations of our operating subsidiaries will affect our liquidity and our ability to service our indebtedness. Furthermore, our high debt leverage could limit our ability to satisfy our obligations under the Existing Notes, the Notes and other debts. We cannot assure you that we will not experience negative operating cash flow in the future, or will be able to continue to generate and maintain sufficient cash flow to service our indebtedness. If we are unable to make scheduled payments in connection with our debts and other fixed payment obligations as they become due, we may need to refinance such obligations, obtain additional financing or default on our obligations. Furthermore, the Existing Notes, the Notes and some of our bank loans contain cross default provisions under which default in one of them could trigger a default on other Existing Notes, Notes or bank loans as well. We cannot assure you that our refinancing efforts would be successful or timely or that we could secure additional financing on acceptable terms, or at all. If we fail to maintain sufficient cash flow to service our indebtedness or our refinancing efforts are unsuccessful, our liquidity, business, and financial condition will be materially and adversely affected.

In addition to borrowings, we rely on proceeds from the pre-sale of residential properties as a major source of funding for our property development activities. If our pre-sales are limited or reduced for any reason, including policy or regulatory changes, a reduction in demand for or in the prices of our properties, or an increase in the time required to complete sales, we could experience cash flow shortfalls and difficulties in funding our property development activities and servicing our indebtedness. For example, during the period from December 2014 to July 2016, Shenzhen Urban Planning and Land and Resources Commission blocked a number of our property projects from processing and filing sale and purchase agreements. See "— Our business is subject to extensive governmental regulation and, in particular, we are susceptible to policy changes in the PRC property sector." The blockages disrupted our cash flows and resulted in our failure to pay the interests under our various debts at the time. Standard & Poor's Ratings Services and Moody's Investors Service downgraded and subsequently withdrew our credit ratings after our cash flows were disrupted by the blockages. See "— We may not have adequate financing to fund our land acquisitions and property projects" for details. In addition, in connection with the blockages, some of our onshore creditors filed applications with PRC courts for preservation of our assets. We started our Debt Restructuring in light of the liquidity situation caused by the blockages. The Debt Restructuring was effected on July 21, 2016. See "Description of Material Indebtedness and Other Obligations — Debt Restructuring". Although the blockages have been removed and the preservation of our assets in connection with the blockages has been lifted as of the date of this offering memorandum, we cannot assure you that we will not experience similar incidents in the future. In addition, if our onshore creditors choose to enforce share pledges in connection with our onshore borrowings, we may lose control or ownership of our PRC subsidiaries.

We may not have adequate financing to fund our land acquisitions and property projects

Property development is capital intensive. We finance our property projects primarily through a combination of internal funds, construction loans, proceeds from pre-sales, capital markets activities and other methods of financing. As of June 30, 2019, our total borrowings amounted to RMB115,538.2 million (US$16,830.0 million). Our ability to procure adequate and suitable financing for acquisitions of land and/or companies holding land use rights for property developments depends on a number of factors some of which are beyond our control, including general economic conditions, our financial strength and performance, credit availability from financial institutions, cost of borrowing and monetary policies in China.

Various PRC regulations restrict our ability to raise capital through external financing and other methods, including without limitation, the following:

- We cannot pre-sell uncompleted units in a project prior to achieving certain development milestones;
- PRC banks are prohibited from extending loans to real estate companies for the purposes of funding the purchase of land use rights;
- We cannot borrow from a PRC bank for a particular project unless we obtain the land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit for that project;
- PRC banks are restricted from granting loans for the development of luxury residential properties;

- Property developers are strictly prohibited from using the proceeds from a loan obtained from a local bank to fund property developments outside the region where that bank is located;
- PRC banks are prohibited from accepting properties that have been vacant for more than three years as collateral for loans;
- restricting the granting or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties; and
- restricting the granting or extension of revolving credit facilities to property developers that have a history of being included in land-related abuses, including misconduct related to changing the use of land, postponing construction or completion of projects or hoarding property.

In November 2009, the PRC government raised the minimum down payment to 50% of the total land premium and required the land premium to be fully paid within one year after the signing of a land contract, subject to limited exceptions. In March 2010, the PRC government further tightened this requirement by setting a minimum price for land transfers of at least 70% of the benchmark price for land in the surrounding locality and requiring a bidding deposit of at least 20% of the applicable minimum land transfer price. Additionally, a land grant contract must be entered into within 10 working days of closing and the 50% down payment (taking into account any deposits previously paid) paid within one month of signing the land grant contract, with the balance to be paid in full within one year of the contract date in accordance with provisions of such contract, subject to limited exceptions. In April 2017, the PRC government required that the examination system of land acquisition capital should be adopted by local authorities to ensure that property developers are acquiring land with internal funds.

These government actions and policy initiatives limit our ability to use bank loans to finance our acquisitions and property development projects. The PRC government, moreover, could introduce other initiatives which may further limit our access to capital, and consequently limit our ability to obtain bank loans, the net proceeds from this offering or other forms of financing. On June 27, 2018, NDRC emphasized in a post on its website that the proceeds from bond offerings offshore by PRC property enterprises shall be mainly used for repayments of the debts due and shall be restricted from being used for investments in property projects within or outside China or working capital. On July 12, 2019, NDRC published a Notice on Requirements for Foreign Debt Registration Application by Real Estate Enterprises (《關於對房地產企業發行外債申請備案登記有關要求的通知》) on its website which imposes more restrictions on the use of proceeds of foreign debts incurred by real estate developers. According to the notice, the use of proceeds of foreign debt incurred by a real estate developer is limited to refinancing its medium to long term offshore debts which will become due within one year, and the real estate developer is required to specify in the documents for application of foreign debt registration with NDRC the details of such medium to long term offshore debts to be refinanced, such as amount, maturity date and whether such medium to long term offshore debts were registered with NDRC. The real estate developer is also required to submit a commitment letter to NDRC regarding the authenticity of its foreign debt issuance. Failure to comply with these restrictions, the real estate developer may be blacklisted and prevented from obtaining foreign debt registrations in the future. If we fail to secure adequate financing or renew our existing credit facilities prior to their expiration, or if the PRC government adopts further restrictive credit policies in the future, our business, results of operations and financial condition may be materially and adversely affected.

In addition, our ability to obtain adequate financing may be affected by our lack of credit ratings from internationally recognized rating agencies. In January 2015, Standard & Poor's Ratings Services lowered its corporate rating on us to SD from BB- with a negative outlook, and Moody's Investors Service lowered its corporate credit rating on us to Ca from B3 with a negative outlook. In March 2015, Standard & Poor's Ratings Services further downgraded its corporate rating on us to D from SD. In June 2015, Standard & Poor's Ratings Services discontinued its corporate rating on us and Moody's Investors Service withdrew its corporate rating in August 2015. Without credit ratings from internationally recognized rating agencies, we may not be able to obtain adequate financings at commercially acceptable costs, or at all.

Our LAT provisions and prepayments 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 commercial properties. It is not clear whether the residential portion of our mixed residential and commercial developments will be eligible for the exemption available to ordinary residential properties. The State Administration of (“SAT”) Taxation 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. On May 19, 2010, the SAT issued the Circular on Issues Concerning Settlement of Land Appreciation Tax (《關於土地增值稅清算有關問題的通知》) to clarify and strengthen the settlement of LAT. Furthermore, on May 25, 2010, the SAT issued the Notice on Strengthening the Collection of Land Appreciation Tax (《關於加強土地增值稅徵管工作的通知》), which requires that the minimum LAT prepayment rate shall be 2% for provinces in the eastern region, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region.

We have been prepaying LAT in respect of our pre-sale proceeds since a prepayment obligation was imposed in 2004. In addition, we also make provision for the estimated amount of LAT that may be payable in respect of our other sales. We made LAT provisions of RMB493.8 million, RMB1,611.4 million, RMB2,505.5 million (US$365.0 million) and RMB1,344.7 million (US$195.9 million) for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively. LAT provisions are recorded as a part of “income taxes payable” on our consolidated statement of financial position. 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 cash flow, results of operations and financial condition may be materially and adversely affected. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Key Factors Affecting our Results of Operations — LAT.”

The transition from business tax to value-added tax may adversely affect our business, results of operations and financial condition

The PRC Government has been progressively implementing the pilot reform for the transition from business tax to value-added tax in certain regions and industries from 2012. Pursuant to the Notice on the Full Implementation of Pilot Program for Transition from Business Tax to Value-Added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) and the Implementing Measures for the Pilot Program for Transition from Business Tax to Value-added Tax (《營業稅改徵增值稅試點實施辦法》) issued by the Ministry of Finance (“MOF”) and SAT on March 23, 2016. On May 1, 2016, the “transitioning from business tax to value-added tax” scheme became effective.

Changes in the scope of taxation affect, to a certain extent, our tax burden. We have only recently become subject to the value-added tax regime. We expect the scheme will not materially affect our net profit or cash flow but may negatively affect our revenue and costs. At the same time, we are required to re-formulate our business and financial management procedures and adjust our accounting and audit treatment as well as tax system in order to comply with such scheme. The scheme also imposes stricter requirements on contractors and suppliers. In addition, the PRC Government may further supplement and amend relevant policies and rules, and different interpretations may be applied in implementing these policies and rules. As a result, uncertainties remain as to the tax treatment of our income and expenses under the new value-added tax regime. As of the date of this offering memorandum, we have been conducting ongoing assessment on the impact on our tax burden and profitability caused by the transition from business tax to value-added tax. We cannot assure you that the transition from business tax to value-added tax will not have an adverse impact on our business, results of operations and financial condition.

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

Our business is sensitive to national and local economic conditions in the markets where we operate or may operate in the future, including GDP growth, inflation, interest rates, availability of and access to capital markets, consumer spending rates, and the effects of governmental initiatives to manage economic conditions. Such economic conditions are closely related to global economic conditions and any disadvantageous changes in global economy could adversely affect China's economic conditions and in turn our business.

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. 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. On August 6, 2011, Standard and Poor's Ratings Services ("S&P") downgraded the rating for long-term United States debt to "AA+" from "AAA" for the first time in 70 years. The downgrade of United States debt by S&P, coupled with the economic turmoil in Europe and other parts of the world could lead to another global economic downturn and financial market crisis. In addition, in the wake of a referendum in the United Kingdom in June 2016, in which the majority of voters voted in favor of an exit from the European Union ("Brexit"), there was an increase in volatility in the global financial markets. So far, negotiations between the United Kingdom and the European Union have yielded no agreement. With the impending Brexit date of October 31, 2019, it is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the United Kingdom, the European Union and globally.

Any global economic slowdown and financial market turmoil may have adversely affect, 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. China's economic growth may slow due to weakened exports and nationwide structural reforms as well as recent developments surrounding the trade-war with the United States. In 2018, the United States government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on various categories of imports from China, and China responded with similarly sized tariffs on U.S. products in retaliation. The trade war escalated in May 2019, when the United States increased tariffs on US$200 billion worth of Chinese products from 10% to 25%, and China increased tariffs on US$60 billion worth of U.S. goods in response. Moreover, since May 2019, the United States has banned six Chinese technology firms from exporting certain sensitive U.S. goods. In August 2019, the U.S. Treasury declared China a currency manipulator. On September 1, 2019, the U.S. implemented further tariffs on more than US$125 billion worth of Chinese goods. On September 2, 2019, China lodged a complaint in the World Trade Organization against the U.S. over the import tariffs. The rhetoric surrounding the trade war has continued to escalate, and trade negotiations between the two governments, even though ongoing, have not yielded breakthroughs. The amicable resolution of the trade war remains elusive, and the lasting impact it may have on China's economy and the PRC real estate industry remains uncertain. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity. Therefore, if the global economic slowdown or the financial markets crisis continue, our business, financial condition and results of operations may be negatively affected.

We may be adversely affected by the performance of third-party contractors

We engage third-party contractors to provide various services, including design, pile setting, foundation digging, construction, equipment installation, interior decoration, electromechanical engineering, pipeline engineering and elevator installation. Our principal independent third-party contractors carry out property construction and subcontract various works to independent third-party subcontractors. We endeavor to employ construction contractors with good reputations, strong track records, and adequate financial resources. We also adopt and follow our own quality control procedures and routinely monitor works performed by third-party contractors. However, we cannot assure you that any third-party contractor will provide services that satisfy our required standard of quality. If the performance of any third-party contractor is not satisfactory, we may need to replace that contractor or take other remedial actions, which could increase the cost and lengthen the time required to complete the work and the whole project. In addition, we are expanding our business into other regional markets in China, and there may be a shortage of contractors that meet our quality requirements in such markets. Moreover, contractors may undertake projects for other developers, engage in risky or unsound practices or encounter financial or other difficulties, which may affect their ability to complete their work for us on time or within budget. Any of the above factors could have a material and adverse effect on our reputation, business, results of operations and financial condition.

We may not be able to effectively manage our expansion and growth

We have historically focused on developing properties in the Pearl River Delta region. We have expanded into other regions and plan to further explore other promising markets in China. Our expansion is based on our forward-looking assessment of market prospects. We cannot assure you that our assessments will turn out to be accurate. In addition, to succeed with our business expansion, we will need to recruit and train new managers and other employees and build our operations and reputation in our target regional markets within a relatively short period of time. We have limited knowledge of the conditions of these local property markets and little or no experience in property development in these regions. As we enter into new markets, we may not have the same level of familiarity with contractors, business practices and customs and customer tastes, behavior and preferences as compared to the cities where we are an established property developer. In addition, when we enter into new geographical areas, we may face intense competition from developers with an established presence and market share in those areas. Therefore, we cannot assure you that we can execute successfully our contemplated expansion plan or that we will succeed in effectively integrating our expanded operations, or that our expanded operations will generate adequate returns on our investments or positive operating cash flows. Furthermore, our business expansion may place a substantial strain on our managerial and financial resources and any failure in effectively managing our expanded operations may materially and adversely affect our business, results of operations, financial condition and prospects.

We may not be able to effectively diversify our business

We have been seeking to diversify our business. We currently operate four hotels in Shenzhen, two hotels in Huizhou, one in Liaoyang and one hotel in Suizhong, and intend to launch a few new hotels under our own brands "Kare (可域酒店)" and "Orientino Hotels (鉑域酒店)" in the near future. We also engage in cinema, department store and cultural center operations. In November 2016, we acquired 21.7% equity interest in Kaisa Health Group Holdings Limited (formerly known as Mega Medical Technology Limited), a Hong Kong Stock Exchange listed company engaging in supply of dental equipment and consumables, and became its largest shareholder. In 2017, we further increased our equity interest in Kaisa Health Group Holdings Limited to 41.24% through its rights issue. In July 2017, we acquired 17.7% equity interest in Nam Tai Property Inc., company principally engaged in real estate development and management in Shenzhen and listed on the NYSE under the symbol NTP to explore market opportunity in high-tech industry property.

In September 2017, we acquired 21.25% equity interest in Guangdong Mingjia Lianhe Mobile Technology Co. Ltd., a company principally engaged in internet marketing and listed on the Shenzhen Stock Exchange under the stock code 300242) to leverage Mingjia Lianhe's mobile internet marketing as an entrance to facilitate our Group's integration of various resources, and upgrade our existing businesses to give full play to their potential.

In November 2017, we acquired 18.57% of equity interest in Zhenxing Biopharmaceutical & Chemical Co., Ltd., a company principally engaged in production and sales of blood products and listed on the Shenzhen Stock Exchange under the stock code 403. The acquisition will serve us with opportunity for entering the biopharmaceuticals sector.

See "Business — Our Business Strategies." We cannot assure you that we will be able to leverage our past experience in the property development industry in expanding into these industries. We may be exposed to considerable reputational and financial risks if these operations are mismanaged or do not meet the expectations of our customers. If we fail in our efforts to diversify our business, there may have a material adverse effect on our reputation generally, and our business, results of operations, financial condition and prospects may be materially and adversely affected.

The fair value of our investment properties is likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely impact our profitability

We are required to reassess the fair value of our investment properties as of the end of each reporting date. In accordance with HKFRS, gains or losses (as applicable) arising from changes in the fair value of our investment properties should be recognised in profit or loss in the period in which they arise. Our investment properties were revalued by an independent property valuer as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively. In making the judgement, consideration is given to assumptions that are mainly based on market conditions existing at the reporting date. We recognize and measure our investment properties on our consolidated statement of financial position at fair value with changes in fair value being recognized in our consolidated profit or loss. For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, the fair value gains on our investment properties were RMB4,161.4 million, RMB2,088.8 million, RMB212.4 million (US$30.9 million) and RMB390.3 million (US$56.9 million), respectively.

Fair value gains or losses do not, however, change our cash position as long as the relevant investment properties are held by us, and accordingly do not increase our liquidity in spite of the increased profit represented by any fair value gains. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. Macroeconomic factors, including economic growth rate, interest rate, inflation rate, urbanization rate and disposable income level, in addition to any government regulations, can substantially affect the fair value of our investment properties and affect the supply and demand in the PRC property market. All these factors are beyond our control and we cannot assure you that changes in market conditions will continue to create fair value gains on our investment properties at the historical levels, or at all, or that the fair value of our investment properties will not decrease in the future. If the fair value of our investment properties declines, our profitability would be materially and adversely affected.

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

We generally 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. It generally takes six months to one year after we deliver possession of the relevant property to the purchaser for our guarantee to be released. 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, 2016, 2017 and 2018 and June 30, 2019, our outstanding financial guarantees for the mortgage loans of our customers amounted to RMB21,843.2 million, RMB30,094.9 million and RMB30,587.4 million and RMB33,077.1 million (US$4,818.2 million), respectively. If a purchaser defaults under the mortgage loan and the mortgagee bank calls on our relevant guarantee after it deals with the relevant property through a default auction, we are required to repay the outstanding amount owed by the purchaser to the mortgagee bank under the mortgage loan. In 2016, 2017, 2018 and the six months ended June 30, 2019, we did not experience any instances where we had to honor our guarantee obligations as a result of a failure by our customers to repay their mortgage loans. If we are required to honor our guarantees, our results of operations and financial position may be materially and adversely affected.

We may suffer certain losses not covered by insurance

We do not carry comprehensive insurance against all potential losses or damages with respect to our properties before their delivery to customers nor do we maintain insurance coverage against liability from tortious acts, property damage or personal injury relating to the construction and maintenance of our properties. Although we expect our third-party construction companies to maintain appropriate insurance coverage, we cannot assure you that their insurance would cover or be sufficient to satisfy all claims, or that we would not be sued or held liable for damages notwithstanding their insurance coverage. Moreover, there are certain losses for which insurance is not available on commercially practicable terms in China, such as losses suffered due to earthquake, typhoon, flooding, war and civil disorder. If we suffer from any losses, damages or liabilities in the course of our business, we may not have sufficient financial resources to cover such losses, damages or liabilities or to satisfy our related obligations. Any payment we make to cover any losses, damages or liabilities may have a material and adverse effect on our business, results of operations and financial condition.

We may not be able to complete our projects according to schedule or on budget

A property development project requires substantial capital expenditures prior to and during the construction period, and it may take over a year before a development generates positive cash flow through pre-sales or sales. The progress of, and costs for, a development project can be adversely affected by many factors, including, without limitation:

- changes in market conditions, an economic downturn or a decline in consumer confidence;
- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;
- relocation of existing residents and demolition of existing structures;
- increases in the market prices of raw materials if we cannot pass on the increased costs to customers;
- shortages of materials, equipment, contractors and skilled labor;
- latent soil or subsurface conditions and latent environmental damage requiring remediation;
- unforeseen engineering, design, environmental or geographic problems;

- labor disputes;
- construction accidents;
- natural disasters;
- adverse weather conditions;
- changes in government practices and policies, including reclamation of land for public works or facilities; and
- other unforeseen problems or circumstances.

Our property projects are at risk from earthquakes, floods and other natural disasters in the regions where we operate. Damage to any of our properties or impact on the markets, whether by natural disasters or otherwise, may either delay or preclude our ability to develop and sell our properties or adversely affect our budget for the projects. See "— We may be adversely affected by fluctuations in the global economy and financial markets" and "— The national and regional economies in China and our business may be adversely affected by natural disasters or other catastrophic events." In 2016, 2017 and 2018, we experienced delays in completion or delivery of our certain projects, namely phase I of Shanghai Kaisa Mansion No. 8 and Qingdao Kaisa Lake View Place, which are substantially delivered as of the date of this offering memorandum. We may experience additional or significant delays in completion or delivery of our projects in the future and we may be subject to liability for any such delays. Construction delays or failure to complete construction of a project according to its planned specifications, schedule or budget may materially and adversely affect our reputation, business, results of operations and financial condition.

We have in the past had significant lapses in our internal controls. If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately or timely report our results of operations or prevent fraud, which may adversely affect our business and results of operations

As stated in the Company's announcement on the Hong Kong Stock Exchange ("HKEx") dated July 15, 2016, our former auditor, PricewaterhouseCoopers ("PwC"), who tendered its resignation as the auditor of the Company with effect on June 24, 2016, communicated in February 2015 to our Board of Directors certain issues ("Significant Reporting Matters") identified during the course of its audit of our 2014 consolidated financial statements and recommended our Board of Directors to form an independent investigation on such issues. The Significant Reporting Matters identified by PwC included: (a) identification of certain newly uncovered agreements and the authenticity of the Company's accounting records, (b) identification of unexplained cash payments and receipts, (c) re-purchases, sales, cancellation of sales, and purchases of properties under development, completed properties held for sale in bulk and proposed development project with alleged third parties, (d) disposal of subsidiaries located in Dongguan and Huizhou to alleged third parties, (e) re-designation of advance proceeds received to other payables and (f) the blockage of certain property projects. Further details are set out in the Company's announcement on the HKEx dated July 15, 2016. To address the Significant Reporting Matters, an independent committee was subsequently established by our independent non-executive directors for the purpose of reviewing our financial statements.

FTI Accounting and Advisory Services Ltd ("FTI") was then engaged to conduct a forensic examination of our financial information. In October 2016, FTI issued its findings in a report and the Company disclosed the key findings and the key limitations on the work performed by FTI in its announcement on the HKEx dated December 19, 2016. According to the findings of the FTI's investigation, (1) certain former employees of the Company (the "Former Employees") attempted to obscure the existence of certain borrowing agreements (the "Uncovered Borrowings") through an elaborate scheme which involved (i) the creation of fictitious agreements and documents; (ii) substantial improper and unauthorized payments; (iii) the use of fund remittance agents to disguise the true purpose of the improper and unauthorized payments; (iv) incorrect accounting treatment of the payments and the outstanding liability in the Company's accounting records and (v) collusion between multiple parties, including the Former Employees, suppliers, fund remittance agents and certain other third parties; (2) certain payment transactions, which have been approved by a number of the Former Employees, were found to have no clear business purpose and certain receipt transactions by the Company were either not properly authorized or had no identifiable business purpose, and (3) the Company acquired the equity interests in 19 project companies during the financial year of 2014, while none of these transactions was properly authorized and approved. FTI was unable to find any payments (or other types of consideration) made by the Company for the acquisition of any of these 19 project companies. FTI also identified the creation of certain fictitious agreements, which facilitated the re-designation of certain accounting entries of advance proceeds received to other payables, as opposed to debt. FTI did not identify any evidence of fraud that was involved in the blockage of property projects.

In its report, FTI highlighted that its findings were subject to key limitations, including: (1) PwC refused to meet with FTI to assist with its understanding of the Significant Reporting Matters; (2) a significant number of senior management and employees of the Company whom FTI considered to be integral to obtain a full understanding of the Significant Reporting Matters had resigned since the identification of the Significant Reporting Matters and were not available to assist with the investigation; (3) some of the documents and/or electronic records that FTI requested were no longer retained, or cannot be located or they may have been inadvertently lost or misplaced; (4) many of the third party entities which were the subject of FTI's enquiries have either been dissolved since the end of 2014, and/or they were offshore entities registered in the British Virgin Islands, whose exact ownership records are not publicly available, and, furthermore, these third parties engaged financial intermediaries or agent to transact with the Company on their behalf which obfuscated FTI's analysis of the transaction chronology and funds flows; (5) the interviewees that FTI interviewed generally had either limited or no knowledge of the relevant transactions or they were reluctant to divulge any information to substantiate their statements owing to confidentiality reasons; and (6) a large number of transactions were not supported by sufficient documentary evidence and transaction descriptions in the Company's general accounting ledgers were incomplete, inaccurate or inadequate. As a result of the limitations on the work performed by FTI, there can be no assurance that FTI's investigations uncovered all of the wrongdoings or irregularities, or that the steps we took to address the Significant Reporting Matters would have addressed other matters that could have been uncovered if such limitations did not exist, all of which could have a material and adverse effect on the Company's business, results of operations and financial condition.

Taking into account the findings of FTI's investigation, we have made prior year adjustments when we prepared our consolidated financial statements for the year ended December 31, 2014, including recording a loss of RMB482,736,000 in the Company's consolidated profit or loss for the year ended December 31, 2014. Grant Thornton Hong Kong Limited, our auditor for the financial year ended December 31, 2014, did not express an opinion on whether the consolidated financial statements for the year ended December 31, 2014 gave a true and fair view of our loss and cash flows for the year ended December 31, 2014. Grant Thornton Hong Kong Limited gave a true and fair view of the state of the affairs of the Company and the Group as at December 31, 2014 with regard to the Company's and the Group's statements of financial position in accordance with HKFRSs.

Subsequent to the FTI's investigation, GT Advisory was engaged by the Company to conduct a review of our internal controls. GT Advisory identified the following major areas of enhancements, including (1) internal audit function not being independent, (2) the whistle-blowing mechanism lacking independence and having inadequate follow-up procedures, (3) inadequate document retention procedures, (4) Company chops being applied to fictitious or unauthorized contracts, (5) certain accounting entries being made in the absence of sufficient and appropriate supporting documents, (6) certain on-line bank payments being made in the absence of sufficient and appropriate supporting documents, (7) inadequate borrowing procedure controls and lack of segregation between financing function and fund transfer function, (8) lack of guidelines governing fund remittance agents, (9) lack of clear guidelines governing transactions with significant monetary amounts or transactions not in the normal course of business, (10) inadequate functions in the office automation system in preventing errors or fraud and (11) decision making power was concentrated in the chairman of the board. We have enhanced our internal control procedures accordingly. See "Business — Internal Control" for details of enhancements we have made to our internal controls. We have also announced in detail the actions taken by us to enhance our internal controls in our announcement on the HKEx dated March 26, 2017.

There is no assurance that securities class actions or other lawsuits in relation to such Significant Reporting Matters or other accounting irregularities could be filed against the Company, its directors or its officers. Any such investigations or lawsuits may adversely affect the Company's business financial condition, results of operations and cash flows or materially harm the Company's business and reputation. Also, although we had implemented various measures to enhance our internal controls, such measures may not fully address these deficiencies in our internal control, and ineffective internal controls would significantly hinder our ability to prevent fraud. We cannot assure you that we will not experience similar incidents in the future, and any similar incidents in the future could result in inaccuracies in our financial statements, which could also impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. As a result, our business, financial condition, results of operations and prospects, as well as the trading price of our securities, may be materially and adversely affected.

We have faced negative publicity in the past and may face negative publicity in future that could lead to material adverse impacts on our business, reputation and financial conditions.

From time to time, we may face negative publicity relating to our business, financial performance, financial reporting or operations or our directors and officers. For example, certain of our directors and officers were reported in news articles in the past to have connections with PRC officials, who were investigated and found to have committed misconduct. Even when such publicity is speculative and without merit, we may be required to defend ourselves against such allegations and publicity through public announcements or legal and administrative proceedings as appropriate. However, we cannot assure you that such actions would be effective to protect our reputation, that such proceedings would result in a ruling or decision to our favor, or that the negative publicity effect would be eliminated or reduced upon a positive ruling. Such publicity could also have a range of materially adverse effects on our business and our reputation, including but not limited to our relationship with government regulators, our ability to sell our properties, our ability to raise necessary funding and ultimately our financial performance, as well as more broadly distracting our management from day-to-day operation of our business. Any such effect could adversely affect the market for our securities, including the Notes. Even if negative publicity is without merit, such publicity or resulting effects on our reputation or business could lead one or more investors to file securities class action or other lawsuits against us, or draw regulatory action, which could further harm our reputation and business. We cannot assure you that we will be able to reverse negative publicity or obtain the dismissal of any such legal actions, even if they are without merit. We will also incur costs, and it may take a long period of time, to manage such negative publicity and defend and resolve any such legal actions, and we may incur related indemnity obligations. We may need to pay damages or settle any such legal actions with a substantial amount of cash or other penalty or sanction affecting our business. The foregoing effects and financial costs could have a material adverse impact on our business, our reputation, our results of operation and cash flow.

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

We rely on and expect to continue to rely on bank and third-party loans to finance our project developments. Changes in interest rates have affected and will continue to affect our finance costs and, ultimately, our results of operations. As our bank loans are principally denominated in Renminbi, the interest rates on our loans are primarily affected by the benchmark interest rates set by the People's Bank of China ("PBOC"), which have fluctuated significantly in recent years. The PBOC benchmark one-year lending rates in the PRC as of December 31, 2016, 2017 and 2018 and June 30, 2019 were 4.35%. Any further 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 as properties under development, which will then be recognized in the consolidated profit or loss as cost of sales upon the sale of properties. Capitalized interest represented 14.1%, 16.0%, 13.0% and 15.6% of our cost of sales in 2016, 2017, 2018 and the six months ended June 30, 2019, respectively. As a result, 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.

A substantial portion of our liabilities, including our outstanding indebtedness and the interest paid thereon is denominated in U.S. dollars, while substantially all our revenues are generated by our PRC operating subsidiaries and are denominated in our functional currency, Renminbi. Because the functional currency of the Company and most of its subsidiaries is the Renminbi, the balance and certain amounts due to third parties denominated in a foreign currency such as U.S. dollars are subject to translation at each reporting date, which could materially affect our business, financial condition and results of operations. The translation of monetary liabilities denominated in foreign currencies (such as the Company's outstanding U.S. dollar indebtedness, including the Notes) are presented in its financial statements, including its profit or loss within net finance costs, such that an increase in the value of the Renminbi against the U.S. dollar would reduce U.S. dollar finance costs, while a decrease in the value of the Renminbi against the U.S. dollar would increase U.S. dollar finance costs. As such, fluctuations in the exchange rate between the Renminbi and U.S. dollars may cause us to incur foreign exchange losses and affect our financial results. Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. Since July 2005, the Renminbi has not been pegged to the U.S. dollar. In August 2015, the Renminbi experienced a substantial devaluation as a result of adjustments made by the People's

Bank of China to the reference Renminbi to U.S. dollar exchange rate. The Renminbi appreciated significantly against the U.S. dollar in 2017, which resulted in the Company experiencing net exchange gains for the year ended December 31, 2017. In 2018, the Renminbi has depreciated significantly against the U.S. dollar. Because of our substantial indebtedness denominated in U.S. dollar, any significant fluctuation in the value of the Renminbi may have a material adverse effect on our business condition and results of operations.

We may have to compensate our customers if we fail to meet all requirements for the delivery of completed properties and the issuance of property ownership certificates

According to the relevant PRC law, property developers must meet various requirements as stated below within 90 days after the delivery of property 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. Within eight months of the date of the completion certificate for a development, we must apply for a general property ownership certificate for the entire development. This involves, among other things, the submission of a number of documents, including land use rights documents, planning approvals and construction permits. 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 other documents, including the sales and purchase agreement, identification documentation for the purchaser, evidence of payment of deed tax and a copy of the general property ownership certificate issued to us. 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. In 2016, 2017, 2018 and the six months ended June 30, 2019, we paid RMB24.7 million, nil, nil and nil as compensation for delays in delivery of individual property ownership certificates, respectively. However, we cannot assure you that delays in delivery caused by us of the required property ownership certificates will not occur. Significant delays with respect to one or more of our developments may materially and adversely affect our reputation, business, results of operations and financial condition.

The PRC government may impose fines on us or take back our land if we fail to develop a property according to the terms of the land grant contract

Under PRC laws and regulations, if we fail to develop a property according to the terms of the land grant contract, including those relating to the payment of land premium, demolition and resettlement costs and other fees, the specified use of the land and the time for commencement and completion of the development, the PRC government may issue a warning, impose a penalty, and/or take back our land. Under current PRC laws and regulations, if we fail to pay any outstanding land grant premium on time, we may be subject to a late payment penalty of 0.1% of the outstanding balance for every day of delay in payment. In addition, the PRC government may impose an idle land fee equal to 20% of the land premium or allocation fees if (i) we do not commence construction for more than one year after the date specified in the relevant land grant contract, or (ii) total constructed GFA is less than one-third of the total proposed GFA for the development or the capital invested in the development is less than one-fourth of the total investment approved for the development, and the development is suspended for more than one year without governmental approval. Furthermore, the PRC government has the authority to take back the land without compensation to us, if we do not commence construction for more than two years after the date specified in the land grant contract.

In 2016, ten parcels of land for two of our property projects in Shenzhen were deemed as idle land by local land authorities, for which we have paid the required idle land fees and entered into contracts with local land authorities to extend the respective construction commencement date as stipulated in the relevant land grant contracts. In 2017, we received notices from a local government which imposed penalties on us of a total amount of RMB13.7 million in respect of our two pieces of idle land, and as of the date of this offering memorandum, we have fully paid such penalties. Furthermore, if we fail to complete the construction of our property projects within the time period as stipulated in the land grant contracts, the land authorities may require us to pay liquidated damages or even take back the land without compensation. For example, for one of our projects in Shenzhen, the local land authority has required us to pay the liquidated damages of RMB16 million due to having not completed the construction of the project within the time period as stipulated in the land grant contracts. We also have not completed development of certain other projects within the time period stipulated in the relevant land grant contracts, for which we have not yet been required to pay any liquidated damages or imposed on other penalties, but we cannot assure you that the government will not impose any penalty on us in the future. None of our land has been taken back by the government as a result of being idle as of the date of this offering memorandum. Furthermore, we have not commenced development of certain other projects within the time period stipulated in the relevant land grant contracts or required by relevant PRC laws, for which we have not received any idle land notice or been required to pay liquidated damages or other penalties.

We cannot assure you that there will be no significant delays in the commencement of construction or the development of our properties in the future, or that our developments will not be subject to idle land penalties or liquidated damages, or be taken back by the government as a result of such delays. The imposition of substantial idle land penalties or liquidated damages, could have a material and adverse affect on our business, results of operations and financial condition. If any of our land is taken back by the government, we would not only lose the opportunity to develop the property, but we would also lose our prior investments in the development, including land premiums paid and costs incurred in connection with such land.

We may be required to relocate existing residents and pay demolition and resettlement costs associated with our future property developments and such costs may increase

We may be required to undertake and pay for demolition of existing buildings and resettlement of existing residents with respect to some of our property developments in accordance with the relevant PRC laws and regulations. We have also entered into certain contractual arrangements involving demolition and resettlement works. In particular, we have entered into certain contractual arrangements relating to redevelopment and primary land development with a view to facilitating potential acquisitions of land use rights or enhancing our future expansion into the relevant markets. See the section entitled "Business — Description of our Property Development Projects — Contractual Arrangements." In 2016, 2017 and 2018 and the six months ended June 30, 2019, our demolition and resettlement costs were approximately RMB1,785.9 million, RMB960.7 million, RMB1,952.6 million (US$284.4 million) and RMB3,850.8 million (US$560.9 million), respectively. The compensation we pay for resettlement is calculated in accordance with certain formulas published by the relevant local authorities. These formulas take into account the location, GFA and the type of building to be demolished, local income levels and many other factors. There can be no assurance that local authorities will not change or adjust their formulas without prior notice. Existing owners or residents may disagree with the compensation arrangements or refuse to relocate. The administrative process to settle the amount of compensation, together with any appeals, or a refusal to relocate may significantly delay the timetable for the affected development. Although we take into consideration the difficulties in resettlement compensation negotiations before we enter into such contractual arrangements, the protracted resettlement process may cause delays in the redevelopment projects, and adversely affect our plans to obtain the relevant land use rights or enter into the new markets. Furthermore, resettlement negotiations with villagers, zoning approvals from local governments and other non-commercial factors could result in much longer development cycle which could adversely affect our cash flow. In addition, there is no assurance that we will be able to reach agreements for compensation and resettlement for such redevelopment projects on terms satisfactory to us or at all. Moreover, we may be involved in disputes with other property developers over the land development rights of the redevelopment projects. As a result, we cannot assure you that we will be able to recoup our upfront investments in such redevelopment projects. An unfavorable final judgment, determination or settlement regarding the land development right or the amount of compensation payable by us may increase the cost of the development and materially and adversely affect our cash flow, business, results of operations and financial condition.

A deterioration in our brand image could adversely affect our business

We rely to a significant extent on our brand name and brand image, "Kaisa" ("佳兆業"). Any negative incident or negative publicity concerning us or our property developments could adversely affect our reputation and business. In addition, although we are a well-known brand in the Pearl River Delta Region, we are less well known in other regions in China. Brand value is based largely on subjective consumer perceptions and can be damaged by isolated incidents that reduce consumer trust. Consumer demand for our products and our brand value could diminish significantly if we fail to preserve the quality of our products, or fail to deliver a consistently positive consumer experience in each of our complexes, or if we are perceived to act in an unethical or socially irresponsible manner.

In addition, our efforts to protect our brand name may not be adequate, and we may be unable to identify any unauthorized use of our brand name or to take appropriate steps to enforce our rights on a timely basis. See the section entitled "Business — Intellectual Property Rights." Our brand could be misappropriated or misused in the future. Any unauthorized use or infringement of our brand name and trademarks may impair the value we have built in our brand name, damage our reputation and materially and adversely affect our business and results of operations.

Our success depends on the continued services of our senior management team

Our success and growth depend on Mr. Kwok Ying Shing, one of our founders and Chairman and the continued services of our executive Directors and other members of our senior management team. They have extensive experience in the PRC real estate industry, and in-depth knowledge of various aspects of property development, strategic planning and business management. We cannot assure you that Mr. Kwok, any executive director or member of senior management is willing or able to continue in his or her present position or that we will be able to find and hire a suitable replacement, or if he or she is recruited by a competitor or departs to start a competing business. In addition, if we enter into financing agreements in the future which require any of our senior management members to main his/her position as a senior management member, resignation of such senior management member may trigger mandatory prepayment provisions under such financing agreements. Moreover, along with our steady growth and expansion into other regional markets in China, we will need to employ, train and retain additional suitable skilled and qualified management and employees from a wider geographical area. If we cannot attract and retain suitable personnel, our business and future growth may be materially and adversely affected.

Property owners may terminate our engagement as the provider of property management services

We provide property management services to the owners of our developed residential and commercial projects through our property management subsidiaries. We believe that property management is an important part of our business strategy and is critical to the successful marketing and promotion of our property developments. Under PRC laws and regulations, a majority of property owners of a residential community of certain size have the right to change the property management service provider. We had not experienced any termination of our property management services by the owners of our developed properties in 2016, 2017, 2018 and the six months ended June 30, 2019. In 2016, 2017, 2018 and the six months ended June 30, 2019, the revenue derived from our property management services was RMB271.6 million, RMB315.9 million, RMB516.2 million and RMB375.0 million (US$54.6 million), respectively. If the owners of our developed properties, however, choose to terminate our property management services, or our customers are unsatisfied with our property management services, our reputation and results of operations may be materially and adversely affected.

We may be involved from time to time in disputes, administrative, legal and other proceedings arising out of our operations or subject to fines and sanctions in relation to our non-compliance with certain PRC laws and regulations, and may face significant liabilities as a result

We may be involved in disputes with various parties involved in the construction, development and the sale of our properties, including contractors, suppliers, construction workers, original owners and residents, partners and purchasers. These disputes may lead to protests, legal or other proceedings and may result in damage to our reputation, incurrence of substantial costs and the diversion of resources and management's attention. As most of our projects are comprised of multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the relevant project is perceived to be inconsistent with our representations and warranties made to such earlier purchasers. These disputes and legal and other proceedings may materially and adversely affect our reputation, business, results of operations and financial condition. For example, several of our PRC subsidiaries have been involved in the disputes with their contractors, suppliers or purchasers, with the bank accounts and certain buildings subject to preliminary injunction in aid of later execution. Additionally, 0.15% of our shares in one of our Shenzhen based investment companies was frozen by local court in connection with the disputes with a third party. The judicial process of releasing the seizure of properties may decrease the time we devote to normal and customary operating functions. In addition, we may have compliance issues with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in liabilities and cause delays to our property developments. For instance, we have been imposed penalties by relevant local governmental authorities as we commenced the construction before obtaining relevant governmental approvals or permits for certain of our property projects and we have also been imposed penalties by relevant local governmental authorities as result of non-compliance with the relevant planning permits or construction permits we have obtained. There have also been instances where we did not pay the relevant taxes fully or timely. For example, in 2016, one of our PRC subsidiaries in Guangzhou was required by the local tax authority to pay the overdue stamp duty for an amount of approximately RMB2.4 million along with penalties of approximate RMB2.1 million, and one of our PRC subsidiaries in Qingdao was required to pay the overdue local taxes for an amount of approximately RMB10 million. Additionally, as of May 1, 2017, another PRC subsidiary in Shenzhen failed to pay the overdue tax of approximately RMB131 million accrued. If we fail to comply with any applicable PRC laws or regulations, our reputation and our business, results of operations and financial condition may be materially and adversely affected.

In addition, several of our PRC subsidiaries are not fully in compliance with PRC laws and regulations, including those in relation to registered share capital, business licenses, operation permits, tax payment obligation, land use and articles of association of these PRC subsidiaries, and their operations may be adversely affected if they are subject to fines or sanctions imposed by PRC authorities as a result.

We are subject to legal and business risks and our business may be adversely affected if we fail to obtain or maintain the required qualification certificates and other requisite government approvals

A PRC property developer must hold a valid qualification certificate to develop property. In addition, at various stages of project development, the PRC property developer must also obtain various licenses, certificates, permits, and approvals from the relevant PRC administrative authorities, including land use rights certificates, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion.

According to the Provisions on Administration of Qualifications of Real Estate Developers (房地產開發企業資質管理規定) issued by the Ministry of Construction (now MOHURD), a newly established property developer must first apply for a provisional qualification certificate with a one-year validity, which can be renewed annually for not more than two consecutive years. If, however, the newly established property developer fails to commence a property development project within the one-year period following the provisional qualification certificate, it will not be allowed to renew the term of its provisional qualification certificate. Developers with longer operating histories must submit their qualification certificates to relevant construction administration authorities for review annually. Government regulations require developers to fulfill all statutory requirements before they may obtain or renew their qualification certificates.

We conduct our property developments through project companies. These project companies must hold valid qualification certificates to be able to conduct their businesses. Some of our project companies are in the process of obtaining or renewing their qualification certificates. We cannot assure you that our project companies will be able to obtain or renew the necessary qualification certificates in a timely manner, or at all. If any of our project companies does not obtain or renew the necessary qualification certificate in a timely manner, or at all, our prospects, and our business, results of operations and financial condition may be materially and adversely affected.

Pursuant to the Measures for the Administration of Qualifications of Property Service Enterprises (《物業服務企業資質管理辦法》), entities engaged in property management had been required to obtain qualification certificates before they commence their business operations. On March 8, 2018, the Measures for the Administration of Qualifications of Property Service Enterprises was abolished. On March 19, 2018, the Regulation on Property Management was revised accordingly so that the qualification scheme system in monitoring the property service enterprises has been abolished. Our property management subsidiaries are primarily engaged to manage the residential and commercial properties we developed.

In addition to the above, we cannot assure you that we will not encounter significant problems in satisfying the conditions to, or delays in, the issuance or renewal of other necessary licenses, certificates, permits or approvals. There may also be delays on the part of the administrative bodies in reviewing and processing our applications and granting licenses, certificates, permits or approvals. If we fail to obtain the necessary governmental licenses, certificates, permits or approvals for any of our major property projects, or a delay occurs in the government's examination and review process, our development schedule and our sales could be substantially delayed, resulting in a material and adverse effect on our business, results of operations and financial condition.

We have in the past experienced restrictions on the processing and filing of sale and purchase agreements relating to our projects, which caused an adverse impact on our cash flows, financial position and operations

During the period from December 2014 to July 2016, Shenzhen Urban Planning and Land and Resources Commission blocked a number of our property projects from processing and filing sale and purchase agreements. As a result of the blockages, we experienced a substantial decline in our cash collection from property sales, causing an adverse impact on our cash flows, financial position and operations. See "— We experienced net cash outflows from operating activities in the past and maintain a significant amount of indebtedness, which may materially and adversely affect our liquidity and our ability to service our indebtedness." In particular, the blockages disrupted our cash flows and subsequently resulted in our failure to pay interest under our various debts at the time. In addition, in connection with the blockages, some of our onshore creditors filled applications with PRC courts for preservation of our assets. As a result, we were subject to substantial litigation and arbitration suits filed by onshore creditors. In light of the liquidity situation caused by the blockages, we started our Debt Restructuring, which was effected on July 21, 2016. As of the date of the offering memorandum, none of our projects are subject to asset preservation as a result of the blockages. See "Description of Material Indebtedness and Other Obligations — Debt Restructuring." Although the blockages have been removed as of the date of this offering memorandum, we cannot assure you that we will not experience similar restrictions and blockages in the future, which would have a material and adverse impact on our cash flows, financial position and operations and, in turn, our ability to make payments under the Notes.

We may need to alter our sales model if the cooperation between us and our primary sales partner is discontinued

We have been cooperating with Centaline and World Union for a number of years to promote our properties across different regional markets in China. We generally enter into one-year non-exclusive sales agency agreements with respect to the sales agency services provided by Centaline and World Union on a project-by-project basis. Under these agreements, Centaline and World Union are generally entitled to a sales commission for sales they conclude upon completion of the sales pursuant to the relevant property purchase contracts. Our arrangements with Centaline and World Union have always been and will continue to be dependent upon the demand for the properties we develop in the relevant local markets. If we discontinue or significantly limit our cooperation with Centaline or World Union, terminate our sales agency agreements or decide not to enter into new agreements upon expiration of our existing sales agency agreements, our sales may be interrupted. As a result, our business, financial condition and results of operations may be adversely affected.

Any disputes with joint venture or co-development partners may materially and adversely affect our business.

We may carry out our business through joint ventures or in collaboration with third parties which we do not control. Such joint venture arrangements or collaborations involve a number of risks, including:

- disputes with our partners in connection with the performance of their obligations under the relevant project, joint venture or cooperative property development agreements;
- disputes as to the scope of each party's responsibilities under these arrangements;
- financial difficulties encountered by our partners affecting their ability to perform their obligations under the relevant project, joint venture or cooperative property development agreements with us;
- conflicts between the policies or objectives adopted by our partners and those adopted by us; and
- losses of our investments in such joint venture arrangements or collaborations as there is no guarantee that they will materialize into profitable arrangements or projects.

Any of these and other factors may materially and adversely affect our business.

Our substantial shareholders may take actions that are not in, or may conflict with, our or our creditors', including the holders of the Notes, best interests

As of the date of this offering memorandum, Mr. Kwok Ying Shing, Mr. Kwok Ying Chi, Da Chang Investment Company Limited, Da Feng Investment Company Limited and Da Zheng

Investment Company Limited hold in the aggregate 39.35% of our outstanding shares. These shareholders have and will continue to have the ability to exercise influence over our business, and may cause us to take actions that are not in, or may conflict with, our or our creditors', including the holders of the Notes, best interests, including matters relating to our management and policies and the election of our directors and senior management. They will be able to influence our major policy decisions, including our overall strategic and investment decisions, through the election of our directors and, in turn, indirectly affecting the selection of our senior management, determining the timing and amount of any dividend payments, approving our annual budgets, deciding on increases or decreases in our share capital, determining our issuance of new securities, approving mergers, acquisitions and disposals of our assets or businesses, and amending our articles of association. For more information, see "Management," "Substantial Shareholders," and "Related Party Transactions."

Risks Relating to the Real Estate Industry in China

The PRC government may adopt further measures to slow down growth in the property sector

Along with the economic growth in China, investments in the property sectors have increased significantly in the past few years. In response to concerns over the increase in property investments, from 2004 to March 2013, the PRC government introduced various policies and measures to curtail property developments, including:

- requiring real estate developers to finance, with their internal resources, at least 35% of the total investment (excluding affordable housing projects);
- limiting the monthly mortgage payment to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;
- suspending land supply for villa construction and restricting land supply for high-end residential property construction;
- requiring that at least 70% of the land supply approved by any local government for residential property development during any given year must be used for developing low- to medium-cost and small- to medium-size units for sale or as low-cost rental properties;
- requiring that at least 70% of the total development and construction area of residential projects approved or constructed on or after June 1, 2006 in any administrative jurisdiction must consist of units with a unit floor area of less than 90 square meters and that projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to comply with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals and certain cities may deviate from such ratio under special circumstances upon approval from MOHURD;
- requiring any first-time home owner to pay the minimum amount of down-payment of 30% of the purchase price of the underlying property;
- requiring any second-time home buyer to pay an increased minimum amount of down-payment of 60% of the purchase price of the underlying property and an increased minimum mortgage loan interest rate of no less than 110% of the relevant PBOC benchmark one-year bank lending interest rate;
- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down-payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark one-year bank lending interest rate, and (iv) limiting the terms of such bank borrowings to no more than 10 years, with commercial banks allowed flexibility based on their risk assessment;
- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down-payment to 45% of the purchase price of the underlying property, with the other terms similar to those for commercial properties;
- limiting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- imposing more restrictions on the types of property developments that foreign investments may engage in;

- imposing or increasing taxes on short-term gains from second-hand property sales;
- restricting foreign investment in the property sector by, among other things, increasing registered capital and other requirements for establishing FIREEs, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons;
- requiring commercial banks to suspend mortgage loans to customers for purchase of a third or further residential property, or to non-residents who cannot provide proof of local tax or social security insurance payments for more than a one-year period;
- Raising the benchmark one-year lending rate published by PBOC for the year ended December 31, 2010 to 5.81% and to 6.56% in July 7, 2011;
- adjusting the PBOC Renminbi deposit reserve requirement ratio for all PRC deposit taking financial institutions nine times in 2011 and 2012;
- non-registered residents who own one or more residential properties and fail to provide one-year or longer tax payment certificates or social insurance payment certificates are prohibited from purchasing any residential properties located in the administrative area; and
- strictly enforcing a 20% tax on home sale profits.

Since the second half of 2014, the central and local governments have implemented measures to support the demand of buyers of residential properties and to promote the sustainable development of the real estate market. In September 2014, PBOC and the China Banking Regulatory Commission ("CBRC", which has been reorganized as the China Banking and Insurance Regulatory Commission) jointly issued a circular which provide that (1) the minimum mortgage loan interest rate for first-time purchasers of residential property was set at 70% of the benchmark lending interest rate; (2) where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply the aforesaid mortgage loan policy for first-time purchasers of residential property; and (3) in cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies. In March 2015, PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment to 40% for the family that owns a residential property and has not paid off its existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve living conditions and allow the bank at its own discretion to decide the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. Furthermore, according to a notice jointly issued by SAT and MOF, effective from March 31, 2015, a business tax will be levied on the entire sales proceeds from resale of properties if the holding period is shorter than two years, and if the holding period is more than two years, business tax for transfer of ordinary residences will not be imposed, whereas for the transfer of non-ordinary residences business tax shall be paid on the basis of price difference between the transfer income and the purchase cost. In February 2016, the PBOC and CBRC jointly issued a notice which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30%, which is lower than the previous requirement of not less than 40%. In February 2016, SAT and MOF jointly issued a circular to further adjust downward the deed tax and business tax payable for real estate tractions. Since the second half of 2016, certain local governments including without limitation Shenzhen, Guangzhou, Foshan, Dongguan, Huizhou, Zhuhai, Chengdu, Qingdao, Changsha, Wuhan, Changzhou, Shanghai, Suzhou, Hangzhou and Nanjing, where we have property projects, have issued new property market control policies, including restoring or strengthening the restriction on purchases of residential properties and tightening credit policy. On August 25, 2019, PBOC issued the Announcement of the People's Bank of China No.16 [2019] under which, starting from October 8, 2019, new commercial individual housing loans should be priced by adding basis points to the latest monthly loan prime rate (LPR) of corresponding maturity. The basis points added should conform to the national and local housing credit policy requirements, reflect the loan risk profile, and remain fixed during the contract period. The interest rate of first-time commercial individual housing loans should not be lower than the LPR of corresponding maturity, and the interest rate of second-time commercial individual housing loans not be lower than the LPR of corresponding maturity plus 60 basis points.

We cannot assure you that the PRC government will not change or modify these temporary measures in the future. For more information on the various restrictive measures taken by the PRC government, you should refer to the section entitled "Regulations." These measures may limit our access to capital resources, reduce market demand for our products and increase our operating costs in complying with these measures. We cannot assure you that the PRC government will not adopt additional and more stringent measures, which could further slow down property development in China and adversely affect our business and prospects. For example, the PRC government has announced that it may impose a broader real estate tax in the future. We are not sure whether and when such tax will be imposed and neither can we assess the adverse impact of the new tax on our business operations and financial results. Furthermore, the PRC government has imposed and may further impose strict restriction on the sale of the properties, such as limiting the scope of purchasers and limiting the sale price, which have or will have adverse impact on our business. 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 real property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business, prospects, financial condition and results of operations may be materially and 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

Private ownership of property in China is still at a relatively early stage of development. 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.

Increasing competition in the PRC, particularly in the Pearl River Delta region, may adversely affect our business and financial condition

In recent years, a large number of property developers have undertaken property development and investment projects, particularly in the Pearl River Delta region. The intensity of the competition among property developers in the Pearl River Delta region and other parts in the PRC for land, financing, raw materials and skilled management and labor resources may result in increased cost for land acquisition and construction, a decrease in property prices and delays in the government approval process. An oversupply of properties available for sale could also depress the prices of the properties we sell and may adversely affect our business, financial condition and results of operations.

In addition, the property markets in the Pearl River Delta region and elsewhere in the PRC are rapidly changing. Macro-economic measures have recently been adopted by the PRC government in an attempt to slow the rapid growth of the PRC's economy and deter investment in fixed assets, including real estate assets. If we cannot respond to changes in market conditions in the Pearl River Delta region or elsewhere or react to changes in customer preferences more swiftly or more effectively than our competitors, our business, results of operations and financial condition could be adversely affected.

We are exposed to contractual, legal and regulatory risks related to pre-sales

We depend on cash flows from pre-sales of properties as an important source of funding for our property developments. We face risks relating to the pre-sale of properties. For example, we may find ourselves liable to the purchasers for their losses if we pre-sell units in a property development and fail to complete that development. If we fail to complete a pre-sold property on time, our purchasers may claim compensation for late delivery pursuant to either their contracts with us or relevant PRC laws and regulations. If our delay extends beyond a specified period, our purchasers may terminate their pre-sale contracts and claim for compensation. A purchaser may also terminate his or her contract with us if the GFA of the relevant unit, as set out in the individual property ownership certificate, deviates by more than 3% from the GFA of that unit set out in his or her contract. We cannot assure you that we will not experience delays in the completion and delivery of our projects, nor that the GFA for a delivered unit will not deviate by more than 3% from the GFA set out in the relevant contract in every instance. Any termination of the purchase contract as a result of our late delivery of properties or deviation from the GFA set out in such contract will have a material adverse effect on our business, financial condition and results of operations. Further, the PRC government has imposed strict regulations on the advertising of property pre-sales and some of our project companies have been penalized for violations of such pre-sale regulations.

Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sales of the relevant properties and pre-sales proceeds may only be used to finance the related development. Various PRC authorities and regulators have publicly called for the discontinuance or abolishment of pre-sales, or to impose tighter regulations on such practice and recently, the Guangdong Real Estate Association issued a notice in September 2018 to solicit provincial developers' views on phasing out the system of pre-sales of properties. We cannot assure you that the PRC governmental authority will not ban the practice of pre-selling uncompleted properties or implement further restrictions on the pre-sale of properties, such as imposing additional conditions for a pre-sale permit or further restrictions on the use of pre-sale proceeds. 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 receive payment on pre-sold properties, or 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 needing to seek alternative means to finance the various stages of our property developments. This, in turn, could have an adverse effect on our business, cash flow results of operations and financial condition.

The total GFA of some of our developments 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 development is set out in various governmental 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 (竣工驗收備案表) 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 governmental approval, and the payment of additional land premium. We may also be subject to liability to purchasers under our sales and purchase agreements. In 2016, 2017, 2018 and the six months ended June 30, 2019, we did not have any other cases where our constructed total GFA exceeded the permitted total GFA.

We cannot assure you that 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 reputation, business, results of operations and financial condition.

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

Substantially all of the purchasers of our properties rely on mortgages to finance their purchases. An increase in interest rates may significantly increase the cost of mortgage financing and affect 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 make mortgage financing unavailable or unattractive to potential property purchasers. In addition, banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income. On August 25, 2019, PBOC issued the Announcement of the People's Bank of China No.16 [2019] under which, starting from October 8, 2019, new commercial individual housing loans should be priced by adding basis points to the latest monthly loan prime rate (LPR) of corresponding maturity. The basis points added should conform to the national and local housing credit policy requirements, reflect the loan risk profile, and remain fixed during the contract period. The interest rate of first-time commercial individual housing loans should not be lower than the LPR of corresponding maturity, and the interest rate of second-time commercial individual housing loans not be lower than the LPR of corresponding maturity plus 60 basis points. If the availability or attractiveness of mortgage financing is reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, liquidity and results of operations could be materially and adversely affected.

In line with industry practice, we provide guarantees to banks for mortgages they offer to our purchasers up until we complete the relevant property and the individual property ownership certificates with respect to the relevant properties are issued to our purchasers and the mortgage registrations for the relevant properties have been completed. If there are changes in laws, regulations, policies and practices that would prohibit property developers from providing guarantees to banks in respect of mortgages offered to property purchasers and the banks would not accept any alternative guarantees by third parties, or if no third party is available or willing in the market to provide such guarantees, it may become more difficult for property purchasers to obtain mortgages from banks and other financial institutions during sales and pre-sales of our properties. Such difficulties in financing could result in a substantially lower rate of sale and pre-sale of our properties, which would materially and adversely affect our cash flow, financial condition and results of operations.

Our results of operations may vary significantly from period to period

Our results of operations may vary significantly due to a number of factors, including the timetables of our property development projects, the timing of the sale of properties that we have developed, our revenue recognition policies and any volatility in expenses such as raw material costs. The overall schedules of our property development and the number of properties that we can develop or complete during any particular period are limited as a result of the substantial capital required for the acquisition of land, demolition and resettlement and construction. The sale of properties we develop is subject to general market or economic conditions in the areas where we conduct our business and the level of acceptance of our properties by prospective customers. According to our accounting policy, we recognize revenue upon the completion and delivery of the properties to purchasers, which may typically take six to 18 months after the commencement of the pre-sale. Therefore, in periods in which we pre-sell a large aggregate GFA, we may not generate a correspondingly high level of revenue if the properties pre-sold are not delivered within the same period. In addition, our business depends on obtaining adequate supplies of raw materials and is subject to fluctuation in the market prices of raw materials. The prices that we pay for raw materials may increase due to increased industry demand, inflation, higher fuel and transportation costs and other factors. We will continue to experience significant fluctuations in revenue and profit on an interim basis subsequent to the offering. We therefore believe that period-to-period comparisons of our operating results may not be as meaningful as they would be for a company with recurring revenue.

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. After the construction project has been completed, the project company (other than the environmental authorities) should conduct environmental protection inspection of the completed project, formulate environmental protection inspection report, disclose the report to the public, and submit the relevant data and information through the online platform of environmental protection inspection on completion of construction projects. 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 and Safety Matters."

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

Under Regulations on the Administration of Quality of Construction Works (《建設工程質量管理條例》), all property development companies in the PRC must provide certain quality warranties for the properties they construct or sell. We are required to provide these warranties to our customers. Generally, we 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, or if the money retained by us to cover our payment obligations under the quality warranties is not sufficient, 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.

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

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 real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons. For example, in May 2007, MOFCOM and the State Administration of Foreign Exchange ("SAFE") jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC (《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 real estate 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 real estate 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 real estate enterprises which have not completed their filings with MOFCOM or fail to pass the annual inspection.

From November 2015, the aforesaid record-filing procedures with MOFCOM for foreign-invested real estate enterprises has been cancelled. 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, prospects, financial condition and results of operations.

The PRC government has imposed restrictions on the ability of PRC property developers to receive offshore funds

In May 2007, MOFCOM and SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC (《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》). In April 2013, SAFE issued the Notice Regarding Promulgation of Administrative Measures on Foreign Debt Registration (《國家外匯管理局關於發佈《外債登記管理辦法》的通知》) effective from May 13, 2013 which contains an appendix named the Operating Guidelines for Foreign Debt Registration Administration (外債登記管理操作指引). These notices indicate that SAFE will no longer process foreign debt registrations or foreign debt applications for the settlement of foreign exchange submitted by real estate enterprises with foreign investment that obtained authorization certificates from and registered with MOFCOM on or after June 1, 2007. These regulations effectively prohibit us from injecting funds into our PRC project companies by way of shareholder loans. Without the flexibility to transfer funds to PRC subsidiaries as loans, we cannot assure you that the dividend payments from our PRC subsidiaries will be available on each interest payment date to pay the interest due and payable under the Notes, or on the maturity date to pay the principal of the outstanding Notes. Furthermore, on June 27, 2018, NDRC emphasized in a post on its website that the proceeds from bond offerings offshore by PRC property enterprises shall be mainly used for repayments of the debts due and shall be restricted from being used for investments in property projects within or outside China or working capital. On July 12, 2019, NDRC published a Notice on Requirements for Foreign Debt Registration Application by Real Estate Enterprises (《關於對房地產企業發行外債申請備案登記有關要求的通知》) on its website which imposes more restrictions on the use of proceeds of foreign debts incurred by real estate developers. According to the notice, the use of proceeds of foreign debt incurred by a real estate developer is limited to refinancing its medium to long term offshore debts which will become due within one year, and the real estate developer is required to specify in the documents for application of foreign debt registration with NDRC the details of such medium to long term offshore debts to be refinanced, such as amount, maturity date and whether such medium to long term offshore debts were registered with NDRC. The real estate developer is also required to submit a commitment letter to NDRC regarding the authenticity of its foreign debt issuance. Failure to comply with these restrictions, the real estate developer may be blacklisted and prevented from obtaining foreign debt registrations in the future. There is no assurance that offshore debts issued by property companies will not be further restricted and the PRC government may impose additional requirements or conditions for offshore debts. If PRC government impose additional requirements which restrict our ability to receive offshore funds, our liquidity and our ability to fund and expand our business could be materially and adversely affected.

Risks Relating to China

PRC economic, political and social conditions, as well as governmental policies, could affect our business and prospects

The PRC economy differs from the economies of most of the developed countries in many aspects, including:

- the amount and degree of the PRC government involvement;
- growth rate and degree of development;
- uniformity in the implementation and enforcement of laws;
- content of and control over capital investment;
- 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. In addition, the PRC government continues to play a significant role in regulating industries and the economy through policy measures. We cannot predict whether changes in PRC economic, political or social conditions and in PRC laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations.

In May 2017, Moody's 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. In September 2017, S&P Global Ratings downgraded China's sovereign credit rating for the first time since 1999, citing similar concerns. The full impact of such actions by international rating agencies 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. Our business, financial condition and results of operations may be adversely affected by: (i) changes in the PRC political, economic and social conditions; (ii) changes in policies of the PRC government, including changes in policies in relation to our business segments; (iii) changes in laws and regulation or the interpretation of laws and regulations; (iv) measures that may be introduced to control inflation or deflation; (v) changes in the rate or method of taxation; the imposition of additional restrictions on currency conversion and remittances abroad; and (vi) a reduction in tariff protection and other important restrictions.

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. Other political, economic and social factors may also lead to further adjustments of the reform measures. 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 slow down certain segments of the economy that the government believed to be overheating, including the real estate industry. These measures have included restricting foreign investment in certain sectors of the real estate industry, raising benchmark interest rates of commercial banks, reducing currency supply and placing additional limitations on the ability of commercial banks to make loans by raising bank reserves against deposits and raising the thresholds and minimum loan interest rates for residential mortgages. These actions, as well as future actions and policies of the PRC government, could cause a decrease in the overall level of economic activity, and in turn have a material and adverse impact on our business and financial condition.

Changes in government control of currency conversion and in PRC foreign exchange regulations may adversely affect our business operations

The PRC government imposes controls on the convertibility between Renminbi and foreign currencies and the remittance of foreign exchange out of China. We receive substantially all our revenue in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Our PRC subsidiaries must convert their Renminbi earnings into foreign currency before they may pay cash dividends to us or service their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current-account items may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements.

However, approval from appropriate governmental authorities is required when Renminbi is converted into foreign currencies and remitted out of China for capital-account transactions, such as the repatriation of equity investment in China and the repayment of the principal of loans denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect our ability to finance our PRC subsidiaries. Subsequent to this offering, we have the choice, as permitted by the PRC foreign investment regulations, to invest our net proceeds from this offering in the form of registered capital or a shareholder loan into our PRC subsidiaries to finance our operations in China. Our choice of investment is affected by the relevant PRC regulations with respect to capital-account and current-account foreign exchange transactions in China. Our investment decisions are additionally affected by various other measures taken by the PRC government relating to the PRC property market as we have disclosed in the section entitled "Industry Overview — The PRC Real Estate Industry — Measures affecting the PRC property market." In addition, our transfer of funds to our subsidiaries in China is subject to approval by or filing with PRC governmental authorities in the case of an increase in registered capital, and subject to approval by and registration with PRC governmental authorities in case of shareholder loans to the extent that the existing foreign investment approvals received by our PRC subsidiaries permit any such shareholder loans at all. These limitations on the flow of funds between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions.

We may be treated as a PRC resident enterprise for PRC tax purposes, which may subject us to PRC income taxes on our worldwide income.

In March 2007, the National People's Congress of the PRC and its Standing Committee (the "NPC" or the "National People's Congress") enacted the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "Enterprise Income Tax Law"), which took effect on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, respectively. The Enterprise Income Tax Law imposes a unified income tax rate of 25% on all domestic and foreign-invested enterprises unless they qualify under certain limited exceptions.

Under the Enterprise Income Tax Laws, enterprises established under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered PRC resident enterprises and therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The Enterprise Income Tax Laws provide that the "de facto management body" of an enterprise is the organization that exercises substantial and overall management and control over the production, employees, books of accounts and properties of the enterprise. In April 2009, the SAT specified certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises. However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for foreign enterprises that are not controlled by PRC enterprises (including companies such as ourselves). If a majority of the members of our management team continue to be located in China, we may be considered a PRC resident enterprise and therefore subject to PRC enterprise income tax at the rate of 25% on our worldwide income. If we or any of our non-PRC subsidiaries otherwise become a PRC resident enterprise under the Enterprise Income Tax Laws, our profitability and cash flow would be materially and adversely affected.

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 Enterprise Income Tax Laws, if our Company is deemed a PRC resident enterprise, the interest payable on the Notes will be considered to be sourced within China. PRC income tax at the rate of 10% will be applicable to such interest payable by us to investors that are "non-resident enterprises" so long as such "non-resident enterprise" investors 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. Similarly, any gain realized on the transfer of the Notes by such investors will be subject to a 10% PRC income tax 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 Enterprise Income Tax Laws 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.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may adversely affect our business operations

In October 2005, the SAFE issued the Notice Regarding Certain Administrative Measures on Financing and Round-trip Investment by PRC Residents through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), or Circular No. 75 which became effective on November 1, 2005. The notice requires PRC residents, including both legal and natural persons, to register with the local SAFE branch before establishing or controlling any company outside of China (an "offshore special purpose company") for the purpose of acquiring any assets of or equity interest in a PRC company and raising funds offshore. In July 2014, Circular No. 75 was abolished by SAFE and was superseded by the Notice Regarding Certain Issues on the Foreign Exchange Administration on the Offshore Investment and Financing and Round-trip Investment by PRC Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or Circular No. 37.

Circular No. 37 and other relevant SAFE rules require PRC residents, including both legal and natural persons, to register with the banks before making capital contribution to any company outside of China (an "offshore SPV") with onshore or offshore assets and equity interests legally owned by PRC residents. In addition, any PRC individual resident who is the shareholder of an offshore SPV is required to update its registration with banks with respect to that offshore SPV in connection with change of basic information of the offshore SPV such as its company name, business term, the shareholding by individual PRC resident, merger, division and with respect to the individual PRC resident in case of any increase or decrease of capital in the offshore SPV, transfer of shares or swap of shares by the individual PRC resident. Failure to comply with the required registration and updating requirements described above may result in restrictions being imposed on the foreign exchange activities of the PRC subsidiaries of such offshore SPV, including increasing the registered capital of, payment of dividends and other distributions to, and receiving capital injections from the offshore SPV. Failure to comply with Circular No. 37 may also subject the relevant PRC residents or the PRC subsidiaries of such offshore SPV to penalties under PRC foreign exchange administration regulations for evasion of applicable foreign exchange restrictions.

If the SAFE promulgates clarifications or regulations in the future requiring our beneficial owners who are Hong Kong permanent residents to comply with the registration procedures and update requirements described above and if our beneficial owners are unable or fail to comply with such procedures, our beneficial owners may be subject to fines and legal sanctions and our business operations may also be materially and adversely affected, particularly with respect to the ability of our Chinese subsidiaries to remit foreign currency payments out of China.

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, 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 of the PRC (《中華人民共和國社會保險法》), 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.

Interpretation of the PRC laws and regulations involves uncertainty and the current legal environment in China could limit the legal protections available to you

Our core business is conducted in China and is governed by PRC laws and regulations. Our principal operating subsidiaries are located in China and are subject to the PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have limited precedential value and can only be used as a reference. Additionally, PRC written laws are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, because 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 of uncertainty and the legal protection available to you may be limited. Depending on the governmental agency or the presentation of an application or case to such agency, we may receive less favorable interpretations 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 cause difficulties in the enforcement of our land use rights, entitlements under our permits, and other statutory and contractual rights and interests.

The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire 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 flu, H1N1 swine flu or H7N9 avian flu, especially in the cities where we have operations, may result in material disruptions to our property development and our sales and marketing, which in turn may adversely affect our financial condition 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 offering memorandum

Facts, forecasts and other statistics in this offering memorandum relating to China, the PRC economy, the PRC real estate 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 Initial Purchasers or any of our or their respective 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 offering memorandum. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts, forecasts and statistics in this offering 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 offering memorandum.

It may be difficult to enforce any judgments obtained from non-PRC courts against us in the PRC

Substantially all of our assets are located within the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan or some other countries. Therefore, it may be difficult for our Notes holders to enforce against us in the PRC any judgments obtained from non-PRC courts.

Risks Relating to the Notes

Our Company is a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries

Our Company is a holding company with no material operations. We conduct our operations through our PRC subsidiaries. The Notes will not be guaranteed by any current or future PRC subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors, certain Unrestricted Subsidiaries and certain existing Non-Guarantor Subsidiaries and may be held by JV Subsidiary Guarantors or New Non-Guarantor Restricted Subsidiaries (as defined herein) in the future. The Subsidiary Guarantors do not and the JV Subsidiary Guarantors (if any) may not, have material operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any) will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries.

Creditors, including trade creditors of Non-Guarantor Subsidiaries and Unrestricted Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries and Unrestricted Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries and Unrestricted Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of June 30, 2019, our Non-Guarantor Subsidiaries had consolidated indebtedness and other liabilities outstanding owed to third parties in the amount of RMB66,712.3 million (US$9,717.7 million), capital commitments of RMB50,837.3 million (US$7,405.3 million) and financial guarantees of RMB33,077.1 million (US$4,818.2 million). The Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes.

Under the terms of the Notes, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse guarantee, or JV Subsidiary Guarantee, following the sale or issuance to, a third party of an equity interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal quarter end of the Company. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes.

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. Our total indebtedness, including both current and non-current borrowings, as of December 31, 2016, 2017 and 2018 and June 30, 2019, was RMB87,536.8 million, RMB111,173.2 million, RMB108,766.0 million and RMB115,538.2 million (US$16,830.0 million), respectively. Our gearing ratio was 307.9%, 300.0%, 236.2% and 190.6% as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively.

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.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Under the Notes, our ability to incur additional debt is subject to the limitation on indebtedness and preferred stock covenant. Under such covenant, we may incur certain indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio (as defined in "Description of the Notes"). The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges (each as defined in "Description of the Notes"). Because our definition of Consolidated Net Income (which is a significant component of Consolidated EBITDA) includes any net after tax gains arising from our sale of certain investment properties (or the stock of subsidiaries holding such properties) as a result of the difference between the original cost and the cash sale price, and our definition of Consolidated Interest Expense excludes the interest expense on indebtedness of third parties that we guarantee (except to the extent that such interest expense is actually paid by us), our Consolidated EBITDA could be substantially larger and our Consolidated Interest expense could be smaller when compared to other similarly situated PRC issuers whose covenants do not typically include such net after tax gains in the definition of Consolidated Net Income and would typically include any interest expense accruing on indebtedness of any other person guaranteed by such issuers and their subsidiaries in the definition of Consolidated Interest Expense. As a result, our ability to incur additional debt under the Fixed Charge Coverage Ratio could be substantially larger when compared to such other issuers. In addition, we may, pursuant to certain exceptions to the Fixed

Charge Coverage Ratio requirement, incur additional indebtedness which could be sizeable. In particular, we may incur indebtedness to finance the acquisition of certain property via acquiring the capital stock of an entity and this entity needs not become a restricted subsidiary, subject to certain conditions. 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.

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.

On the other hand, our ability to meet the Fixed Charge Coverage Ratio requirement 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. See "Description of Material Indebtedness and Other Obligations." 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.

Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of shareholder loans or advances to us and our subsidiaries

As a holding company, we depend on the receipt of dividends and the interest and principal payments on shareholder loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on shareholder loans or advances is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements as well as guarantee or security agreements of such subsidiaries. In particular, a substantial number of our PRC subsidiaries holding a significant number of our projects are, directly or indirectly, restricted from paying dividends or making payment on shareholder loans. See "Description of Material Indebtedness and Other Obligations." Furthermore, such restrictions may adversely affect the calculation of our Consolidated Net Income, and in turn our ability to undertake additional financing, investment or other transactions under the terms of the Notes. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In practice, our PRC project companies may pay dividends only after they have completed not only the project development, at least the development of a phase or a stand-alone tower or building, and the revenue recognition but also the required government tax clearance and foreign exchange procedures. In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies will be subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to avoidance of double taxation arrangements between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5%, although there is uncertainty under a recent circular regarding whether intermediate Hong Kong holding companies will remain eligible for benefits under this arrangement. As a result of such restrictions, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Notes or satisfy our obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

Furthermore, although we currently do not have any offshore shareholder loans to our PRC subsidiaries, we may resort to such offshore lending in the future, rather than equity contributions, to our PRC subsidiaries to finance their operations. In such events, the market interest rates that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholder loans paid by our subsidiaries, therefore, are likely to be lower than the interest rate for the Notes. Our PRC subsidiaries are also required to pay a 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on our behalf on the interest paid under any shareholder loan. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries (as foreign-invested enterprises in China) must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the Notes or the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC operating subsidiaries

According to the existing PRC rules and regulations relating to supervision of foreign debt, loans by foreign companies to their subsidiaries in China, such as our PRC subsidiaries established as foreign-invested enterprises in China, are considered foreign debt, and such loans must be registered with the relevant local branches of SAFE. Such rules and regulations also provide that the total outstanding amount of such foreign debt borrowed by any foreign-invested enterprise may not exceed the difference between its total investment and its registered capital, each as approved by the relevant PRC authorities. In addition, in July 2007, SAFE issued a circular indicating that it would not process any foreign debt registration or conversion of foreign debt for foreign-invested enterprises in the real estate sector that was approved by the local office of MOFCOM, and registered with MOFCOM after June 1, 2007. Foreign invested-enterprises include joint ventures and wholly foreign owned enterprises established in China, such as most of our PRC subsidiaries. Therefore, the proceeds of the current offering may only be transferred to our PRC subsidiaries as equity investments and not as loans. Equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require approvals from or filing with the commerce department of the local government and the local banks, which may take considerable time and result in delays of receiving the contribution. This may in turn adversely affect the financial condition of the PRC subsidiaries. We might not be able to obtain necessary approvals for our PRC subsidiaries at all. Furthermore, on June 27, 2018, NDRC emphasized in a post on its website that the proceeds from bond offerings offshore by PRC property enterprises shall be mainly used for repayments of the debts due and shall be restricted from being used for investments in property projects within or outside China or working capital. On July 12, 2019, NDRC published a notice on its website, under which the use of proceeds of foreign debt incurred by a real estate developer is limited to refinancing its medium to long term offshore debts which will become due within one year.

The PRC government may introduce new policies that could further restrict our ability to use funds raised outside China. Our borrowings from sources outside of China as a percentage of our total borrowings has been increasing and may continue to increase in the future. Due to restrictions imposed by the PRC laws and regulations, we may not be able to use all or any of the funds that we raise outside of China, including the net proceeds from the current offering, as we contemplated, which may have a material and adverse effect on our business, results of operations, financial condition and prospects.

We may be subject to risks presented by fluctuations in exchange rates between Renminbi and other currencies, particularly the U.S. dollar

The Notes are denominated in U.S. dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. These changes in currency policy resulted in Renminbi appreciating against the U.S. dollar by approximately 26.9% from July 21, 2005 to December 31, 2013. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in the devaluation of the Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. Following the offering of the Notes, we may enter into foreign exchange or interest rate hedging arrangements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging arrangements may require us to pledge or transfer cash and other collateral to secure our obligations under the arrangements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Initial Purchasers and their affiliates may enter into such hedging arrangements permitted under the Indenture, and these arrangements may be secured by pledges of our cash and other assets as permitted under the Indenture. If we were unable to provide such collateral, it could constitute a default under such hedging arrangements.

Any hedging obligation entered into or to be entered into by us or our subsidiaries, may contain terms and conditions that may result in the early termination, in whole or in part, of such hedging obligation upon the occurrence of certain termination or analogous events or conditions (howsoever described), including such events relating to us and/or any of our subsidiaries, and the terms and conditions of such hedging obligation(s) may provide that, in respect of any such early termination, limited or no payments may be due and payable to, or that certain payments may be due and payable by, us and/or any of our subsidiaries (as relevant) in respect of any such early termination. Any such early termination, in whole or in part, of any such hedging obligation(s), and the payment and any other consequences and effects of such early termination(s), may be material to our financial condition and/or any of our subsidiaries and may be material in relation to the performance of our or their respective obligations under or in relation to the Notes (if applicable), any indebtedness or any other present or future obligations and commitments.

The terms of the Notes permit us to make investments in Unrestricted Subsidiaries and minority owned joint ventures

In light of land prices, sizes of projects, the competitive landscape and other factors, we may from time to time consider developing properties jointly with other property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries under the Indenture governing the Notes. Although the Indenture governing the Notes restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or joint ventures, these restrictions are subject to important exceptions and qualifications, including, among others, that we may, subject to certain conditions, make investments in Unrestricted Subsidiaries and minority owned joint ventures in an aggregate amount not to exceed 15% of our total assets without having to satisfy the Fixed Charge Coverage Ratio. See "Description of the Notes."

We may designate members of the "Restructuring Group" as Unrestricted Subsidiaries under the Indenture if and when we decide to proceed with the Restructuring, which members will not be subject to various covenants under the Indenture

Although we do not have any specific plan yet, we may designate members of the Restructuring Group (as defined in "Description of the Notes") as Unrestricted Subsidiaries under the Indenture, if and when we consider appropriate, subject to certain conditions, including, among others, that our Board of Directors has determined in good faith that the designation of Unrestricted Subsidiaries is necessary to obtain approval from the relevant stock exchange for the Restructuring. Following such designation:

- interest expenses on Indebtedness (as defined in the Indenture) of such entity will not be included in the calculation of our Consolidated Interest Expense under the Indenture, other than such interest expenses on Indebtedness that is Guaranteed and paid by us or a Restricted Subsidiary;
- the net income of the Restructuring Group will not be included in the calculation of our Consolidated Net Income and Consolidated EBITDA under the Indenture except to the extent of the cash actually distributed to us or any Restricted Subsidiary as a dividend or other distribution from the Restructuring Group;
- any Investment by us or any Restricted Subsidiary in the Restructuring Group would need to satisfy the "Limitation on Restricted Payments" covenant; and
- future transactions between us or any Restricted Subsidiary on the one hand and any member of the Restructuring Group on the other will need to comply with the requirements in the "Limitation on Transactions with Shareholders and Affiliates" covenant, except for those that (i) are entered into in connection with the Restructuring, or (ii) are entered into in the ordinary course of business, on fair and reasonable terms and are disclosed in the offering documents issued in connection with the Restructuring, or any amendment, modification, extension or replacement thereof, subject to certain conditions.

As a result of any such designation, the value of assets subject to the restrictive covenants under the Indenture may decrease and the market price and trading of the Notes may be materially affected. Accordingly, you are cautioned as to our potential designation of Unrestricted Subsidiaries under the Indenture, notably the members within the Restructuring Group, and our ability to designate further Unrestricted Subsidiaries subject to the conditions set forth in the Indenture.

We may not be able to repurchase or repay the Notes upon a Change of Control Triggering Event

We must offer to purchase or repay the Notes, upon the occurrence of a Change of Control Triggering Event. See the sections entitled "Description of the Notes.

The source of funds for any such purchase or payment would be our available cash or third-party financing. However, we may not have sufficient available funds at the time of the occurrence of a Change of Control Triggering Event to make purchases or payment of the outstanding Notes. Our failure to make the offer to purchase or repay, or to purchase or repay, the outstanding Notes would constitute an event of default under the Notes. The event of default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase or repay the Notes and repay the debt.

In addition, the definition of a Change of Control Triggering Event for purposes of the indenture does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations. These types of transactions could, however, increase our indebtedness or otherwise affect our capital structure or credit ratings. Additionally, investors should note that our equity interests have been, and will from time to time be, pledged by our shareholders to secure financing provided by third-party banks to our shareholders. If our shareholders default on such financing, it may result in enforcement of such pledges by such third-party banks, that may result in the occurrence of a Change of Control Triggering Event. The definition of a Change of Control Triggering Event for purposes of the indenture also includes a phrase relating to the sale of "all or substantially all" of our assets. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase or repay the Notes and the ability of a holder of the Notes to require us to purchase or repay its Notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

The insolvency laws of the Cayman Islands and other local insolvency laws may differ from U.S. bankruptcy law or those of another jurisdiction with which holders of the Notes may be familiar

Because we are incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to us or any such Subsidiary Guarantor, even if brought in the United States, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of United States federal bankruptcy law. In addition, our other Subsidiary Guarantors are incorporated or may be incorporated in the BVI or Hong Kong and the insolvency laws of the BVI and Hong Kong may also differ from the laws of the United States or other jurisdictions with which the holders of the Notes may be familiar.

We conduct substantially all of our business operations through PRC-incorporated subsidiaries in China. The Subsidiary Guarantors, as equity holders in our PRC subsidiaries, are necessarily subject to the bankruptcy and insolvency laws of China in a bankruptcy or insolvency proceeding involving any of such PRC subsidiaries. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of the United States and other jurisdictions with which the holders of the Notes may be familiar. You should analyze the risks and uncertainties carefully before you invest in our Notes.

We may be unable to obtain and remit foreign exchange

Our ability to satisfy our obligations under the Notes depends solely upon the ability of our PRC subsidiaries to obtain and remit sufficient foreign currency to pay dividends to us and, if applicable, to repay shareholder loans. Our PRC subsidiaries must present certain documents to SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of China, including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with SAFE. Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on shareholder loans, which may affect our ability to satisfy our obligations under the Notes.

If we are unable to comply with the restrictions and covenants in our debt agreements or the Indenture, there could be a default under the terms of these agreements or the Indenture, which could cause repayment of our debt to be accelerated, or we could be required to redeem our debt

If we are unable to comply with the restrictions and covenants in the Indenture or our current or future debt obligations and other agreements, there could be a default or a redemption obligation under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Indenture, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or result in a default under our other debt agreements, including the Indenture. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

Our operations are restricted by the terms of the Notes and other obligations which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk

The indenture governing the Notes and the documents governing our certain other obligations include a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our Restricted Subsidiaries, to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- engage in any business other than permitted business;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

A trading market for the New Notes may not develop, and there are restrictions on resale of the New Notes

The Original Notes are listed and quoted on the SGX-ST. Although application will be made to the SGX-ST for the listing and quotation of the New Notes on the SGX-ST, we cannot assure you that we will obtain or be able to maintain a listing of the New Notes on the SGX-ST, or that, if listed, a liquid trading market will develop. In addition, the New Notes are being offered pursuant to exemptions from registration under the U.S. Securities Act and, as a result, you will only be able to resell your New Notes in transactions that have been registered under the U.S. Securities Act or in transactions not subject to or exempt from registration under the U.S. Securities Act. See the section entitled "Transfer Restrictions." We cannot predict whether an active trading market for the New Notes will develop or be sustained.

The ratings assigned to the New Notes and our corporate ratings maybe lowered or withdrawn in the future

The New Notes are expected to be rated "B2" by Moody's and "B" by Fitch. We have received corporate rating of "B" with a stable outlook by S&P, "B1" with a stable outlook by Moody's and "B" with a stable outlook by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

Certain transactions that constitute "connected transactions" under the Listing Rules will not be subject to the "Limitation on Transactions with Shareholders and Affiliates" covenant

Our shares are listed on the Hong Kong Stock Exchange and we are required to comply with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which provide, among other things, that any transaction between a listed company or any of its subsidiaries, on the one hand, and a "connected person" of such listed company, on the other hand, is a "connected transaction" that, if the value of such transaction exceeds the applicable *de minimis* thresholds, will require the prior approval of the independent shareholders of such listed company. The definition of "connected person" to a listed company includes, among others, any 10% or more shareholder of (i) such listed company or (ii) any subsidiary of such listed company. The concept of "connected person" also captures "associates," which include, among others, (a) any subsidiary of such "connected person," (b) any holding company of such "connected person" and any subsidiary of such holding company, and (c) any company in which such entity or entities mentioned in (a) and (b) above taken together has/have the power to exercise control, directly or indirectly, of 30% or more of the voting power of such company.

The "Limitation on Transactions with Shareholders and Affiliates" covenant in the Notes only applies to transactions between the Company or any Restricted Subsidiary, on the one hand, and (x) any holder (or any affiliate of such holder) of 10% or more of the shares of the Company or (y) any affiliate of the Company, on the other hand. As such, transactions between the Company or any Restricted Subsidiary, on the one hand, and an affiliate of any Restricted Subsidiary, on the other hand, will not be captured by such covenant, even though they are subject to the independent shareholders' requirement under the Listing Rules. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officers' certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions.

The liquidity and price of the Notes following the offering may be volatile

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to our industry and general economic conditions nationally or internationally could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. We cannot assure you that these developments will not occur in the future.

There may be less publicly available information about us than is available in certain other jurisdictions

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, the financial information in this offering memorandum has been prepared in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions, or other GAAPs, which might be material to the financial information contained in this offering memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between HKFRS and other GAAPs. In making an investment decision, you must rely upon your own examination of us, the terms of the offering and our financial information. You should consult your own professional advisers for an understanding of the differences between HKFRS and U.S. GAAP or between HKFRS and other GAAPs and how those differences might affect the financial information contained in this offering memorandum.

We will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to debt securities listed in certain other countries

For so long as the Notes are listed on the SGX-ST, we will be subject to continuing listing obligations in respect of the Notes. The disclosure standards imposed by the SGX-ST may be different than those imposed by securities exchanges in other countries or regions such as the United States or Hong Kong. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral

Our initial Subsidiary Guarantors do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that are organized under the laws of the PRC, or that are not permitted by applicable law or regulation to guarantee the Notes (the "Exempted Subsidiaries"), will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Moreover, the Notes will not be guaranteed by certain Other Non-Guarantor Subsidiaries. In addition, certain of our offshore subsidiaries will not be required to guarantee the Notes if the consolidated assets of these subsidiaries (other than the Exempted Subsidiaries) do not exceed 20% of our total assets. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries. See the sections entitled "Description of the Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees" for a list of the existing Non-Guarantor Subsidiaries (other than our PRC subsidiaries).

The initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. In addition, the Subsidiary Guarantors guarantee our obligations under the Existing Notes (as defined in the "Description of the Notes") and the Exchange Convertible Bonds. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future will have the funds necessary to satisfy our financial obligations under the Notes if we are unable to do so. See the section entitled "— Risks Relating to the Notes — We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries."

Under the terms of the Notes, if no less than 20% of the Capital Stock of a Subsidiary Guarantor is sold to a third party (whether through sale of existing shares or issuance of new shares), such Subsidiary Guarantor may either substitute its Subsidiary Guarantee for JV Subsidiary Guarantee or release its Subsidiary Guarantee and do not provide any guarantee for the Notes, as long as the consolidated assets of all Restricted Subsidiaries organized outside the PRC (other than the Exempted Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 20% of our total assets.

In addition, in the case of a subsidiary or any entity established after the original issue date of the Notes that is incorporated outside the PRC, a limited-recourse JV Subsidiary Guarantee may be provided following the sale or issuance to a third party of no less than 20% of equity interest in such subsidiary, or purchase from a third party of an equity interest in such entity such that it becomes our subsidiary (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company.

The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in the Cayman Islands, the BVI, Hong Kong and other jurisdictions where future Subsidiary Guarantors or JV Subsidiary Guarantors (if any) may be established, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;
- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;
- was insolvent or rendered insolvent by reason of the incurrence of such guarantee;
- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the applicable jurisdiction. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its properties at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities in respect of its existing debts as they became absolute and matured.

In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantor. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantors (as the case may be) will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor or JV Subsidiary Guarantor (if any) without rendering the guarantee, as it relates to such Subsidiary Guarantor or JV Subsidiary Guarantor (if any), voidable under such applicable insolvency or fraudulent transfer laws.

If a court voids a Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be), subordinates such guarantee to other indebtedness of the Subsidiary Guarantor or JV Subsidiary Guarantor, or holds the Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be) unenforceable for any other reason, holders of the Notes would cease to have a claim against that Subsidiary Guarantor or JV Subsidiary Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such Subsidiary Guarantor or JV Subsidiary Guarantor (as the case may be), and would solely be creditors of us and any Subsidiary Guarantors or JV Subsidiary Guarantors whose guarantees have not been voided or held unenforceable. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

The pledge of certain Collateral may in some circumstances be voidable

The pledge of the Collateral may be voidable as a preference under insolvency or fraudulent transfer or similar laws of Hong Kong, the Cayman Islands and the BVI at any time within six months of the perfection of the pledge or, under some circumstances, within a longer period. Pledges of capital stock of future Subsidiary Guarantors may also be voidable as a preference under relevant insolvency or fraudulent transfer or similar laws. In addition, the pledge of certain Collateral may be voided based on the analysis set forth under the section entitled "— The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees" above.

If the pledges of the Collateral were to be voided for any reason, holders of the Notes would have only an unsecured claim against us and the Subsidiary Guarantor Pledgors.

The pledge of certain Collateral may be released under certain circumstances

If we dispose of not less than 20% of the shares of a Subsidiary Guarantor, the Subsidiary Guarantees provided by such Subsidiary Guarantor and its subsidiaries, and the Collateral comprising the shares of these companies, may be released if the consolidated assets of our non-PRC subsidiaries (other than the Exempted Subsidiaries) that do not guarantee the Notes do not account for more than 20% of our total assets immediately following such release.

Moreover, in the event the conditions applicable to the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee are satisfied, we are permitted to release the pledge of the shares granted by such Subsidiary Guarantor, as well as the pledge of the shares granted by the subsidiaries of such Subsidiary Guarantor. We are only required to deliver a replacement share pledge for the shares that we continue to hold in such JV Subsidiary Guarantor (but not the subsidiaries of such JV Subsidiary Guarantor) following the sale of the equity interests in such Subsidiary Guarantor. As a result, in the event we sell minority equity interests in our Subsidiary Guarantors or otherwise create JV Subsidiary Guarantors in accordance with the terms of the Indenture, the Collateral will be reduced in value and scope, and holders of the Notes would be subject to increased risks.

In addition, the Company is in the process of designating Zhan Zheng Consulting Company Limited, Cornwell Holdings (Hong Kong) Limited and Central Broad (Hong Kong) Investment Limited (together, the "Target Subsidiaries"), which are guarantors under the Original Notes and the Existing Notes other than the October 2022 Notes and the November 2023 Notes (such existing notes, the "Target Notes"), as Unrestricted Subsidiaries under and pursuant to the respective provisions under the indentures (the "Target Indentures") governing the Target Notes. Upon the designation of the Target Subsidiaries as Unrestricted Subsidiaries under the Target Indentures, (i) the Target Subsidiaries will no longer guarantee the Target Notes, including the Original Notes, and (ii) the security created in respect of the Capital Stock of the Target Subsidiaries will be released under the Target Indentures, including the Indenture. The Company expects to complete such designation and release on or before the settlement date. The Target Subsidiaries will not provide guarantee for the New Notes.

The Trustee may request the holders of the Notes to provide an indemnity and/or security to its satisfaction

In certain circumstances the Trustee may (at its sole discretion) request the holders of the Notes to provide an indemnity and/or security to its satisfaction before it takes actions on behalf of the holders of the Notes. The Trustee shall not be obliged to take any such actions if not indemnified to its satisfaction. Negotiating and agreeing to an indemnity and/or security can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity and/or security to it, in breach of the terms of the Indenture governing the Notes and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Notes to take such actions directly.

The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the Notes and other* pari passu *secured indebtedness

The Collateral consists only of the capital stock of certain of the initial Subsidiary Guarantors. The security interest in respect of certain Collateral may be released upon the disposition of such Collateral and any proceeds from such disposition may be applied, prior to repaying any amounts due under the Notes, to repay other debt or to make investments in properties and assets that will not be pledged as additional Collateral.

The ability of the Trustee, on behalf of the holders of the Notes, to foreclose on the Collateral upon the occurrence of an Event of Default or otherwise will be subject to the terms of the Intercreditor Agreement, as well as in certain instances to perfection and priority status. Although procedures will be undertaken to support the validity and enforceability of the security interests, we cannot assure you that the Trustee or holders of the Notes will be able to enforce the security interest.

The value of the Collateral in the event of a liquidation will depend upon market and economic conditions, the availability of buyers and similar factors. No independent appraisals of any of the Collateral have been prepared by or on behalf of us in connection with this offering of the Notes. Accordingly, we cannot assure you that the proceeds of any sale of the Collateral following an acceleration of the Notes will be sufficient to satisfy, or will not be substantially less than, amounts due and payable on the Notes. By its nature, the Collateral, which consists solely of the capital stock of any existing or future Subsidiary Guarantor, is likely to be illiquid and is unlikely to have a readily ascertainable market value. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in its liquidation.

The Collateral will be shared on a *pari passu* basis by the holders of the Notes, the holders of the Exchange Convertible Bonds and the holders of any outstanding Existing HY Notes and may be shared on a *pari passu* basis with holders of other indebtedness ranking *pari passu* with the Notes that we may issue in the future. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of such secured indebtedness. The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the obligations of the Company and each of the Subsidiary Guarantor Pledgors under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of New Notes (as defined herein) or other *pari passu* indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture.

The Intercreditor Agreement may impact the ability of the Company and the Subsidiary Guarantors to pay amounts due under the Notes and the Subsidiary Guarantees and the Intercreditor Agreement may limit the rights of holders of the Notes to the Collateral

The Common Security Trustee is required to take action to enforce the Collateral in accordance with the instructions of the holders of the Notes and the holders of the Exchange Convertible Bonds given under and in accordance with the Intercreditor Agreement. Any enforcement action taken by the Common Security Trustee will adversely affect the Company's entitlement to receive distributions from the Collateral, which will, in turn, have an adverse impact on the Company's ability to fulfill its payment obligations under the Notes. Further, the Subsidiary Guarantors' ability to pay under the Subsidiary Guarantees will be adversely affected. The ability of holders of the Notes to enforce the Collateral is restricted under the Intercreditor Agreement, as only the Common Security Trustee is permitted to take enforcement actions. If an event of default occurs under the Notes, the holders holding 25% of the outstanding amount of a series of Notes and other secured parties under the Intercreditor Agreement may decide whether to take any enforcement action and may thereafter, through their respective trustee or agent, in accordance with the Intercreditor Agreement, instruct the Common Security Trustee to take enforcement action against the Collateral. By virtue of the instructions given to the Common Security Trustee described above, actions may be taken in respect of the Collateral that may be adverse to holders of such series of Notes. In such event, the only remedy available to holders of such series of Notes would be to sue for payment under the Notes and the Subsidiary Guarantees.

The Common Security Trustee, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Intercreditor Agreement and the Security Documents as are set forth in the Intercreditor Agreement. Under certain circumstances, the Common Security Trustee may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the holders of the Notes. The Common Security Trustee will not be under any obligation to exercise any rights or powers conferred under the Intercreditor Agreement or any of the Security Documents for the benefit of the holders of the Notes or the Exchange Convertible Bonds, unless such holders or lender have offered to the Common Security Trustee indemnity and/or security satisfactory to the Common Security Trustee against any loss, liability or expense.

USE OF PROCEEDS

We intend to use the net proceeds to refinance our existing indebtedness.

EXCHANGE RATE INFORMATION

China

PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On May 18, 2007, PBOC enlarged, the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. In August 2015, the PBOC moved to devalue the Renminbi against the U.S. dollar and announced a policy change allowing a more market-based determination of the official fixing rate. Following such announcement, the Renminbi depreciated significantly against the U.S. dollar. The PRC government may from time to time make further adjustments to the exchange rate system in the future. PBOC authorized the China Foreign Exchange Trading Centre to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the business day.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

	Exchange Rate			
Period	**Period End**	**Average(1)**	**High**	**Low**
	(RMB per US$1.00)			
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7569	6.9575	6.4773
2018	6.8755	6.6090	6.9737	6.2649
2019				
April	6.7347	6.7161	6.7418	6.6870
May	6.9027	6.8519	6.9182	6.7319
June	6.8650	6.8977	6.9298	6.8510
July	6.8833	6.8775	6.8927	6.8487
August	7.1543	7.0629	7.1628	6.8972
September	7.1477	7.1137	7.1786	7.0659
October (through October 28, 2019)	7.0647	7.1050	7.1473	7.0624

Source: Federal Reserve H.10 Statistical Release

Note:

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

Hong Kong

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since October 17, 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK$7.80 to US$1.00. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the "Basic Law"), which came into effect on July 1, 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK$7.80 to US$1.00. In May 2005, the Hong Kong Monetary Authority broadened the 22-year-old trading band from the original rate of HK$7.80 per U.S. dollar to a rate range of HK$7.75 to HK$7.85 per U.S. dollar. The Hong Kong government has indicated its intention to maintain the link within that rate range. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong government will maintain the link at HK$7.80 to US$1.00 or at all.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

	Exchange Rate			
Period	**Period End**	**Average(1)**	**High**	**Low**
	(HK$ per US$1.00)			
2014	7.7531	7.7554	7.7669	7.7495
2015	7.7507	7.7519	7.7686	7.7495
2016	7.7534	7.7618	7.8270	7.7505
2017	7.8128	7.7926	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019				
April	7.8451	7.8445	7.8497	7.8368
May	7.8387	7.8478	7.8497	7.8387
June	7.8103	7.8260	7.8430	7.8080
July	7.8275	7.8133	7.8275	7.7956
August	7.8403	7.8420	7.8469	7.8266
September	7.8401	7.8350	7.8425	7.8177
October (through October 28, 2019)	7.8375	7.8427	7.8454	7.8371

Source: Federal Reserve H.10 Statistical Release

Note:

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our cash and bank balances, current borrowings, non-current borrowings, total equity and total capitalization as of June 30, 2019:

- on an actual basis; and
- as adjusted to give effect to the issue of (i) the Original Notes, and (ii) the New Notes in this offering before deducting accrued interest, the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering.

The as-adjusted information below is illustrative only and, other than disclosed in the second bullet point above, does not take into account any changes in our borrowings and capitalization after June 30, 2019.

	As of June 30, 2019			
	Actual		As adjusted	
	(RMB in thousands)	(US$ in thousands) (unaudited)	(RMB in thousands)	(US$ in thousands) (unaudited)
Cash and bank balances[(1)]	29,979,764	4,367,045	33,026,698	4,810,881
Current borrowings:				
Borrowings	22,446,501	3,269,702	22,446,501	3,269,702
Non-current borrowings:				
Borrowings[(2)(3)]	93,091,705	13,560,336	93,091,705	13,560,336
Original Notes	–	–	2,051,344	298,812
New Notes to be issued[(4)]	–	–	995,590	145,024
Total equity	44,878,707	6,537,321	44,878,707	6,537,321
Total capitalization[(5)]	137,970,412	20,097,657	141,017,346	20,541,493

(1) *Cash and bank balances include cash and bank balances of RMB21,044.1 million (US$3,065.4 million), restricted cash of RMB6,988.3 million (US$1,018.0 million), short-term bank deposits of RMB347.3 million (US$50.6 million) and long-term bank deposits of RMB1,600.0 million (US$233.1 million).*

(2) *We have, since June 30, 2019, in the ordinary course of business, entered into additional financing arrangements to finance our property developments and for general corporate purposes, including, among others, the additional January 2023 Notes, the additional July 2023 Notes and the October 2022 Notes. These changes in our borrowings after June 30, 2019 have not been reflected in this capitalization table.*

(3) *Our borrowings do not include capital commitments or contingent liabilities. As of June 30, 2019, our capital commitments were RMB50,837.3 million (US$7,405.3 million) and our contingent liabilities, which were in the form of guarantees that we have provided to our customers in relation to their purchases of our properties, amounted to RMB33,379.6 million (US$4,862.3 million).*

(4) *Representing the proceeds from this offering, before deducting the underwriting discounts and commissions and other estimated expenses payable in connection with this offering.*

(5) *Total capitalization equals total non-current borrowings plus total equity.*

For a description of our other material indebtedness, please see the section entitled "Description of Material Indebtedness and Other Obligations" in this offering memorandum. Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our capitalization since June 30, 2019.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our selected financial and other data. The selected consolidated statement of profit or loss and other comprehensive income data for 2016, 2017 and 2018 and the selected consolidated statement of financial position data as of December 31, 2016, 2017 and 2018 set forth below (except for EBITDA data) have been derived from our consolidated financial statements as of and for the years ended December 31, 2017 and 2018, as audited by Grant Thornton Hong Kong Limited, included elsewhere in this offering memorandum. Our interim financial information as of and for the six months ended June 30, 2019 have been derived from our consolidated financial statements as of and for the six months ended June 30, 2019, which has been reviewed by Grant Thornton Hong Kong Limited, Certified Public Accountants, and are included elsewhere in this offering memorandum. Our financial results for any past period are not, and should not be taken as, an indication of our performance, financial position or results of operations in future periods. Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The selected financial data below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

Selected Consolidated Statement of Profit or Loss and Other Comprehensive Income and Other Selected Financial Data

	For the year ended December 31,				For the six months ended June 30,		
	2016	2017	2018		2018	2019	
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(US$ in thousands) (unaudited)	(RMB in thousands) (unaudited)	(RMB in thousands) (unaudited)	(US$ in thousands) (unaudited)
Revenue	17,771,517	32,779,347	38,704,967	5,638,014	15,027,788	20,105,995	2,928,768
Cost of sales	(15,459,546)	(23,845,129)	(27,576,209)	(4,016,928)	(10,291,313)	(13,398,448)	(1,951,704)
Gross profit	2,311,971	8,934,218	11,128,758	1,621,086	4,736,475	6,707,547	977,064
Other gains and (losses), net	(560,512)	(123,454)	(638,696)	(93,037)	115,704	(314,136)	(45,759)
Net gain on deemed disposal of subsidiaries	—	—	2,912,593	424,267	1,994,891	979,449	142,673
Selling and marketing costs	(842,695)	(896,012)	(1,262,466)	(183,899)	(361,269)	(730,644)	(106,430)
Administrative expenses	(1,745,262)	(2,501,232)	(2,601,078)	(378,890)	(1,402,041)	(1,323,494)	(192,789)
Fair value gain on investment properties	4,161,371	2,088,849	212,374	30,936	134,806	390,345	56,860
Fair value loss on financial derivatives	(21,500)	(969,204)	—	—	—	—	—
Loss on step acquisition of a subsidiary	—	(146,258)	—	—	—	—	—
Operating profit	3,303,373	6,386,907	9,751,485	1,420,464	5,218,566	5,709,067	831,619
Share of results of associates	(40,578)	31,685	239,913	34,947	(55,223)	(63,182)	(9,203)
Share of results of joint ventures	8,223	37	(48,726)	(7,098)	33,234	(122)	(18)
Finance (costs)/income, net	(2,120,366)	247,798	(2,170,787)	(316,211)	(623,956)	(353,639)	(51,513)
Gain on extinguishment of financial liabilities	716,143	—	—	—	—	—	—
Profit before income tax	1,866,795	6,666,427	7,771,885	1,132,103	4,572,621	5,292,124	770,885
Income tax expenses	(2,214,306)	(3,622,579)	(4,477,629)	(652,240)	(2,340,530)	(2,514,984)	(366,349)
(Loss)/profit for the year/period	(347,511)	3,043,848	3,294,256	479,862	2,232,091	2,777,140	404,536

	For the year ended December 31,				For the six months ended June 30,		
	2016	2017	2018		2018	2019	
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(US$ in thousands) (unaudited)	(RMB in thousands) (unaudited)	(RMB in thousands) (unaudited)	(US$ in thousands) (unaudited)
Other comprehensive (loss)/income, including reclassification adjustments							
Items that may be reclassified subsequently to profit or loss							
Changes in fair value of available-for-sale financial assets, net of tax	(210)	—	—	—	—	—	—
Exchange differences on translation of foreign operations	—	(6,387)	6,641	967	13,516	(31,692)	(4,616)
Other comprehensive (loss)/income for the year/period, including reclassification adjustments	(210)	(6,387)	6,641	967	13,516	(31,692)	(4,616)
Total comprehensive (loss)/income for the year/period	(347,721)	3,037,461	3,300,897	480,830	2,245,607	2,745,448	399,920
(Loss)/profit for the year/period attributable to:							
Owners of the Company	(612,380)	3,284,889	2,750,206	400,613	1,704,082	2,837,222	413,288
Non-controlling interests	264,869	(241,041)	544,050	79,250	528,009	(60,082)	(8,752)
	(347,511)	3,043,848	3,294,256	479,862	2,232,091	2,777,140	404,536
Total comprehensive (loss)/ income attributable to:							
Owners of the Company	(612,590)	3,283,297	2,734,394	398,309	1,712,587	2,822,823	411,191
Non-controlling interests	264,869	(245,836)	566,503	82,520	533,020	(77,375)	(11,271)
	(347,721)	3,037,461	3,300,897	480,830	2,245,607	2,745,448	399,920
Other Financial Data							
EBITDA[1]	2,904,215	9,918,282	15,123,772	2,203,026	6,980,976	8,129,366	1,184,176
EBITDA margin[2]	16.3%	30.3%	39.1%	39.1%	46.5%	40.4%	40.4%

(1) EBITDA for any period consists of profit or loss for the period, changes in fair value of investment properties, changes in fair value of financial derivatives, net fair value change on financial assets at FVTPL, waiver of other payables, net gain on repurchase of senior notes, net finance cost (excluding net exchange gains/losses), net exchange gains/losses, impairment loss on interest in an associate, provisions for expected credit loss, capitalized interest charged to cost of sales, income tax expense, depreciation, amortization of intangible assets, amortization of land use rights, share-based payments and write down of completed properties held for sale, provisions for properties under development, write off of intangible assets, gain on disposal of financial assets at FVTPL, loss on disposal of investment properties, loss on disposal of deposits for land acquisitions and (gain) loss on disposal of property, plant and equipment. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companiesbecause not all companies use the same definition. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our profit or loss for the year/period under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein is calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes, in particular, EBITDA as presented herein does not exclude EBITDA of our Unrestricted Subsidiaries or EBITDA of our PRC subsidiaries, which cannot freely distribute dividends. Interest expense excludes amounts capitalized. See the sections entitled "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indentures governing the Notes.

(2) EBITDA margin is calculated by dividing EBITDA by revenue.

Selected Consolidated Statement of Financial Position Data

	As of December 31,				As of June 30,	
	2016	2017	2018		2019	
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(US$ in thousands) (unaudited)	(RMB in thousands) (unaudited)	(US$ in thousands) (unaudited)
Assets						
Non-current assets	34,602,673	53,558,098	65,915,004	9,601,603	78,178,416	11,387,970
Current assets	131,219,294	159,830,069	163,113,036	23,760,093	180,835,030	26,341,592
Total assets	165,821,967	213,388,167	229,028,040	33,361,696	259,013,446	37,729,562
Equity and Liabilities						
Non-current liabilities	83,977,948	93,515,966	96,278,821	14,024,592	98,830,079	14,396,224
Current liabilities	58,797,620	89,874,051	96,409,907	14,043,686	115,304,660	16,796,017
Total liabilities	142,775,568	183,390,017	192,688,728	28,068,278	214,134,739	31,192,241
Total equity	23,046,399	29,998,150	36,339,312	5,293,418	44,878,707	6,537,321
Total equity and liabilities	165,821,967	213,388,167	229,028,040	33,361,696	259,013,446	37,729,562

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the section entitled "Selected Consolidated Financial and Other Data" and our consolidated financial statements, including the notes thereto, included elsewhere in this offering memorandum. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated.

Our consolidated financial statements were prepared in accordance with HKFRS, which differ in certain material respects from generally accepted accounting principles in other jurisdictions. In this section of the offering memorandum, references to "2016", "2017" and "2018" refer to our financial years ended December 31, 2016, 2017, and 2018, respectively.

Overview

We are a leading PRC property developer with a sizable and diversified land bank of approximately 25.8 million sq.m. GFA in 47 cities across six regions. According to China Real Estate Information Corporation and China Real Estate Appraisal Center, we were ranked 31st among Chinese property developers nationwide in terms of attributable contracted sales. We focus on mass market housing demand and are primarily engaged in the development of large-scale residential properties as well as integrated commercial properties.

Headquartered in Shenzhen, the Special Economic Zone adjacent to Hong Kong, we have historically focused our property development in the Pearl River Delta region. Our well-established position in the Pearl River Delta region is supported by our geographically diversified development portfolio, including projects in Shenzhen, Foshan, Guangzhou, Huizhou, Dongguan, Zhongshan, Zhuhai, Yangjiang and Qingyuan. Leveraging our success in the Pearl River Delta region, we have expanded into other areas in China, including Shanghai, Hangzhou, Taizhou, Suzhou, Zhangjiagang, Ningbo, Nanjing, Changzhou, Taicang, Shaoxing, Jiaxing, Xuzhou and Jiangyin in the Yangtze River Delta region, Chengdu, Chongqing, Pengzhou and Nanchong in the Western China region, Changsha, Hengyang, Wuhan, Ezhou, Xiaogan, Xinzheng, Xinxiang and Zhuzhou in the Central China region, and Shenyang, Yingkou, Benxi, Anshan, Weifang, Liaoyang, Dalian, Dandong, Huludao, Bazhou, Gu'an and Qingdao in the Pan-Bohai Bay Rim.

As of June 30, 2019, we had a total of 167 property development projects, including completed properties, properties under development and properties for future development, in 47 cities in China. As of June 30, 2019, we had completed properties with a total GFA of approximately 26.3 million sq.m., and had a land bank with an estimated total GFA of approximately 25.8 million sq.m., including completed properties held for sale with a total GFA of approximately 2.2 million sq.m., properties under development with an estimated total GFA of approximately 12.8 million sq.m. and properties for future development with an estimated total GFA of approximately 10.8 million sq.m.

Our revenue was RMB17,771.5 million, RMB32,779.3 million, RMB38,705.0 million and RMB20,106.0 million (US$2,928.8 million), respectively, in 2016, 2017, 2018 and the six months ended June 30, 2019. In 2016, 2017, 2018 and the six months ended June 30, 2019, our revenue was primarily generated from sales of our developed properties, which amounted to approximately 94.2%, 95.2%, 93.2% and 92.0% of our revenue, respectively. Our remaining revenue in 2016, 2017, 2018 and the six months ended June 30, 2019 included rental income, revenue from our property management services, revenue from hotel and catering operations, revenue from cinema, department store and cultural centre operations and revenue from other operations.

Key Factors Affecting Our Results of Operations

Our business, results of operations and financial condition have been, and we expect will continue to be, affected by a number of key factors and material risks, many of which are beyond our control. Please refer to the section entitled "Risk Factors." These factors and risks include the following:

Economic conditions, speed of urbanization and demand for residential and commercial properties in China, particularly in the Pearl River Delta region

Our business is heavily dependent on the performance of the real estate market in China, particularly in the Pearl River Delta region. The performance of the PRC real estate industry is subject to continued growth in the economy, the rate of urbanization and the resultant demand for properties in China. Recent world events and developments, such as Brexit and trade tensions between the United States and China, will continue to affect China's economy at the macro level. See "Risk factors — Risks relating to the Business — We may be adversely affected by fluctuations in the global economy and financial markets." The key factors that we consider to be important to our operations include (1) general economic development, including the global economy and the overall economic growth in China, (2) growth conditions in the private sector and (3) urban planning. Economic growth attributable to the private business sector has increased the general level of disposable income and the number of middle to upper-middle income households, which are our primary target customers. Developments in the economy and the rate of urbanization have in the past increased the supply of and demand for residential properties and affected pricing trends in the property sector in the cities and regions where we operate in China. We believe that these factors will continue to significantly affect our results of operations.

The regulatory environment and measures affecting the real estate industry in China

Our business and results of operations have been, and will continue to be, affected by the regulatory environment in China, PRC governmental policies and measures taken by the PRC government on property development and related industries. In recent years, the PRC government has implemented a series of measures with a view to control the growth of the economy, including the real estate markets. While the real estate industry is regarded as a pillar industry by the PRC government, the PRC government has taken various restrictive measures to discourage speculation in the real estate market and to increase the supply of affordable residential properties. From time to time, the PRC government adjusts or introduces macroeconomic control policies to encourage or restrict development in the private property sector through regulating, among others, land grants, pre-sales of properties, bank financing and taxation. Measures taken by the PRC government to control money supply, credit availability and fixed assets also have a direct impact on our business and results of operations. The PRC government may introduce initiatives which may affect our access to capital and the means in which we may finance our property development. See "Regulations" for more details on the relevant PRC laws and regulations.

Ability to acquire suitable land at suitable prices

To have a steady stream of properties available for sale and to achieve continuous growth in the long term, we need to replenish and increase land reserves suitable for development. Based on our current development plans, we have sufficient land reserves for property developments for the next five years. We expect competition among property developers for land reserves that are suitable for property development to remain intense. In addition, PRC government policies and measures on land supply may further intensify competition for land in China among property developers. For example, although privately held land use rights are not prevented from being traded in the secondary market, the statutory means of public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights is likely to increase competition for available land and to increase land acquisition costs. Furthermore, in November 2009, the PRC government raised the minimum down-payment of land premium to 50% and required the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. In March 2010, the Ministry of Land and Resources promulgated a notice to strictly regulate the transfer of land for commercial buildings. According to the notice, the area of a parcel of land granted for commodity residential development should be strictly restricted in accordance with the catalog of restricted use of land and the minimum price of the land transfer should not be less than 70% of the benchmark price of the place where the land being transferred is located, and the real estate developer's bid deposit should not be less than 20% of the minimum transfer price. See "Regulations." These changes of policy may materially and adversely affect our cash flow and our ability to acquire suitable land for our operations.

Land and construction costs

Our results of operations are affected by key components of our cost of sales, such as land costs and construction costs. In 2016, 2017, 2018 and the six months ended June 30, 2019, our land costs recognized in cost of sales were RMB4,437.1 million, RMB7,186.1 million, RMB12,330.4 million (US$1,796.1 million) and RMB4,644.6 million (US$676.6 million), respectively, and our land cost as a percentage of our property sales revenue was approximately 26.5%, 23.0%, 34.2%

and 25.1%, respectively. Land premiums have generally been increasing over the past 10 years in China. We believe that land premiums will continue to rise as the PRC economy continues to develop. Another key component of our cost of sales is construction costs, which are susceptible to the price volatility of construction materials such as steel and cement.

Access to and cost of financing

Borrowing is an important source of funding for our property developments. As of December 31, 2016, 2017 and 2018 and June 30, 2019, our outstanding borrowings amounted to RMB87,536.8 million, RMB111,173.2 million, RMB108,766.0 million and RMB115,538.2 million (US$16,830.0 million), respectively. The effective interest rates on our bank borrowings included in non-current liabilities as of December 31, 2016, 2017 and 2018 and June 30, 2019 were approximately 6.8%, 6.7%, 6.9% and 6.8%, respectively. The effective interest rates on our bank borrowings included in current liabilities 6.7%, 7.0%, 7.1% and 7.0% as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively. As commercial banks in China link the interest rates on their bank loans to benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase the interest costs for our developments. Our ability and flexibility to use bank loans to finance our property projects are also affected by the measures taken by the PRC government from time to time to restrain money supply and credit availability for fixed asset investments, particularly with respect to the property development sector. In addition to bank borrowings, we have also accessed capital markets for our financing requirements. See "Description of Material Indebtedness and Other Obligations." An increase in our finance costs would negatively affect our profitability and results of operations and the availability of financing will affect our ability to engage in our project development activities, which will negatively affect our results of operations.

Pre-sale and progress of property development

Pre-sales constitute the most important source of our operating cash inflow during our project development. PRC law allows us to pre-sell properties before their completion upon obtaining the pre-sale permit from the relevant governmental authorities and requires us to use the pre-sale proceeds to develop the relevant pre-sale property projects. However, we do not recognize revenue from the pre-sale of a property until the property has been delivered to the purchaser. We record the proceeds received from the pre-sold properties as contract liabilities (or "advance proceeds received from customers and deposits received" prior to January 1, 2018 on which date HKFRS 9 and HKFRS 15 became effective), an item of current liabilities on our consolidated statement of financial position and as a part of cash inflows from operating activities on our consolidated cash flow statements. Our advance proceeds received from customers and deposits received as of December 31, 2016, 2017 and contract liabilities as of December 31, 2018 and June 30, 2019 amounted to RMB27,973.4 million, RMB29,564.9 million, RMB39,154.1 million and RMB45,343.6 million (US$6,605.0 million), respectively, demonstrating a steady growth of our property development business, which was driven by the increasing demand in housing in regions where we operate with net population inflow and strong economic development such as the Pearl River Delta Region.

The progress of property development may affect our ability to deliver properties to our customers within the specified time limit and in turn affect the amount and timing of cash inflows from pre-sales. In addition, reduced cash inflow from pre-sales of our properties will increase our reliance on external financing and will impact our ability to finance our continuing property developments.

LAT

We are subject to LAT with respect to the appreciated value of land. LAT applies to both domestic and foreign developers and investors in real properties in China, irrespective of whether they are corporate entities or individuals. In 2016, 2017, 2018 and the six months ended June 30, 2019, we made LAT prepayments of RMB835.4 million, RMB567.6 million, RMB849.8 million (US$123.8 million) and RMB1,344.7 million (US$195.9 million), respectively and LAT provisions of RMB493.8 million, RMB1,611.4 million, RMB2,505.5 million (US$365.0 million) and RMB406.4 million (US$59.2 million), respectively. We prepay LAT on the basis of our pre-sale proceeds in accordance with requirements of PRC tax authorities and provide for unpaid LAT liabilities based on our best estimate according to our understanding of prevailing tax rules. Actual LAT liabilities are, however, subject to determination by the tax authorities upon completion of the property development projects and, because the PRC government has not published clear and comprehensive guidelines in this regard, the tax authorities may disagree that our provisions are sufficient to cover all actual LAT obligations as of each balance sheet date in respect of our past LAT liabilities. See "Regulations."

Fair Value of Investment Properties

We hold investment properties for rental income or capital appreciation. We consider the estimated long-term growth potential, overall market conditions and our cash flows and financial condition when we decide whether to sell or hold our completed properties for long-term investment purposes. Going forward, we intend to continue to consider the above factors in deciding whether to sell or lease our completed properties and we expect to increase our investment property portfolio over time. In accordance with HKFRS, gains or losses (as applicable) arising from changes in the fair value of our investment properties should be accounted for in our consolidated profit or loss, which may have a substantial effect on our profits. Total GFA of completed investment properties we held for rental income was 408,665 sq.m., 563,919 sq.m., 607,815 sq.m. and 594,704 sq.m. as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively. Our investment properties were revalued by an independent property valuer as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively, using the income capitalization approach and direct comparison method, as applicable, which reflected market conditions at those dates. The fair value of our investment properties may have been higher or lower had the valuer used a different set of bases or assumptions, or had the valuation been conducted by other qualified independent professional valuers using a different set of bases and assumptions. In addition, upward revaluation adjustments reflect unrealized capital gains on our investment properties as of the relevant reporting dates and do not generate any cash inflow for our operations or potential dividend distribution to our shareholders. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. If similar levels of fair value gains cannot be sustained in the future, our results of operations can be adversely impacted. See "Risk Factors — Risks Relating To the Business — The fair value of our investment properties is likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely impact our profitability."

Critical Accounting Policies

The preparation of our consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires our management to exercise its judgment in the process of applying our accounting policies. Therefore, the consolidated financial statements included in this offering memorandum may not necessarily reflect our results of operations, financial position and cash flows in the future or what they would have been had we been a separate, stand-alone entity during the periods presented.

Critical accounting policies are those accounting policies that are reflective of significant judgments and uncertainties and that potentially yield materially different results under different assumptions and conditions.

When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies involve the most significant judgment and estimates used in the preparation of our consolidated financial information. In addition, we discuss our revenue recognition policy below because of its significance, even though it does not involve significant estimates or judgments.

Revenue recognition

Revenue is shown after eliminating sales with the companies comprising our Group. Revenue is recognized when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the activities as described below.

As of January 1, 2018, we adopted HKFRS 9, HKFRS 15 and other amended standards that are effective from the financial period beginning from January 1, 2018 and relevant to the our operation. According to HKFRS 15, the recognition of the revenue is replaced by the activities as described below:

Revenue from sale of properties

Prior to January 1, 2018, revenue was measured based on the consideration specified in a contract with a customer and recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. For property development and sales contracts for which the control of the property is transferred at a point in time, revenue was recognized when the customer obtains the control of the completed property and we have present right to payment and the collection of the consideration is probable.

After January 1, 2018, revenue is recognized when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the law that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if our performance:

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

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

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

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

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

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

Rental income

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

Hotel operation income

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

Property management

Revenue arising from property management is recognized in the accounting period in which the services are rendered. We bill a fixed amount for each month of service provided and recognises as revenue in the amount to which we have a right to invoice and corresponds directly with the value of performance completed.

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

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

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

Catering income

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

Hire income from charter

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

Passenger transportation agency service

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

Sales of goods

We manufacture and sell a range of consumer products, including dental prosthetics. Revenue from sales of goods are recognized when the products have been delivered to and accepted by customers.

Interest income

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

Fair value of investment properties

An investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, we use alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

Properties under development

For accounting purposes, properties under development include properties for which we have obtained the relevant land use rights certificates. Properties under development are stated at the lower of cost and net realizable value. Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on marketing conditions. Development cost of properties comprises construction costs, land use rights in relation to properties under development for subsequent sale, borrowing costs on qualifying assets and professional fees incurred during the development period. The assessment of carrying amount of properties under development requires the use of our judgment and estimates. We will make provision to revise these estimates when events or changes in circumstances indicate that the carrying amounts may not be realized.

Completed properties held for sale

Completed properties remaining unsold as of December 31, 2016, 2017 and 2018 and June 30, 2019 are included in current assets and are measured at the lower of cost and net realizable value. Cost comprises development costs attributable to the unsold properties and borrowing costs. Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions. The assessment of the carrying amount of completed properties for sale requires the use of our judgment and estimates. We will make provision to revise these estimates when events or changes in circumstances indicate that the carrying amounts may not be realized.

Prepayments for proposed development projects and deposits for land acquisition

We assess the carrying amounts of deposits for land acquisitions and prepayments for proposed development projects according to their recoverable amounts, taking into account estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realized. The assessment requires the use of judgment and estimates.

Borrowings and borrowing costs

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method. Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the respective reporting date.

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

Income taxes, withholding taxes and deferred taxation

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

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

Deferred income tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future.

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

LAT

Our property developments are subject to LAT. 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 lease charges of land use rights and all property development expenditures, which is included in the consolidated statements of comprehensive income as cost of sales. We make LAT provisions based on our calculation in accordance with relevant government regulations. The tax bureaus in general have not strictly enforced the LAT regulations, and many localities have not published settlement rules. Accordingly, significant judgment is required in determining the amount of LAT. We recognize LAT based on our management's best estimates according to our understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax provision in the periods in which such taxes have been finalized with local tax authorities. See "— Key Factors Affecting Our Results of Operations — LAT" and the section entitled "Risk Factors — Risks Relating to the Businesses — Our LAT provisions and prepayments may not be sufficient to meet our LAT obligations."

Certain Profit or Loss Items

Revenue

Revenue primarily comprises the fair value of the consideration received or receivable for the sales of properties, including completed properties held for sale and properties under development, and provision of services in the ordinary course of business. We generally recognize our revenue from sales of properties after the properties have been sold and delivered to the purchasers. We pre-sell our properties under development in accordance with PRC pre-sale regulations. In respect of pre-sales of completed properties held for sale, we do not recognize the proceeds from pre-sales until we have completed the construction of these properties and delivered the properties to the purchasers. Typically there is a time gap ranging from one to two years between the time we commence pre-sale of the properties under development and the delivery of the properties. We record the proceeds received from the pre-sold properties as contract liabilities (or "advance proceeds received from customers and deposits received" prior to January 1, 2018 on which date HKFRS 9 and HKFRS 15 became effective), an item of current liabilities on our consolidated statement of financial position and as a part of cash inflows from operating activities on our consolidated cash flow statements. We generate a small portion of revenue from the rental income derived from our investment properties, property management services, hotel and catering operations, cinema, department store and cultural center operations and other operations.

In 2016, 2017, 2018 and the six months ended June 30, 2019, we derived most of our revenue from sales of properties we developed. The following table sets out our revenue in each business segment and the percentage of revenue represented by each segment for the periods indicated.

	For the year ended December 31,							For the six months ended, June 30,		
	2016		2017		2018	2018		2019	2019	
	(RMB in millions)		(RMB in millions)		(RMB in millions)	(US$ in millions) (unaudited)		(RMB in millions) (unaudited)	(US$ in millions) (unaudited)	
Sales of properties	16,739.0	94.2%	31,206.1	95.2%	36,080.6	5,255.7	93.2%	18,501.7	2,695.1	92.0%
Rental income	228.1	1.3%	249.6	0.8%	278.6	40.6	0.7%	194.7	28.4	1.0%
Property management services	271.6	1.5%	315.9	1.0%	516.2	75.2	1.3%	375.0	54.6	1.9%
Hotel and catering operations	82.0	0.5%	162.6	0.5%	249.9	36.4	0.6%	100.0	14.6	0.5%
Cinema, department store and cultural center operations	253.3	1.4%	235.5	0.7%	491.1	71.5	1.3%	139.5	20.3	0.7%
Water-way passenger and cargo transportation	—	—	536.5	1.6%	810.6	118.1	2.1%	393.2	57.3	2.0%
Others	197.5	1.1%	73.1	0.2%	278.0	40.5	0.8%	401.7	58.5	2.0%
Total	17,771.5	100.0%	32,779.3	100%	38,705.0	5,638.0	100.0%	20,106.0	2,928.8	100.0%

Cost of sales

Cost of sales comprises primarily land costs, construction costs, capitalized borrowing costs, business taxes and other direct costs related to property development, property investment and property management. The table below sets forth breakdowns by these categories of our cost of sales for the periods indicated.

	For the year ended December 31,				For the six months ended June 30,	
	2016	2017	2018	2018	2019	2019
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(US$ in millions) (unaudited)	(RMB in millions) (unaudited)	(US$ in millions) (unaudited)
Land costs	4,437.1	7,186.1	12,330.4	1,796.1	4,644.6	676.6
Construction costs	7,467.2	10,785.3	9,388.1	1,367.5	5,292.5	770.9
Capitalized borrowing costs	2,187.0	3,804.4	3,591.0	523.1	2,090.7	304.5
Business taxes	737.2	681.0	298.9	43.5	111.1	16.2
Other direct costs related to property development, property investment and property management	631.0	1,388.3	1,967.8	286.6	1,259.5	183.5
Total cost of sales	15,459.5	23,845.1	27,576.2	4,016.9	13,398.4	1,951.7

Land costs. Land costs represent costs relating to the acquisition of the rights to occupy, use and develop land, including land premiums, deed taxes and government surcharges and demolition and resettlement cost. The land costs are recognized as part of cost of sales upon the completion and delivery of relevant properties to the purchasers. In 2016, 2017, 2018 and the six months ended June 30, 2019, our GFA delivered was 1,866,540 sq.m., 2,241,286 sq.m., 2,096,568 sq.m., and 1,115,905 sq.m. respectively, and our average land costs per sq.m. of GFA were approximately RMB2,377.2, RMB3,206.2, RMB5,881.2 (US$856.7) and RMB4,162.2 (US$606.3), respectively, as measured by dividing the aggregate land costs recognized as cost of sales in our consolidated statements of comprehensive income by the aggregate saleable GFA of properties delivered within these periods. Our average land costs per sq.m. of GFA increased by 34.9% from 2016 to 2017, increased by 83.4% from 2017 to 2018 and further increased by 12.2% from 2018 to the six months ended June 30, 2019.

Construction costs. Construction costs represent costs for the design and construction of a property project, consisting primarily of fees paid to our contractors, including contractors responsible for civil engineering construction, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs, design costs and certain government surcharges. The construction costs are recognized as part of cost of sales upon the completion and delivery of relevant properties to the purchasers. Our construction costs are affected by a number of factors such as price movements for construction materials, location and types of properties, choices of materials and investments in ancillary facilities. In 2016, 2017, 2018 and the six months ended June 30, 2019, our construction costs were RMB7,467.2 million and RMB10,785.3 million and RMB9,388.1 million (US$1,367.5 million) and RMB5,292.5 million (US$770.9 million), respectively.

Capitalized borrowing costs. Capitalized borrowing costs are general and specific borrowing costs directly attributable to the acquisition, constructions or production of our property development projects that are released to profit or loss as part of the cost of sales when the properties are sold.

Business taxes. Revenues from property development and property investment are subject to business taxes of 5%, and revenue from property management is also subject to business taxes of 5%. In March 2016, the Ministry of Finance and State Administration of Taxation jointly issued the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業税改徵增值税試點的通知》), pursuant to which we are subject to value-added tax instead of business tax since May 2016.

Other gains and losses — net

Net other gains and losses primarily consist of write-down of completed properties held for sale and properties under development net of government subsidy income and gain on disposal of available-for-sale financial assets.

Selling and marketing costs

Selling and marketing costs include advertising expenses, sales and agency commissions and other expenses relating to sales and promotion of our properties.

Administrative expenses

Administrative expenses comprise primarily staff costs, office expenses, directors' emoluments, depreciation, legal and professional fees, travel expenses and donations.

Fair value gain on investment properties

We hold certain properties for rental income or capital appreciation. Changes in fair values of investment properties are recognized in the consolidated profit or loss in the year such changes arise. The fair values of our investment properties as of December 31, 2016, 2017 and 2018 and June 30, 2019 were determined by independent property valuers. The amounts of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property markets. See "— Critical Accounting Policies — Fair Value of Investment Properties."

Fair value loss on financial derivatives

Pursuant to our Debt Restructuring, we issued CVRs and Mandatorily Exchangeable Bonds on July 21, 2016. See "Description of Material Indebtedness and Other Obligations Debt Restructuring." The CVRs and the derivative component of the Mandatorily Exchange Bonds are measured at fair value at each reporting date. The decrease in fair value of financial derivatives of approximately RMB21.5 million in 2016 was primarily attributable to the increase in fair value of the derivative component of the Mandatorily Exchangeable Bonds.

Finance income

Finance income comprises interest income on bank deposits.

Finance costs

Finance costs comprise primarily interest expenses on bank borrowings and other borrowings, net of capitalized borrowing costs. Since the construction period for a project does not necessarily coincide with the interest payment period of the relevant loan, not all of the interest costs related to a project can be capitalized. As a result, our finance costs fluctuate from period to period.

Income tax expenses

Income tax expenses represent PRC enterprise income tax payable, deferred income tax and LAT payable by our subsidiaries. The following table sets forth our tax provision for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,	
	2016	2017	2018	2018	2019	2019
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(US$ in thousands) (unaudited)	(RMB in thousands)	(US$ in thousands) (unaudited)
Current income tax						
— PRC enterprise income tax	674,476	1,919,823	2,687,318	391,452	1,219,125	177,586
— PRC LAT	465,003	1,611,358	2,505,458	364,961	1,344,731	195,882
Under-provision in prior years						
— PRC LAT	28,819	—	—	—	—	—
Deferred income tax	1,046,008	91,398	(715,147)	(104,173)	(48,872)	(7,119.0)
Total income tax expenses	2,214,306	3,622,579	4,477,629	652,240	2,514,984	366,349

In 2016, 2017, 2018 and the six months ended June 30, 2019, we recognized enterprise income tax (including deferred income tax) of RMB1,720.5 million, RMB2,011.2 million, RMB1,972.2 million (US$287.3 million) and RMB1,170.3 million (US$170.5 million), respectively. The fluctuations in our enterprise income taxes during 2016, 2017, 2018 and the six months ended June 30, 2019 were primarily attributable to the fluctuations in profit before income tax.

No Hong Kong profits tax was provided in 2016, 2017, 2018 and the six months ended June 30, 2019 as we had no assessable profits for those periods. The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of Cayman Islands and, accordingly, is exempt from payment of income tax as there are no laws enacted in the Cayman Islands which impose any tax to be levied on profits, income, gains or appreciations.

Under the PRC tax laws effective prior to January 1, 2008, dividends paid by our PRC subsidiaries to us were exempt from PRC income tax. However, pursuant to the Enterprise Income Tax Law and its implementation rules that became effective on January 1, 2008, dividends payable by foreign-invested enterprises, such as subsidiaries and joint ventures in China, to their foreign investors are subject to a withholding tax at a rate of 10% unless such foreign investors' jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement. See "Regulations."

Results of Operations

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

Revenue. Our revenue increased by RMB5,078.2 million, or 33.8% to approximately RMB20,106.0 million (US$2,928.8 million) for the six months ended June 30, 2019 from approximately RMB15,027.8 million for the corresponding period in 2018, primarily attributable to an increase in sales of properties.

Sales of properties. Our revenue from sales of properties increased by approximately RMB4,516.9 million, or 32.3%, to approximately RMB18,501.7 million (US$2,695.1 million) for the six months ended June 30, 2019 from approximately RMB13,984.8 million for the corresponding period in 2018. The increase was primarily attributable to an increase in the total GFA delivered during the six months ended June 30, 2019, as well as to an increase in the average selling price of our properties delivered. The increase in the total GFA delivered was due to the increasing demand in housing in the Pearl River Delta Region where we operate with net population inflow and strong economic development.

Rental income. Our rental income increased by approximately RMB68.3 million, or 54.0%, to approximately RMB194.7 million (US$28.4 million) for the six months ended June 30, 2019 from approximately RMB126.4 million for the corresponding period in 2018. The increase was primarily attributable to an increase in the total GFA rented during the six months ended June 30, 2019, which was driven by our enhanced marketing and sales efforts.

Property management services. Our revenue from property management services increased by approximately RMB173.2 million, or 85.8%, to approximately RMB375.0 million (US$54.6 million) for the six months ended June 30, 2019 from approximately RMB201.8 million for the corresponding period in 2018. The increase was primarily attributable to the increased GFA under property management. Such increased GFA under management was mainly due to the acquisition by Kaisa Prosperity Holdings Limited of a property management company in Zhejiang Province in April 2019, as well as certain other properties delivered by us to Kaisa Prosperity Holdings Limited for management during the six months ended June 30, 2019.

Hotel and catering operations. Our revenue from hotel and catering operations decreased by approximately RMB5.4 million, or 5.1%, to approximately RMB100.0 million (US$14.6 million) for the six months ended June 30, 2019 from approximately RMB105.4 million for the corresponding period in 2018.

Cinema, department store and culture center operations. Our revenue from cinema, department stores and culture center operations increased by approximately RMB32.3 million, or 30.2%, to approximately RMB139.5 million (US$20.3 million) for the six months ended June 30, 2019 from approximately RMB107.2 million for the corresponding period in 2018. The increase was primarily attributable to the rent generated by Wuhan Five Rings Sports Center we started operating in 2019, as well as by hosting major sports events such as The Chinese Football Association Super League.

Water-way passenger and cargo transportation. Our revenue from water-way passenger and cargo transportation increased by approximately RMB30.7 million, or 8.5%, to approximately RMB393.2 million (US$57.3 million) for the six months ended June 30, 2019 from approximately RMB362.6 million for the corresponding period in 2018. The increase was primarily attributable to revenue from Fuyong-Zhongshan ferry line and Fuyong-Zhuhai ferry line we started operating in 2019.

Cost of sales. Our cost of sales increased by RMB3,107.1 million, or 30.2%, to approximately RMB13,398.4 million (US$1,951.7 million) for the six months ended June 30, 2019 from approximately RMB10,921.3 million for the corresponding period in 2018. The increase was primarily attributable to and in line with the increase in GFA delivered.

Gross profit. As a result of the above, our gross profit increased by approximately RMB1,971.0 million, or 41.6%, to approximately RMB6,707.5 million (US$977.1 million) for the six months ended June 30, 2019 from approximately RMB4,736.5 million for the corresponding period in 2018. Our gross profit margin increased to 33.4% for the six months ended June 30, 2019 from 31.5% for the corresponding period in 2018, primarily attributable to generally higher selling price for the properties completed and delivered to the purchasers in the six months ended June 30, 2019.

Other gains and losses, net. We had net other losses of approximately RMB314.1 million (US$45.8 million) for the six months ended June 30, 2019, as compared to net other gains of approximately RMB115.7 million for the corresponding period in 2018. Our net other losses for the six months ended June 30, 2019 mainly comprised of loss on disposal of investment properties of approximately RMB221.0 million (US$32.2 million), provision for expected credit loss of approximately RMB157.7 million (US$23.0 million), write-down of completed properties held for sale and properties under development of approximately RMB85.7 million (US$12.5 million), net loss on repurchase of senior notes of approximately RMB63.5 million (US$9.2 million) and net fair value loss on financial assets at FVTPL of approximately RMB33.8 million (US$4.9 million), offset by dividend income from financial assets at FVTPL of approximately RMB23.3 million

(US$3.4 million) and net gain on disposal of financial assets at FVTPL of approximately RMB241.9 million (US$35.2 million). Our net other gains for the six months ended June 30, 2018 mainly comprised of government subsidy income of approximately RMB357.6 million and gain on repurchase of senior notes of approximately RMB142.7 million, offset by write-down of completed properties held for sale and properties under development of approximately RMB391.0 million and provision for expected credit loss of approximately RMB130.0 million.

Selling and marketing costs. Our selling and marketing costs increased by approximately RMB369.4 million, or 102.2%, to approximately RMB730.6 million (US$106.4 million) for the six months ended June 30, 2019 from approximately RMB361.3 million for the corresponding period in 2018. The increase in selling and marketing costs was primarily attributable to higher advertising and other promotional costs as a result of the increase in our selling activities to promote our contracted sales.

Administrative expenses. Our administrative expenses decreased by approximately RMB78.5 million, or 5.6%, to approximately RMB1,323.5 million (US$192.8 million) for the six months ended June 30, 2019 from approximately RMB1,402.0 million for the corresponding period in 2018. The decrease was primarily due to the enhanced cost control we implemented.

Fair value gain on investment properties. Our fair value gain on investment properties was approximately RMB390.3 million (US$56.9 million) for the six months ended June 30, 2019 and RMB134.8 million for the corresponding period in 2018. The increase in fair value gain on investment properties was in line with the prevailing marketing conditions of general increase in rental level of comparable properties.

Finance costs, net. Our net finance costs decreased by approximately RMB270.3 million, or 43.3%, to approximately RMB353.6 million (US$51.5 million) for the six months ended June 30, 2019 from RMB624.0 million for the corresponding period in 2018. The decrease was primarily due to the decrease in net exchange losses to RMB111.4 million (US$16.2 million) for the six months ended June 30, 2019 from RMB419.2 million for the corresponding period in 2018. The net exchange loss mainly arose from the U.S. dollar denominated offshore financing as a result of the depreciation of Renminbi against the U.S. dollar.

Income tax expenses. Our income tax expenses increased by approximately RMB174.5 million, or 7.5%, to approximately RMB2,515.0 million (US$366.4 million) for the six months ended June 30, 2019 from approximately RMB2,340.5 million for the corresponding period in 2018, primarily attributable to an increase in profit before tax.

Profit for the period. As a result of the foregoing, our profit increased by approximately RMB545.0 million, or 24.4%, to approximately RMB2,777.1 million (US$404.5 million) for the six months ended June 30, 2019 from approximately RMB2,232.1 million for the corresponding period in 2018.

2018 Compared to 2017

Revenue. Our revenue increased by 18.1% to approximately RMB38,705.0 million (US$5,638.0 million) in 2018 from approximately RMB32,779.3 million in 2017, mainly attributable to an increase in sales of properties.

Sales of properties. Our revenue from sales of properties increased by approximately RMB4,874.5 million, or 15.6%, to approximately RMB36,080.6 million (US$5,255.7 million) in 2018 from approximately RMB31,206.1 million in 2017. The increase was primarily attributable to an increase in the average selling price per sq. m. from approximately RMB13,923 in 2017 to approximately RMB17,209 in 2018 partially offset by a decrease in the total delivered GFA from approximately 2,241,286 sq. m. in 2017 to approximately 2,096,568 sq. m. in 2018. The increase in the average selling price was primarily due to the increase in the selling price of our properties in the Pearl River Delta region. The decrease in the total GFA delivered was mainly as result of the blockage of the pre-sale of our properties by Shenzhen Urban Planning and Land and Resources Commission during the period from December 2014 to July 2016. See "Risk Factors — Risks Relating to the Business — We experienced net cash outflows from operating activities in the past and maintain a significant amount of indebtedness, which may materially and adversely affect our liquidity and our ability to service our indebtedness."

Rental income. Our rental income increased by approximately RMB29.0 million, or 11.6%, to approximately RMB278.6 million (US$40.6 million) in 2018 from approximately RMB249.6 million in 2017. The increase was primarily attributable to an increase in the total GFA delivered and rented in 2018.

Property management services. Our revenue from property management services increased by approximately RMB200.3 million, or 63.4%, to approximately RMB516.2 million (US$75.2 million) in 2018 from approximately RMB315.9 million in 2017. This increase was primarily attributable to the increased GFA under property management. Such increased GFA under management was mainly due to properties for management delivered by us to, as well as property management contracts obtained from third parties by, Kaisa Prosperity Holdings Limited in 2018.

Hotel and catering operations. Our revenue from hotel and catering operations increased by approximately RMB87.3 million, or 53.7% to approximately RMB249.9 million (US$36.4 million) in 2018 from approximately RMB162.6 million in 2017. This increase was mainly attributable to the commencement of operation of new hotels towards the end of 2017.

Cinema, department store and cultural center operations. Our revenue from cinema, department store and cultural center operations increased by approximately RMB255.5 million, or 108.4%, to approximately RMB491.1 million (US$71.5 million) in 2018 from approximately RMB235.6 million in 2017. The increase was primarily attributable to increased revenue generated from full operation of certain of our sports facilities as well as certain major sports events we hosted.

Water-way passenger and cargo transportation. Our revenue from water-way passenger and cargo transportation increased by approximately RMB274.1 million, or 51.1%, to approximately RMB810.6 million (US$118.1 million) in 2018 from approximately RMB536.5 million in 2017. The increase was primarily attributable to an increase in revenue generated from our cargo transportation business due to our enhanced marketing and sales efforts.

Cost of sales. Our cost of sales increased by approximately RMB3,731.1 million, or 15.6%, to approximately RMB27,576.2 million (US$4,016.9 million), primarily due to the increase in unit cost as the properties sold and delivered in 2018 were mainly located in the first and second-tier cities as result of increased cost to acquire land and increased cost of financing.

Gross profit. As a result of the above, our gross profit increased by approximately RMB2,194.6 million, or 24.6%, to approximately RMB11,128.8 million (US$1,621.1 million) in 2018 from approximately RMB8,934.2 million in 2017. Our gross profit margin increased to 28.8% in 2018 from 27.3% in 2017. The increase in gross profit margin was primarily attributable to a higher level of selling price attained in general for the properties completed and delivered to the purchasers in 2018, in particular the increase in the selling price of our properties in the Pearl River Delta region.

Other losses, net. We had net other losses of approximately RMB638.7 million (US$93.0 million) in 2018, as compared to net other losses of approximately RMB123.5 million in 2017. Our net other losses in 2018 mainly comprised provision for expected credit loss of approximately RMB529.3 million (US$77.1 million), net fair value loss on financial assets at fair value through profit or loss of approximately RMB271.3 million (US$39.5 million), impairment loss on interest in an associate of approximately RMB658.7 million (US$96.0 million) and write-down of completed properties held for sale and properties under development of approximately RMB220.2 million (US$32.1 million), offset by government subsidy income of approximately RMB438.6 million (US$63.9 million), waiver of other payables of approximately RMB406.3 million (US$59.2 million) and net gain on repurchase of senior notes of approximately RMB142.7 million (US$20.8 million).

Selling and marketing costs. Our selling and marketing costs increased by approximately RMB366.5 million, or 40.9%, to approximately RMB1,262.5 million (US$183.9 million) in 2018 from approximately RMB896.0 million in 2017. The increase in selling and marketing costs was in line with the increase in our contracted sales in 2018.

Administrative expenses. Our administrative expenses increased by approximately RMB99.9 million, or 4.0%, to approximately RMB2,601.1 million (US$378.9 million) in 2018 from approximately RMB2,501.2 million in 2017.

Fair value gain on investment properties. Our fair value gain on investment properties was approximately RMB212.4 million (US$30.9 million) in 2018 and approximately RMB2,088.8 million in 2017. In 2017, more properties were transferred to investment properties and significant increase in fair value was resulted, while there was less properties were transferred to investment properties during the year and led to the decrease in our fair value gain on investment properties in 2018.

Finance costs, net. We recorded net finance costs of approximately RMB2,170.8 million (US$316.2 million) in 2018, compared to net finance income of approximately RMB247.8 million in 2017. The change was mainly due to the net exchange losses of approximately RMB1,524.3 million (US$222.0 million) in 2018 whereas the net exchange gains of approximately of RMB1,300.3 million was recorded in 2017. The net exchange losses/gains was mainly attributable to the U.S. dollar denominated offshore financing as a result of the depreciation/appreciation of Renminbi against the U.S. dollar.

Income tax expense. Our income tax expenses increased by approximately RMB855.0 million, or approximately 23.6%, to approximately RMB4,477.6 million (US$652.2 million) in 2018 from approximately RMB3,622.6 million in 2017. The increase was primarily attributable to the increase in operating profit in 2018.

Profit for the year. As a result of the foregoing, our profit for the year increased by approximately RMB250.5 million, or approximately 8.2%, to approximately RMB3,294.3 million (US$479.9 million) in 2018 from RMB3,043.8 million in 2017.

2017 compared to 2016

Revenue. Our revenue increased by RMB15,007.8 million, or 84.4%, to RMB32,779.3 million in 2017 from RMB17,771.5 million in 2016, mainly attributable to an increase in sales of properties.

Sales of properties. Our revenue from sales of properties increased by RMB14,467.1 million, or 86.4%, to RMB31,206.1 million in 2017 from RMB16,739.0 million in 2016. This increase was primarily attributable to an increase in the total GFA delivered to approximately 2,241,286 sq.m. in 2017 from approximately 1,866,540 sq.m. in 2016. The increase in the total GFA delivered was driven by the increasing demand in housing in Pearl River Delta Region where we operate with net population inflow and strong economic development.

Rental income. Our rental income increased by RMB21.5 million, or 9.4%, to RMB249.6 million in 2017 from RMB228.1 million in 2016. The increase was primarily attributable to an increase in the total GFA delivered and rented during in 2017 as well as our enhanced marketing and sales efforts.

Property management services. Our revenue from property management services increased by RMB44.3 million, or 16.3%, to RMB315.9 million in 2017 from RMB271.6 million in 2016. The increase was primarily attributable to the increased GFA under property management. Such increased GFA under management was mainly due to properties for management delivered by us to, as well as property management contracts obtained from third parties by, Kaisa Prosperity Holdings Limited in 2017.

Hotel and catering operations. Our revenue from hotel and catering operations increased by RMB80.6 million, or 98.3%, to RMB162.6 million in 2017 from RMB82.0 million in 2016. This increase was mainly attributable to the commencement of operation of new hotels.

Cinema, department store and cultural center operations. Revenue from cinema, department store and cultural center operations decreased by RMB17.8 million, or 7.0%, to RMB235.5 million in 2017 from RMB253.3 million in 2016. The decrease was mainly attributable to a decrease in revenue from our cinema operation which was due to the increased competition of the cinema business and as a result a decrease in the price of tickets sold.

Water-way passenger and cargo transportation. Our revenue from water-way passenger and cargo transportation increased by RMB536.4 million, or 100.0%, to RMB536.4 million in 2017 from nil in 2016.

Cost of sales. Our cost of sales increased by RMB8,385.6 million, or 54.2%, to RMB23,845.1 million in 2017 from RMB15,459.5 million in 2016, primarily due to the increase in the total GFA delivered.

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

Other losses, net. We had net other losses of RMB123.5 million in 2017, as compared to net other losses of RMB560.5 million in 2016. Our net other losses in 2017 mainly comprised compensation for breach of the contract of approximately RMB254.0 million, write-down of completed properties held for sale and properties under development of approximately RMB262.3 million, written off of trade and other receivables of approximately RMB140.5 million and other losses of approximately RMB16.2 million, offset by bad debt recovery of other receivable of approximately RMB450.0 million and government subsidy income of approximately RMB89.6 million. Our net other losses in 2016 mainly comprised write-down of completed properties held for sale and properties under development of RMB670.6 million and other losses of approximately RMB37.6 million, partially offset by government subsidy income of RMB80.1 million, gain on disposal of available-for-sales financial assets of RMB38.5 million and dividend income received from available-for-sales financial assets of RMB20.8 million.

Selling and marketing costs. Our selling and marketing costs increased by RMB53.3 million, or 6.3%, to RMB896.0 million in 2017 from RMB842.7 million in 2016. The increase in selling and marketing costs was in line with the increase in our sales in 2017.

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

Changes in fair value of investment properties. The increase in fair value of our investment properties was RMB2,088.8 million in 2017 and RMB4,161.4 million in 2016. The increase in fair value of our investment properties in 2016 and 2017 was in line with prevailing market conditions of general increases in rental levels of comparable properties.

Changes in fair value of financial derivatives. The decrease in fair value of financial derivatives was RMB969.2 million in 2017 and RMB21.5 million in 2016. The changes in fair value of financial derivatives in 2017 was primarily attributable to the changes in fair value of financial derivatives component of convertible bonds as result of the rise in share price. The decrease in fair value of our financial derivatives in 2016 was primarily attributable to the change in fair value of the derivative component of the Mandatorily Exchangeable Bonds.

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

Gain on Extinguishment of Financial Liabilities. In 2016, the debt restructuring was effected whereby our offshore debts were exchanged for new notes. For those exchanges with substantially different terms, the offshore debts were derecognised and the new notes were recognised at their fair values at the effective date and resulted in a gain of approximately RMB716.1 million was recognized in 2016.

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

Profit/loss for the year. As a result of the foregoing, our profit for the year was RMB3,043.8 million in 2017. Our loss for the year was RMB347.5 million in 2016.

Liquidity and Capital Resources

We believe our current liquidity and capital resources are sufficient to meet anticipated working capital needs, interest expenses, commitments, capital expenditures, and investment activities over the next twelve months.

The following table presents selected cash flow data from our consolidated cash flow statements for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,		
	2016	2017	2018	2018	2019	2019
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)	(US$ in millions)
				(unaudited)	(unaudited)	(unaudited)
Net cash (used in)/generated from operating activities	8,771	(3,431)	10,599	8,865	(6,094)	(888)
Net cash used in investing activities.	(11,947)	(19,498)	(22,175)	(13,884)	(10,264)	(1,495)
Net cash generated from financing activities	11,659	24,038	14,726	8,742	21,942	3,196
Cash and cash equivalents at the end of the year/period	10,819	11,998	15,479	15,746	21,044	3,065

Operating activities

In the six months ended June 30, 2019, our net cash used in operating activities of RMB6,093.9 million (US$887.7 million) was attributable to cash used in operations of RMB1,286.3 million (US$187.4 million) mainly due to deposits paid for land acquisitions, interest paid of RMB3,949.4 million (US$575.3 million) and income tax paid of RMB858.1 million (US$125.0 million).

In 2018, our net cash generated from operating activities of RMB10,599.2 million (US$1,543.9 million) was attributable to cash generated from operations of RMB24,650.9 million (US$3,590.8 million), partially offset by income tax paid of RMB3,190.1 million (US$464.7 million) and interest paid of RMB10,861.6 million (US$1,582.2 million). We recorded cash generated from operations before changes in working capital of RMB8,416.6 million (US$1,226.0 million), primarily attributable to profit for the year of RMB3,294.3 million (US$479.9 million), as adjusted by income tax expenses of RMB4,477.6 million (US$652.2 million) and net exchange losses of RMB1,524.3 million (US$222.0 million), partially offset by net gain on deemed disposals of subsidiaries of RMB2,912.6 million (US$424.3 million). Changes in working capital contributed to a net cash inflow of RMB16,234.3 million (US$2,364.8 million) consisting primarily of contract liabilities of RMB15,511.6 million (US$2,259.5 million), other payables of RMB3,196.0 million (US$465.5 million) and deposits for land acquisition of RMB1,977.5 million (US$288.1 million), partially offset by debtors, deposits and other receivables of RMB3,371.6 million (US$491.1 million) and prepayments for proposed development projects of RMB1,981.4 million (US$288.6 million).

In 2017, our net cash used in operating activities of RMB3,431.2 million was attributable to cash generated from operations of RMB6,666.2 million, partially offset by income tax paid of RMB1,971.4 million and interest paid of RMB8,126.0 million. We recorded cash generated from operations before changes in working capital of RMB5,749.4 million, primarily attributable to profit for the year of RMB3,043.8 million, as adjusted by income tax expenses of RMB3,622.6 million and interest expense of RMB1,238.3 million, partially offset by fair value gain of investment properties of RMB2,088.8 million and net exchange losses of RMB1,300.3 million. Changes in working capital contributed to a net cash inflow of RMB916.8 million consisting primarily of accrued construction costs of RMB4,753.4 million, properties under development and completed properties held for sale of RMB4,045.1 million and advance proceeds received from customers and deposits received of RMB1,534.4 million, partially offset by other payables of RMB4,014.8 million, debtors, deposits and other receivables of RMB3,620.6 million and deposits for land acquisition for RMB2,033.4 million.

In 2016, our net cash generated from operating activities of RMB8,771.5 million was attributable to cash generated from operations of RMB14,911.7 million, offset by interest paid of RMB4,959.3 million and income tax paid of RMB1,181.0 million. Until July 2016, a number of our property projects had been blocked from processing and filing sale and purchase agreements, causing an adverse impact on our cash flows from operating activities. See "Risk Factors — We have in the past experienced restrictions on the processing and filing of sale and purchase agreements relating to our projects, which caused an adverse impact on our cash flows, financial position and operations." We recorded cash used in operations before changes in working capital of RMB25.1 million, primarily attributable to loss for the year of RMB347.5 million, as adjusted by changes in fair value of investment properties of RMB4,161.4 million, partially offset by income tax expenses of RMB2,214.3 million and net exchange losses of RMB1,237.3 million. Changes in working capital contributed to a net cash inflow of RMB14,936.8 million consisting primarily of an increase in advance proceeds received from customers and deposits received of RMB13,447.6 million, a decrease in properties under development and completed properties held for sale of RMB10,091.6 million and a decrease in debtors, deposits and other receivables of RMB7,662.8 million, partially offset by an increase in other payables of RMB5,809.1 million, an increase in restricted cash of RMB2,918.5 million, a decrease in accrued construction costs of RMB3,886.9 million and an increase in prepayments for proposed development projects of RMB3,053.5 million.

Investing activities

In the six months ended June 30, 2019, our net cash used in investing activities of RMB10,263.7 million (US$1,495.1 million) was primarily attributable to acquisitions of associates and increase in other receivables.

In 2018, our net cash used in investing activities of RMB22,174.5 million (US$3,230.1 million) was primarily attributable to increase in amounts due from associates and additions to investment properties.

In 2017, our net cash used in investing activities of RMB19,498.4 million was primarily attributable to addition to investment properties, acquisitions of associates and acquisitions of subsidiaries, net of case acquired.

In 2016, our net cash used in investing activities was RMB11,946.8 million, which was primarily attributable to acquisition of subsidiaries (net of cash acquired) and additions to investment properties.

Financing activities

In the six months ended June 30, 2019, our net cash generated from financing activities of RMB21,942.4 million (US$3,196.3 million) was primarily attributable to proceeds from bank and other borrowings and issuance of senior notes, partially offset by repayments of bank and other borrowings.

In 2018, our net cash generated from financing activities of RMB14,725.7 million (US$2,145.0 million) was primarily attributable to proceeds from bank and other borrowings and issuance of senior notes, partially offset by repayment of bank and other borrowings.

In 2017, our net cash generated from financing activities of RMB24,037.8 million was primarily attributable to proceeds from bank and other borrowings and proceeds from issuance of senior notes, partially offset by repayments of bank and other borrowings.

In 2016, our net cash generated from financing activities was RMB11,659.4 million, which was primarily attributable to proceeds from bank and other borrowings of RMB39,746.2 million, partially offset by repayments of bank and other borrowings of RMB27,108.5 million.

Capital commitment

Commitments for property development expenditure and acquisition of subsidiaries and an associate

We incur capital expenditure primarily for our property development. The following table sets forth the commitments for our property development expenditure as of the dates indicated:

	As of December 31,			As of June 30,	
	2016	2017	2018	2019	2019
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)	(US$ in millions)
				(unaudited)	(unaudited)
Contracted but not provided for					
— Acquisitions/construction of property, plant and equipment	—	150.6	100.2	787.8	114.8
— Acquisitions of land use rights and property development activities	27,186.3	31,849.8	35,377.0	45,929.7	6,690.4
— Acquisitions of subsidiaries . .	461.4	858.6	1,423.3	4,119.8	600.1
— Acquisitions of an associate . .	—	1,708.6	1,318.2	—	—
	27,647.7	34,567.6	38,218.7	50,837.3	7,405.3

The continued increase in our commitments for property development expenditures as of December 31, 2016, 2017 and 2018 and June 30, 2019 was primarily due to our increased commitments arising from acquisitions of land use rights and property development activities, as well as acquisitions of property, plant and equipments, which were in line with our enlarged scale of property development activities.

Operating lease commitments

The following table sets forth our future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as of the dates indicated:

	As of December 31,			As of June 30,	
	2016	2017	2018	2019	2019
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)	(US$ in millions)
				(unaudited)	(unaudited)
Not later than one year	27.3	46.9	84.3	11.4	1.7
Later than one year and not later than five years	29.9	91.1	224.0	—	—
Later than five years	0.3	70.1	142.8	—	—
Total	57.5	208.1	451.1	11.4	1.7

As of December 31, 2016, 2017 and 2018 and June 30, 2019, our operating lease commitments were RMB57.5 million, RMB208.1 million, RMB451.1 million and RMB11.4 million (US$1.7 million), respectively. The increase in operating lease commitments from 2016 to 2018 was primarily due to the increasing number of properties, offices and office equipment we leased which was in line with our business expansion in the same period. We adopted HKFRS 16 from January 1, 2019. For details of its impact please see Note 2 to the Condensed Consolidated Financial Information included in this offering memorandum.

Capital resources and cash management

Property development projects require substantial capital expenditure for land acquisition and construction. The financing methods for our projects vary and are subject to limitations imposed by PRC regulations and monetary policies. Historically, we have primarily financed our expenditures and working capital through internal funds, proceeds from pre-sales and sales of properties, borrowings from banks and other funds raised from the capital markets from time to time. Our cash flow and results of operations of our operating subsidiaries affect our liquidity. See the section entitled "Risk Factors — We experienced net cash outflows from operating activities in the past and maintain a significant amount of indebtedness, which may materially and adversely affect our liquidity and our ability to service our indebtedness."

As of December 31, 2016, 2017, 2018 and June 30, 2019, the carrying amount of our cash and bank deposits was approximately RMB16,572.6 million, RMB21,170.2 million, RMB22,924.1 million and RMB29,979.8 million (US$4,367.1 million), respectively. Pursuant to relevant regulations in the PRC, certain of our property development companies are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. Such guarantee deposits will be released after pre-sold properties are completed or their property ownership certificates are issued, whichever is the earlier. Additionally, as of June 30, 2019, some of our cash was deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the our properties. The aggregate of the above guarantee deposits amounted to approximately RMB6,988.3 million (US$1,018.0 million) as of June 30, 2019.

We seek to manage our working capital to ensure collection and deployment of our funds. We use our annual budget, supplemented by our monthly cash flow projections, to forecast and manage our cash inflows and outflows. In addition, we prepare cash flow projections on a monthly basis to monitor our cash flow in connection with land acquisition, construction cost payments, financings, repayments of loans, taxes and other expenses. Our finance division also prepares daily cash flow summaries for our senior management to monitor and manage daily collection and use of cash.

We seek to manage the level of our liquid assets to ensure the availability of sufficient cash flows to meet any unexpected cash requirements arising from our business. In addition, we seek to effectively manage our future cash flows and reduce our exposure to unexpected adverse changes in economic conditions through a number of alternative plans, including adjusting our development schedule to ensure that we have available resources to finance our projects, implementing cost control measures, adopting more flexible approach to pricing for our property sales, and renegotiating payment terms with counterparties in certain land-related contractual arrangements. We will continue to assess these alternative plans on an ongoing basis and may choose to adopt them if necessitated by our then-existing financial conditions and cash requirements.

We monitor our capital and indebtedness levels by reviewing our gearing ratio, which is equal to net debt (total borrowings net of cash and cash equivalents, bank deposits and restricted cash) divided by total equity. Our gearing ratio, as of December 31, 2016, 2017 and 2018 and June 30, 2019, was 307.9%, 300.0%, 236.2% and 190.6%, respectively. We also monitor our indebtedness level generally through monthly review of our management accounts including balance sheets, income statements and cash flow statements to assess our financial condition and maintain our indebtedness at a reasonable level.

Indebtedness

	As of December 31,			As of June 30,	
	2016	2017	2018	2019	2019
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)	(US$ in millions)
				(unaudited)	(unaudited)
Bank borrowings	50,106.9	47,342.6	45,936.2	45,808.7	6,672.8
Other borrowings	37,429.9	63,830.6	62,829.8	69,729.5	10,157.2
	87,536.8	111,173.2	108,766.0	115,538.2	16,830.0

We had onshore borrowings in the PRC of RMB66,587.7 million, RMB75,584.4 million, RMB67,086.0 million and RMB66,712.3 million (US$9,717.7 million) as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively, representing 76.1%, 68.0% and 62.0% of our total indebtedness as of each respective date. Our offshore borrowings outside the PRC were RMB20,949.1 million, RMB35,588.8 million, RMB41,680.0 million and RMB48,825.9 million (US$7,112.3 million) as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively.

We have, since June 30, 2019, in the ordinary course of business, entered into additional financing arrangements to finance our property developments and for general corporate purposes. See "— Recent Developments". We continue to evaluate our financing requirements and monitor our capital and indebtedness levels and may from time to time retire or refinance some of our existing indebtedness through opportunistic repurchases, tender offers or otherwise, depending on market conditions.

Borrowings

The following table sets forth our outstanding borrowings as of the dates indicated.

	As of December 31,			As of June 30,	
	2016	2017	2018	2019	2019
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)	(US$ in millions)
				(unaudited)	(unaudited)
Borrowings included in non-current liabilities:					
Senior Notes	18,799.8	34,752.9	36,763.3	39,821.9	5,800.7
Mandatorily Exchangeable Bonds (excluding the derivative component)	1,453.0	—	—	—	—
Bank borrowings — secured	43,896.4	36,469.4	34,902.8	38,810.8	5,653.4
Bank borrowings — unsecured	3,454.0	2,442.0	6,510.0	2,215.0	322.7
Other borrowings — secured	10,931.3	14,905.5	12,408.0	10,243.3	1,492.1
Other borrowings — unsecured	1,240.0	307.1	1,216.2	1,328.0	193.4
Loans from associates	—	123.2	—	—	—
Convertible bonds	—	—	—	672.8	98.0
	79,774.5	89,000.1	91,800.3	93,091.7	13,560.3
Borrowings included in current liabilities:					
Senior Notes	—	—	2,963.5	6,535.5	952.0
Bank borrowings — secured	112.8	6,824.9	2,894.0	3,112.4	453.4
Bank borrowings — unsecured	2,643.7	1,606.3	1,629.4	1,670.5	243.3
Other borrowings — secured	300.0	6,256.0	4,490.6	8,178.8	1,191.4
Other borrowings — unsecured	1,828.8	6,273.1	3,638.9	2,367.0	344.8
Loans from a related company	2,877.0	108.8	108.8	108.8	15.8
Loans from associates	—	1,104.0	1,240.5	473.5	69.0
	7,762.3	22,173.1	16,965.7	22,446.5	3,269.7
	87,536.8	111,173.2	108,766.0	115,538.2	16,830.0

Our total borrowings amounted to RMB87,536.8 million, RMB111,173.2 million, RMB108,766.0 million and RMB115,538.2 million (US$16,830.0 million), respectively, as of December 31, 2016, 2017, 2018 and June 30, 2019. The increase in our total borrowings during 2016, 2017, 2018 and the six months ended June 30, 2019 was primarily due to additional funds needed for our acquisition of land reserves for future development (excluding payments for land premiums) and financing new development projects. We used the proceeds from these borrowings to finance our property development and for corporate and working capital purposes. As of

December 31, 2016, 2017, 2018 and June 30, 2019, the effective interest rate was approximately 6.8%, 6.7%, 6.9% and 6.8%, respectively, for our bank borrowings included in non-current liabilities and approximately 6.7%, 7.0%, 7.1% and 7.0%, respectively, for our bank borrowings included in current liabilities. Changes in interest rates have affected and will continue to affect our financing costs and, ultimately, our results of operations.

Our borrowings as of June 30, 2019 were denominated in Renminbi, except for the Senior Notes and bank and other borrowings with aggregate amounts of RMB47,802.2 million and RMB1,023.2 million denominated in U.S. dollars and Hong Kong dollars, respectively.

The table below sets forth the maturity profiles of our borrowings as of the dates indicated:

	As of December 31,			As of June 30,	
	2016	2017	2018	2019	2019
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)	(US$ in millions)
				(unaudited)	(unaudited)
Within one year	7,762.3	22,173.1	16,965.7	22,446.5	3,269.7
Between one and two years	—	—	—	39,866.5	5,807.2
Between two and five years. . . .	78,916.5	66,545.5	67,521.7	49,561.6	7,219.5
Over five years.	858.0	22,454.6	24,278.6	3,663.6	533.7
Total	87,536.8	111,173.2	108,766.0	115,538.2	16,830.0

As of June 30, 2019, we had total bank borrowings in an aggregate amount of RMB45,808.7 million (US$6,672.8 million), which comprised RMB4,782.9 million (US$696.7 million) included in the current liabilities and RMB41,025.8 million (US$5,976.1 million) included in the non-current liabilities.

Commercial banks in China typically require guarantees or security interests for our borrowings. As of December 31, 2016, 2017 and 2018 and June 30, 2019, RMB55,240.5 million, RMB64,455.8 million, RMB54,695.4 million and RMB60,345.3 million (US$8,790.3 million), respectively, of our outstanding bank and other borrowings were secured by property and equipment, land use rights, investment properties, properties under development, completed properties held for sale and/or certain shares of our subsidiaries owned by us, with carrying amounts totaling RMB61,789.5 million, RMB71,964.2 million, RMB73,927.4 million and RMB70,192.3 million (US$10,224.7 million), respectively.

Our bank borrowings are primarily used for our property developments. When applying the bank loans to finance a project, we refer to our property development schedule for the project to determine the maturity date of such loans. In 2016, 2017, 2018 and the six months ended June 30, 2019, most of our property developments were residential projects that were completed or expected to be completed within two and a half years.

As of June 30, 2019, approximately RMB21,394.7 million (US$3,116.5 million) of our Trust Financing Loans was outstanding. See "Description of Material Indebtedness and Other Obligations — Trust Financing Loans."

Debt Restructuring

On July 21, 2016, our Debt Restructuring was effected whereby our 2012 Notes, January 2013 Notes, March 2013 Notes, April 2013 Notes, 2014 Notes, Convertible Bonds and Original Offshore Facilities were exchanged for the Series A-E Senior Notes, the Mandatorily Exchangeable Bonds and the CVRs. See "Description of Material Indebtedness and Other Obligations — Debt Restructuring" for details.

On June 30, 2017, the Company completed an exchange offer (the "Exchange Offer") pursuant to which the Senior Notes Series A-E were exchanged for the 2020 Notes, the 2021 Noes, the 2022 Notes and the 2024 Notes.

US$2,657,937,000 of the Senior Notes Series A-E, representing approximately 93.08% of the total aggregate principal amounts of the outstanding Senior Notes Series A-E, have been validly tendered for exchange and accepted pursuant to the Exchange Offer. All remaining Senior Notes Series A-E have been redeemed on August 3, 2017. Up to December 31, 2017, the Company issued additional Senior Notes that form a single series with the corresponding Senior Notes issued in the Exchange Offer.

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

Gearing ratio

We monitor capital on the basis of the gearing ratio. Our gearing ratio equals net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings, as shown in the consolidated statements of financial position) less cash and cash equivalents, bank deposits and restricted cash.

The following table sets out our gearing ratios as of the dates indicated:

	As of December 31,			As of June 30,	
	2016	2017	2018	2019	2019
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)	(US$ in millions)
				(unaudited)	(unaudited)
Total borrowings	87,536.8	111,173.2	108,766.0	115,538.2	16,830.0
Less: cash and bank balances	10,819.1	11,998.4	15,479.1	21,044.1	3,065.4
Less: short-term bank deposits	56.9	1,232.2	252.7	347.3	50.6
Less: restricted cash	5,696.6	7,939.6	6,792.3	6,988.3	726.6
Less: long-term bank deposit	—	—	400.0	1,600.0	233.1
Net debt	70,964.2	90,003.0	85,841.8	85,558.5	12,463.0
Total equity	23,046.4	29,998.2	36,339.3	44,878.7	6,537.3
Gearing ratio	307.9%	300.0%	236.2%	190.6%	190.6%

Current ratio

Our current ratio is calculated as current assets divided by current liabilities. As of December 31, 2016, 2017 and 2018 and June 30, 2019, our current ratio was 2.2, 1.8, 1.7 and 1.6, respectively.

Financial Guarantees

We typically arrange for various banks to provide mortgage loans to the purchasers of our properties who require mortgage loans. In accordance with market practice, we make arrangements with various domestic banks to provide mortgage facilities to purchasers of our properties. Furthermore, we are required to provide guarantees to these banks in respect of mortgages offered to our customers. Pursuant to the terms of the guarantees, upon default in mortgage payments by a purchaser, we would be responsible for repaying the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchaser to the bank, and we would be entitled to assume legal title to and possession of the related property. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgaged property and the completion of the registration of the mortgage, which is generally available within six months to one year after the purchaser takes possession of the relevant property. If a purchaser defaults on the mortgage payment, we may be required to repurchase the underlying property by paying off the mortgage loan. If we fail to do so, the mortgagee bank may auction the underlying property under the relevant PRC laws and regulations and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, we do not conduct independent credit evaluations on our customers but rely on the credit checks conducted by the mortgagee banks.

As of December 31, 2016, 2017 and 2018 and June 30, 2019, the outstanding guarantees for mortgage loans of the purchasers of our properties were equal to RMB21,843.2 million, RMB30,094.9 million, RMB30,587.4 million and RMB33,077.1 million (US$4,818.2 million), respectively. The fluctuations of our financial guarantees were in line with the fluctuations of our pre-sales and sales activities and were also affected by the timing of our property delivery.

Off-Balance Sheet Commitments and Arrangements

Except for the financial guarantees set forth above, we have not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

Market Risks

We are, in the normal course of business, exposed to market risks primarily relating to fluctuations in interest rates, commodity prices, foreign exchange rates and the inflation rate.

Interest rate risk

We are exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank borrowings which carry prevailing market interest rates. Our interest rate risk primarily arises from the floating interest rate of domestic bank loans.

An increase in interest rates may also adversely affect prospective purchasers' ability to obtain financing and depress overall housing demand. Higher interest rates may adversely affect our revenue and profits. PBOC benchmark one-year lending rates in China (which directly affects the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2016, 2017 and 2018 and June 30, 2019, were 4.35%. We cannot assure you that PBOC will not raise lending rates in the future or that our business, financial condition and results of operations will not be adversely affected as a result of these adjustments. We do not currently use any derivative instruments to modify the nature of our debt so as to manage our interest rate risk. However, our management will consider hedging significant interest rate exposure should the need arise.

Commodities risk

We are exposed to fluctuations in the prices of raw materials for our property developments, primarily steel and cement. Accordingly, rising prices for construction materials will affect our construction costs in the forms of increased fees payable to our contractors. As a result, fluctuations in the prices of our construction materials have a significant impact on our results of operations.

Foreign exchange risk

We are subject to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities such as cash and cash equivalents and loans which are denominated in a currency that is not Renminbi. As of June 30, 2019, we had an aggregate outstanding principal amount of US$300 million and HK$1,162 million senior notes, and offshore banking and other facilities of and US$372 million, respectively, as of June 30, 2019. Our functional currency is Renminbi, so bank balances and borrowings denominated in foreign currencies are subject to retranslation at each reporting date. Fluctuation of the exchange rates of Renminbi against foreign currencies could affect the our results of operations. Appreciation of the Renminbi against the U.S. dollar generally results in a gain arising from our U.S. dollar-denominated debt and a loss arising from our bank deposits in Hong Kong dollars and U.S. dollars. A depreciation of the Renminbi against the U.S. dollar would have the opposite effect. In addition, a depreciation of Renminbi would negatively affect the value of dividends paid by our PRC subsidiaries, which may in turn affect our ability to service foreign currency denominated debts.

Because Renminbi is not freely convertible, our ability to reduce the foreign exchange risk is limited. You should refer to "Risk Factors — Risks Relating to China — Changes in government control of currency conversion and in PRC foreign exchange regulations may adversely affect our business operations" for additional risk disclosure. We do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Inflation

According to the National Bureau of Statistics of China, China's overall national inflation rate, as represented by the general consumer price index, was approximately 2.0%, 1.6% and 2.5% in 2016, 2017 and 2018, respectively. Deflation could negatively affect our business as it would be a disincentive for prospective property buyers to make a purchase.

Non-GAAP Financial Measures

We use EBITDA to provide additional information about our operating performance. EBITDA refers to our earnings before the following items:

- changes in fair value of investment properties;
- changes in fair value of financial derivatives;
- net finance cost (excluding net exchange gains/losses);
- capitalized interest charged to cost of sales;
- income tax expense;
- depreciation;
- amortization of intangible assets;
- amortization of land use rights;
- share-based payments;
- write down of completed properties held for sale and provisions for properties under development.
- write off of intangible assets
- write off of trade and other receivables
- net gain on repurchase of senior notes
- net fair value change on financial assets at fair value through profit or loss
- waiver of other payables
- net exchange gains/losses
- impairment loss on interest in an associate
- provision for expected credit loss
- gain on disposal of financial assets at fair value through profit or loss ("FVTPL")
- loss on disposal of investment properties
- loss on disposal of deposits for land acquisitions
- gain/loss on disposal of property, plant and equipment

EBITDA is not a standard measure under HKFRS. As the property development business is capital intensive, capital expenditure requirements and levels of debt and interest expenses may have a significant impact on the profit for the year/period of companies with similar operating results. Therefore, we believe the investor community commonly uses this type of financial measure to assess the operating performance of companies in our market sector.

We operate in a capital intensive industry. We use EBITDA in addition to profit or loss for the year/period because profit or loss for the year/period includes many accounting items, for example, those associated with write down of completed properties held for sale and provisions for properties under development, capital expenditures, depreciation, amortization of intangible assets, amortization of land use rights, change in fair value of investment properties and financial derivatives, net fair value gain/loss on financial assets at FVTPL, net gain on repurchase of senior notes, net finance costs (excluding net exchange gains/losses), net exchange gains/losses, impairment loss on interest in an associate, provision for expected credit loss gain on disposal of financial assets at FVTPL, loss on disposal of investment properties, loss on disposal of deposits for land acquisitions and (gain) loss on disposal of property, plant and equipment. These accounting items may vary between companies depending on the method of accounting adopted by a company. By minimizing differences in capital expenditures and the associated depreciation expenses as well as reported tax positions, land use rights amortization, change in fair value of investment properties and interest income and expense, EBITDA provides further information about our operating performance and an additional measure for comparing our operating performance with other companies' results. Funds depicted by this measure may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments.

The following table reconciles our losses/profit for the periods indicated under HKFRS to our definition of EBITDA.

	For the year ended December 31,				For the six months ended June 30,	
	2016	2017	2018	2018	2019	2019
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(US$ in thousands)	(RMB in thousands)	(US$ in thousands)
				(unaudited)	(unaudited)	(unaudited)
(Loss)/profit for the year/period	(347,511)	3,043,848	3,294,256	479,862	2,777,140	404,536
Adjustments:						
Expected credit loss	—	—	529,332	77,106	157,661	22,966
Fair value gain on investment properties	(4,161,371)	(2,088,849)	(212,374)	(30,936)	(390,345)	(56,860)
Fair value loss on financial derivatives	21,500	969,204	—	—	—	—
Net fair value gain (loss) on financial assets at FVTPL	—	24,786	271,276	39,516	33,809	4,925
Gain on disposal of financial assets at FVTPL	—	—	—	—	(241,915)	(35,239)
Net gain on repurchase of senior notes	—	—	(142,745)	(20,793)	63,477	9,246
Net finance cost (excluding net exchange gains/losses)	883,036	1,052,468	646,516	94,176	242,192	35,279
Capitalized interest charged to cost of sales	2,186,978	3,804,410	3,591,022	523,091	2,090,677	304,541
Impairment loss on interest in an associate	—	—	658,685	95,948	—	—
Income tax expense	2,214,306	3,622,579	4,477,629	652,240	2,514,984	366,349
Loss on disposal of investment properties	—	—	—	—	221,000	32,192
Loss on disposal of deposits for land acquisitions	—	—	—	—	52,038	7,580
Gain on disposal of property, plant and equipment	—	—	—	—	(8,272)	(1,205)
Depreciation	101,369	109,124	199,670	29,085	202,299	29,468
Amortization of intangible assets	85,796	119,027	178,328	25,976	139,371	20,302
Amortization of land use rights	6,286	7,360	25,788	3,756	9,079	1,323
Share-based payments	5,881	141,281	260,612	37,962	69,014	10,053
Waiver of other payables	—	—	(406,326)	(59,188)	—	—
Write off of intangible assets	–	10,468	7,654	1,115	—	—
Write off of trade and other receivables	–	140,510	—	—	—	—
Write-down of completed properties held for sale and provisions for properties under development	670,615	262,332	220,178	32,073	85,710	12,485
Net exchange (gains) losses	1,237,330	(1,300,266)	1,524,271	222,035	111,447	16,234
EBITDA	2,904,215	9,918,282	15,123,772	2,203,026	8,129,366	1,184,176
EBITDA margin	16.3%	30.3%	39.1%	39.1%	40.4%	40.4%

You should not consider our definition of EBITDA in isolation or construe it as an alternative to profit or loss for the year or as an indicator of operating performance or any other standard measure under HKFRS. Our EBITDA measures may not be comparable to similarly titled measures used by other companies.

The information in the section below has been derived, in part, from various government publications and third party professional databases unless otherwise indicated. This information has not been independently verified by us or the Initial Purchasers or any of our and their respective affiliates or advisors. The information may be incomplete, out-of-date or inconsistent with other information compiled within or outside China.

The PRC Real Estate Industry

Urbanization

From 2004 to 2018, according to the CEIC Data Company Ltd, China's urbanization rate (i.e., the proportion of population residing in urban areas) increased from 41.8% to 59.6%, and the urban population increased from 543 million to 831 million during the same period, representing a CAGR of 3.1%.

The following table sets forth China's urbanization rate for the years indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2004–2018 CAGR
Urban population (in millions)	543	562	583	606	624	645	670	691	712	731	749	771	793	813	831	3.1%
Total population (in millions)	1,300	1,308	1,314	1,321	1,328	1,335	1,341	1,347	1,354	1,361	1,368	1,375	1,383	1,390	1,395	0.5%
Urbanization rate (%)	41.8	43.0	44.3	45.9	47.0	48.3	49.9	51.3	52.6	53.7	54.8	56.1	57.3	58.5	59.6	2.6%
Per capita disposable income for urban households (RMB)	9,422	10,493	11,759	13,786	15,781	17,175	19,109	21,810	24,565	26,955	28,844	31,195	33,616	36,396	39,251	10.7%

Sources: CEIC Data Company Ltd and National Bureau of Statistics of China

Commodity Property Sales

The continuous upward trend in the China real estate industry is backed by rising prices and strong demand. According to CEIC Data Company Ltd, a total GFA of 935.5 million sq.m. was completed in the PRC in 2018.

The table below sets forth certain information on the major supply and demand indicators for the years indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Investment in Real Estate (RMB in billions)	1,315.8	1,590.9	1,942.3	2,528.9	3,120.3	3,624.2	4,825.9	6,179.7	7,180.4	8,601.3	9,503.6	9,597.9	10,258.1	10,979.9	12,026.4
Total GFA completed (mm sq.m.)	424.6	534.2	558.3	606.1	665.4	726.8	787.4	926.2	994.2	1,014.3	1,074.6	1,000.4	1,061.3	1,014.9	935.5
Total GFA sold (mm sq.m.)	382.3	554.9	618.6	773.5	659.7	947.6	1,047.6	1,093.7	1,113.0	1,305.5	1,206.5	1,284.9	1,573.5	1,694.1	1,716.5
Residential GDA Sold (mm sq.m.)	338.2	495.9	554.2	701.4	592.8	861.8	933.8	965.3	984.7	1,157.2	1,051.9	1,124.1	1,375.4	1,447.9	1,479.3
Average price of properties (RMB/sq.m.)	2,778.0	3,167.7	3,366.8	3,863.9	3,800.0	4,681.0	5,032.0	5,357.1	5,791.0	6,237.0	6,324.0	6,793.0	7,476.0	7,892.0	8,736.9
Average price of residential (RMB/sq.m.)	2,608.0	2,937.0	3,119.3	3,645.2	3,576.0	4,459.0	4,725.0	4,993.2	5,429.9	5,850.0	5,933.0	6,473.0	7,203.0	7,614.0	8,544.0

Source: CEIC Data Company Ltd

Prices for real estate in China also increased from 2004 to 2018. According to CEIC Data Company Ltd, the average price per sq.m. of properties increased from RMB2,778.0 per sq.m. in 2004 to RMB8,736.9 per sq.m. in 2018.

The Real Estate Market in Guangdong Province

The real GDP growth rate of Guangdong Province exceeded the national growth rate in each of the past ten years and the per capita GDP of Guangdong Province was significantly higher than the national average. The table below sets out selected economic statistics for Guangdong Province for the periods indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB in billions)	1,603.9	2,170.1	2,596.9	3,067.4	3,569.6	3,908.1	4,547.3	5,267.4	5,706.8	6,216.4	6,779.2	7,281.3	8,085.5	8,970.5	9,727.8
Real GDP growth rate (%)	14.2	12.5	14.1	14.5	10.1	9.5	12.2	10.0	8.2	8.5	7.8	8.0	7.5	7.5	6.8
Per capita GDP (RMB)	20,876	24,647	28,077	32,713	37,588	40,748	44,736	50,807	54,095	58,540	63,452	67,503	74,016	80,932	86,412
Per capita disposable income for urban households (RMB)	13,628	14,770	16,016	17,699	19,733	21,575	23,898	26,897	30,227	33,090	32,148	34,757	37,684	40,975	44,341

Source: CEIC Data Company Ltd

The Real Estate Market in Greater Shenzhen

Shenzhen

Shenzhen's GDP reached approximately RMB2,422.2 billion in 2018. In 2018, Shenzhen's per capita GDP was RMB189,568. The table below sets out selected economic statistics for Shenzhen for the periods indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB in billions)	342.3	492.7	568.4	676.5	780.7	820.1	951.1	1,150.2	1,295.0	1,450.0	1,600.2	1,750.3	1,949.3	2,243.8	2,422.2
Real GDP growth rate (%)	17.3	15.0	15.0	14.7	12.1	10.7	12.0	10.0	10.0	10.5	8.8	8.9	9.0	8.8	7.6
Per capita GDP (RMB)	59,271	60,507	67,907	79,221	89,814	92,771	94,297	110,387	123,247	136,947	149,497	157,985	167,411	183,127	189,568
Per capita disposable income for urban households (RMB)	27,596	21,494	22,567	24,870	26,729	29,245	32,381	36,505	40,742	44,653	40,948	44,633	48,695	52,938	57,544

Source: CEIC Data Company Ltd

According to CEIC Data Company Limited, a total GFA of approximately 7.2 billion sq.m. was sold in Shenzhen in 2018. Building sales increased 114.3% from RMB131.7 billion in 2014 to approximately RMB321.7 billion in 2017.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GFA completed (sq.m. in millions)	6.9	6.4	8.5	6.4	6.3	4.0	3.4	3.4	4.3	3.5	4.3	3.6	4.9	2.9	2.6
GFA sold (sq.m. in millions)	3.8	11.2	7.5	5.6	4.7	7.6	4.7	5.0	5.3	5.9	5.3	8.3	7.4	6.7	7.2
Average price of residential properties (RMB/sq.m.)	6,385	6,996	8,848	13,370	12,823	14,389	18,954	21,037	18,996	23,427	24,040	33,661	45,498	48,622	55,441
Revenue (RMB in millions)	25,788	85,135	70,303	77,991	59,109	111,388	89,255	106,087	103,009	143,625	131,667	282,214	332,360	321,665	390,842

Source: CEIC Data Company Ltd

Dongguan

Dongguan's GDP reached approximately RMB827.9 billion in 2018, representing a per capita GDP of approximately RMB98,939. The table below sets out selected economic statistics for Dongguan for the periods indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB in billions)	115.5	218.2	262.5	315.1	370.3	376.3	424.6	473.5	501.0	549.0	588.1	627.5	682.8	758.2	827.9
Real GDP growth rate (%)	19.6	19.3	19.0	18.1	14.0	5.3	10.3	8.0	6.1	9.8	7.8	8.0	8.1	8.1	7.4
Per capita GDP (RMB)	27,554	33,287	39,173	46,014	53,285	56,591	52,798	57,470	60,556	66,109	70,604	75,616	82,682	91,329	98,939
Per capita disposable income for urban households (RMB)	20,526	22,882	25,320	27,025	30,275	33,045	36,350	39,513	42,944	46,594	36,764	39,793	43,096	45,451	50,721

Source: CEIC Data Company Ltd

According to the Statistics Bureau of Guangdong Province and the Statistics Bureau of Dongguan, a total GFA of approximately 5.1 million sq.m. was sold in Dongguan in 2018, as compared to a total GFA of approximately 10.8 million sq.m. sold in 2015. Building sales decreased by 15.8% from RMB107.6 billion in 2015 to approximately RMB90.6 billion in 2018.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GFA completed (sq.m. in millions)	1.4	1.2	1.7	1.4	1.0	1.9	3.0	2.4	3.6	2.6	2.6	3.3	2.3	4.7	3.8
GFA sold (sq.m. in millions)	1.6	3.2	3.8	5.7	5.1	6.0	5.1	6.0	6.4	8.0	6.7	10.8	8.9	5.6	5.1
Average price of residential properties (RMB/sq.m.)	3,297	3,671	4,138	5,058	5,412	5,775	7,111	7,645	8,486	9,066	9,685	9,992	13,763	16,550	17,876
Revenue (RMB in millions)	5,920	11,940	15,888	29,499	28,370	35,317	37,377	45,961	54,238	72,807	64,413	107,612	122,179	128,194	123,538

Sources: Statistics Bureau of Guangdong Province, Dongguan Bureau of Statistics and CEIC Data Company Ltd

Huizhou

Huizhou's GDP reached approximately RMB410.3 billion in 2018, and it had a per capita GDP of approximately RMB85,418. The table below sets out selected economic statistics for Huizhou for the periods indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP	68.5	80.4	93.3	110.5	129.0	141.5	173.0	209.7	236.8	267.8	300.1	314.0	341.2	383.1	410.3
Real GDP growth rate	15.1	15.8	16.3	17.4	11.5	13.2	18.0	14.6	12.6	13.6	10.0	9.0	8.2	7.6	6.0
Per capita GDP	23,642	21,911	24,996	28,945	33,077	35,819	38,650	45,331	50,884	57,144	63,665	66,231	71,605	80,205	85,418
Per capita disposable income for urban households (RMB)	13,822	14,884	15,991	17,310	19,481	21,278	23,565	26,609	29,965	32,992	22,902	25,220	33,213	36,608	39,574

Sources: CEIC Data Company Ltd and Huizhou statistical

According to the CEIC Data Company Ltd., a total GFA of approximately 16.6 million sq.m. was sold in Huizhou in 2018, which represented an increase of approximately 27.7% from 2015. Building sales rose by 122.2%, from approximately RMB80.0 billion in 2015 to approximately RMB177.8 billion in 2018.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GFA completed (sq.m. in millions)	0.9	1.3	1.5	2.1	2.4	5.5	5.6	5.0	5.1	6.3	7.6	4.5	5.6	10.4	5.0
GFA sold (sq.m. in millions)	1.0	1.4	2.3	3.9	3.0	5.4	6.3	8.0	8.3	11.5	9.8	13.0	17.7	16.4	16.6
Average price of residential properties (RMB/sq.m.)	2,076	2,226	2,840	3,771	3,930	4,111	4,817	5,480	N/A	N/A	N/A	N/A	7,865	9,959	N/A
Revenue (RMB in millions)	2,288	3,552	6,671	15,620	12,194	23,201	31,117	44,177	47,840	67,210	58,880	80,038	141,500	162,858	177,841

Note:

(1) N/A represents not available or not applicable, as the case may be

Sources: Statistics Bureau of Guangdong Province and CEIC Data Company Ltd

The Real Estate Market in Guangzhou

In 2018, Guangzhou's nominal GDP reached approximately RMB2,285.9 billion, while real GDP grew approximately 6.2% in 2018.

The table below sets forth selected economic statistics for Guangzhou for the years indicated:

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB in billions)	411.6	511.6	606.8	705.1	821.6	911.3	1,030.5	1,230.3	1,355.1	1,542.0	1,670.7	1,810.1	1,961.1	2,150.3	2,285.9
Real GDP growth rate (%)	15.0	13.0	14.7	14.5	12.3	11.5	13.0	11.0	10.5	11.6	8.6	8.4	8.2	7.0	6.2
Per capita GDP (RMB)	45,906	53,809	62,495	69,673	76,440	79,383	87,458	97,588	105,909	121,584	129,938	137,793	143,638	150,678	155,491
Per capita disposable income for urban households (RMB)	16,884	18,287	19,851	22,469	25,317	27,610	30,658	34,438	38,054	42,049	42,955	46,735	50,941	55,401	59,982

Sources: CEIC Data Company Ltd and National Bureau of Statistics of China

According to CEIC Data Company Limited, the total GFA of completed properties in 2018 in Guangzhou was approximately 15.2 million. The average selling price per sq.m. of residential properties in Guangzhou in 2017 was approximately RMB17,685, representing an increase of approximately 20.0% from 2014. The table below sets out key statistics relating to the real estate market in Guangzhou for the periods indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GFA completed (sq.m. in millions)	10.1	8.3	9.9	8.8	9.4	9.6	10.9	12.6	12.9	11.4	19.2	15.1	12.0	15.0	15.2
GFA sold (sq.m. in millions)	8.7	7.5	13.2	14.7	10.8	13.8	14.1	11.9	13.3	17.0	15.4	16.5	19.5	17.6	N/A
Average price of residential properties (RMB/sq.m.)	4,356	5,041	6,152	8,439	8,781	8,988	10,615	10,926	12,001	13,954	14,739	14,083	16,346	17,685	N/A
Revenue (RMB in millions)	39,593	37,775	86,195	117,202	93,507	128,615	167,506	144,526	175,476	260,607	242,076	241,547	N/A	N/A	N/A

Note:

(1) N/A represents not available or not applicable, as the case may be

Source: CEIC Data Company Limited

The Real Estate Market in Zhuhai

Zhuhai's GDP reached approximately RMB291.5 billion in 2018. The table below sets out selected economic statistics for Zhuhai for the periods indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB in billions)	54.7	63.5	75.0	88.7	99.2	103.8	120.3	140.3	150.4	166.2	185.7	202.5	222.6	256.5	291.5
Real GDP growth rate (%)	13.8	13.1	16.1	16.5	9.0	6.6	12.8	11.3	7.0	10.5	10.3	10.0	8.5	9.2	8.0
Per capita GDP (RMB)	40,311	45,258	52,317	61,071	67,591	68,042	77,889	89,793	95,471	104,800	115,900	124,700	134,548	149,100	159,400
Per capita disposable income for urban households (RMB)	18,347	18,908	17,671	19,201	20,949	22,859	25,382	28,731	32,978	36,375	33,235	36,158	42,573	46,826	50,713

Source: CEIC Data Company Ltd

According to CEIC Data Company Ltd., the total GFA of completed properties in 2018 in Zhuhai was approximately 2.7 million sq.m., which represented an increase of approximately 36.2% from 2015.

The Real Estate Market in Sichuan Province

The Real Estate Market in Chengdu

Chengdu's GDP reached approximately RMB1,534.3 billion in 2018, representing a per capita GDP of approximately RMB94,782. The table below sets out selected economic statistics for Chengdu for the periods indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB in billions)	218.6	237.1	275.0	332.4	390.1	450.3	555.1	685.5	813.9	910.9	1,005.7	1,080.1	1,217.0	1,388.9	1,534.3
Real GDP growth rate (%)	13.6	13.5	13.8	15.3	12.1	14.7	15.0	15.2	13.0	10.2	8.9	7.9	7.7	8.1	8.0
Per capita GDP (RMB)	20,777	19,627	25,171	26,527	30,855	35,215	48,510	48,755	57,624	63,977	70,019	74,273	76,960	86,911	94,782
Per capita disposable income for urban households (RMB)	10,394	11,359	12,789	14,849	16,943	18,659	20,835	23,932	27,194	29,968	32,665	33,476	35,902	38,918	42,128

Sources: CEIC Data Company Ltd and National Bureau of Statistics of China

The Real Estate Market in Hunan Province

The Real Estate Market in Changsha

Changsha's GDP reached approximately RMB1,100.3 billion in 2018. The table below sets out selected economic statistics for Changsha for the years indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB in billions)	110.9	152.0	179.1	219.0	300.1	374.5	454.7	561.9	640.0	715.3	782.5	851.0	932.4	1,053.6	1,100.3
Real GDP growth rate (%)	14.8	14.9	14.8	16.0	15.1	14.7	15.5	14.5	13.0	12.0	10.5	9.9	9.4	9.0	8.5
Per capita GDP (RMB)	17,638	23,968	27,853	33,711	45,765	56,620	66,443	79,530	89,903	99,570	107,683	115,443	123,681	135,388	134,933
Per capita disposable income for urban households (RMB)	11,021	12,434	13,924	16,153	18,282	20,238	22,814	26,451	30,288	33,662	36,826	39,961	43,294	46,948	50,792

Sources: CEIC Data Company Ltd and National Bureau of Statistics of China

The Real Estate Market in Shanghai

Shanghai's GDP reached approximately RMB3,268.0 billion in 2018, representing a per capita GDP of approximately RMB134,982. The table below sets out selected economic statistics for Shanghai for the periods indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB in billions)	745.0	914.4	1,029.7	1,200.1	1,369.8	1,490.1	1,687.2	1,919.6	2,010.1	2,160.2	2,356.1	2,496.5	2,817.9	3,063.3	3,268.0
Real GDP growth rate (%)	13.6	11.1	12.0	13.3	9.7	8.2	9.9	8.2	7.5	7.7	7.0	6.9	6.9	6.9	6.6
Per capita GDP (RMB)	44,839	49,649	54,858	62,041	66,932	69,164	76,075	82,560	85,373	90,100	97,300	103,100	116,562	126,634	134,982
Per capita disposable income for urban households (RMB)	16,683	18,645	20,668	23,623	26,675	28,838	31,838	36,230	40,188	43,851	47,710	52,962	57,692	62,596	68,034

Sources: CEIC Data Company Ltd and National Bureau of Statistics of China

The Real Estate Market in Liaoning Province

The Real Estate Market in Shenyang

Shenyang's GDP reached approximately RMB629.2 billion in 2018, representing a per capita GDP of approximately RMB75,766. The table below sets out selected economic statistics for Shenyang for the periods indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB in billions)	190.1	208.4	248.3	307.4	386.0	435.9	501.7	591.5	660.7	715.9	709.9	728.1	546.0	586.5	629.2
Real GDP growth rate (%)	15.5	16.0	16.5	17.7	16.3	14.1	14.1	12.3	10.0	8.8	6.0	3.5	-5.8	3.5	5.4
Per capita GDP (RMB)	24,156	28,241	33,798	43,499	54,106	55,816	63,667	72,637	80,532	86,850	85,816	87,833	65,851	70,722	75,766
Per capita disposable income for urban households (RMB)	8,924	10,098	11,651	14,607	17,295	18,560	20,541	23,326	26,431	29,074	31,720	36,643	39,135	41,359	44,054

Sources: CEIC Data Company Ltd and National Bureau of Statistics of China

Macroeconomic Conditions in Yingkou

Yingkou's GDP reached approximately RMB175.1 billion in 2018. The table below sets out selected economic statistics for Yingkou for the years indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB in billions)	31.8	38.1	45.8	56.9	70.4	80.0	100.2	122.3	138.1	151.3	159.1	151.4	118.9	128.8	134.7
Real GDP growth rate (%)	21.2	20.6	18.9	21.0	20.3	20.3	17.8	13.9	10.8	9.6	6.5	4.5	-7.5	5.0	5.9
Per capita GDP (RMB)	13,867	16,546	19,831	24,543	30,177	34,104	42,604	50,220	56,591	61,937	65,075	61,925	48,713	52,821	55,295
Per capita disposable income for urban households (RMB)	8,128	9,009	10,135	12,143	14,352	15,858	18,055	20,894	23,986	26,600	28,222	30,458	32,318	34,419	37,035

Sources: CEIC Data Company Ltd and National Bureau of Statistics of China

Macroeconomic Conditions in Anshan

Anshan's GDP reached approximately RMB175.1 billion in 2018. The table below sets out selected economic statistics for Anshan for the years indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB in billions)	100.6	101.8	113.6	135.0	160.8	181.0	212.5	242.0	262.9	262.3	238.6	234.9	144.1	160.2	175.1
Real GDP growth rate (%)	16.1	16.2	15.6	16.3	16.6	17.2	16.0	12.0	9.6	8.9	6.0	3.0	-10.8	3.5	5.2
Per capita GDP (RMB)	29,065	29,338	32,644	38,387	45,830	51,469	58,426	68,818	74,901	74,940	68,369	67,675	40,532	44,790	N/A
Per capita disposable income for urban households (RMB)	8,262	9,463	10,761	12,857	15,074	16,530	18,423	21,297	24,194	26,662	27,846	29,943	31,443	33,320	35,619

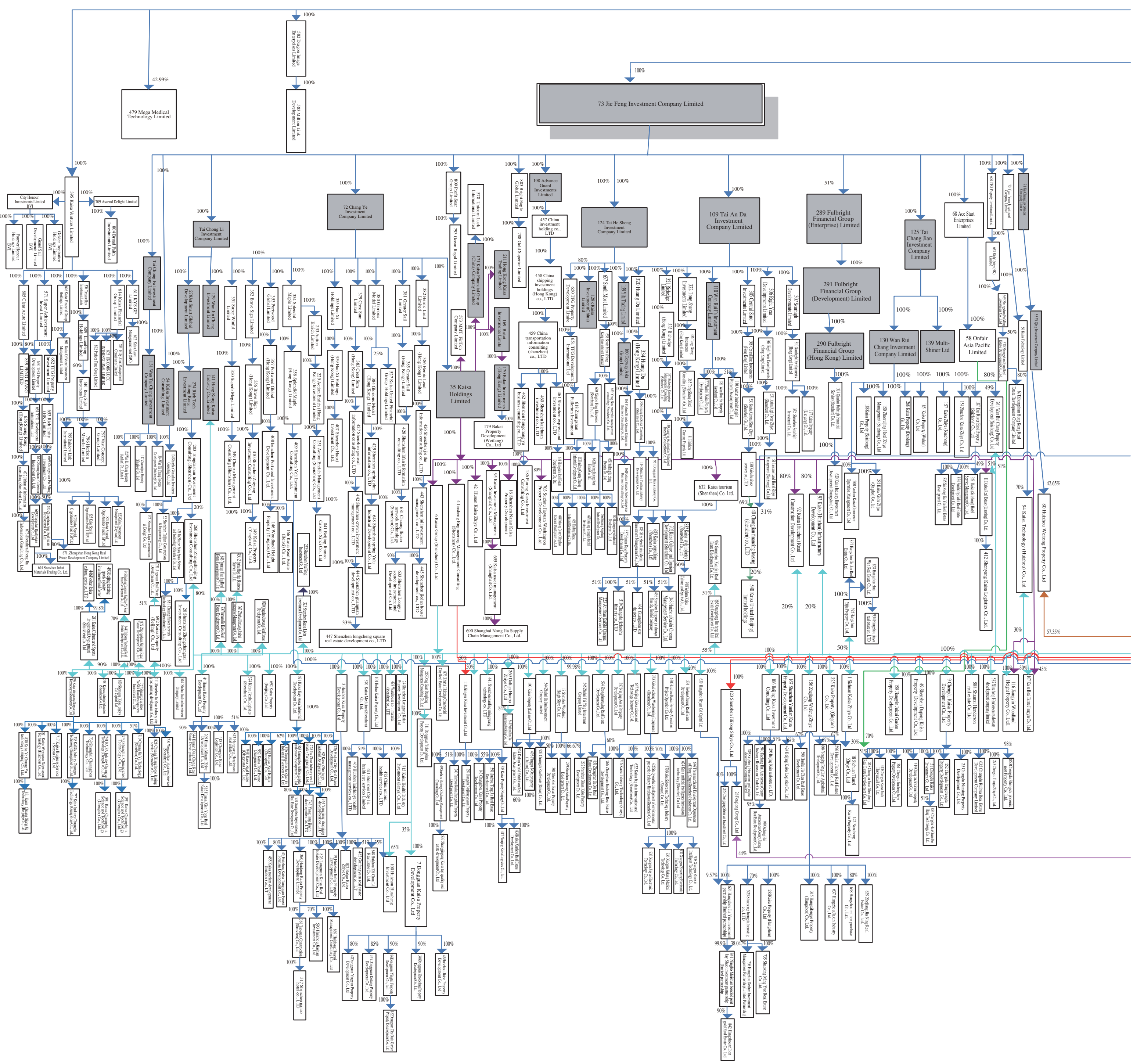
Note:

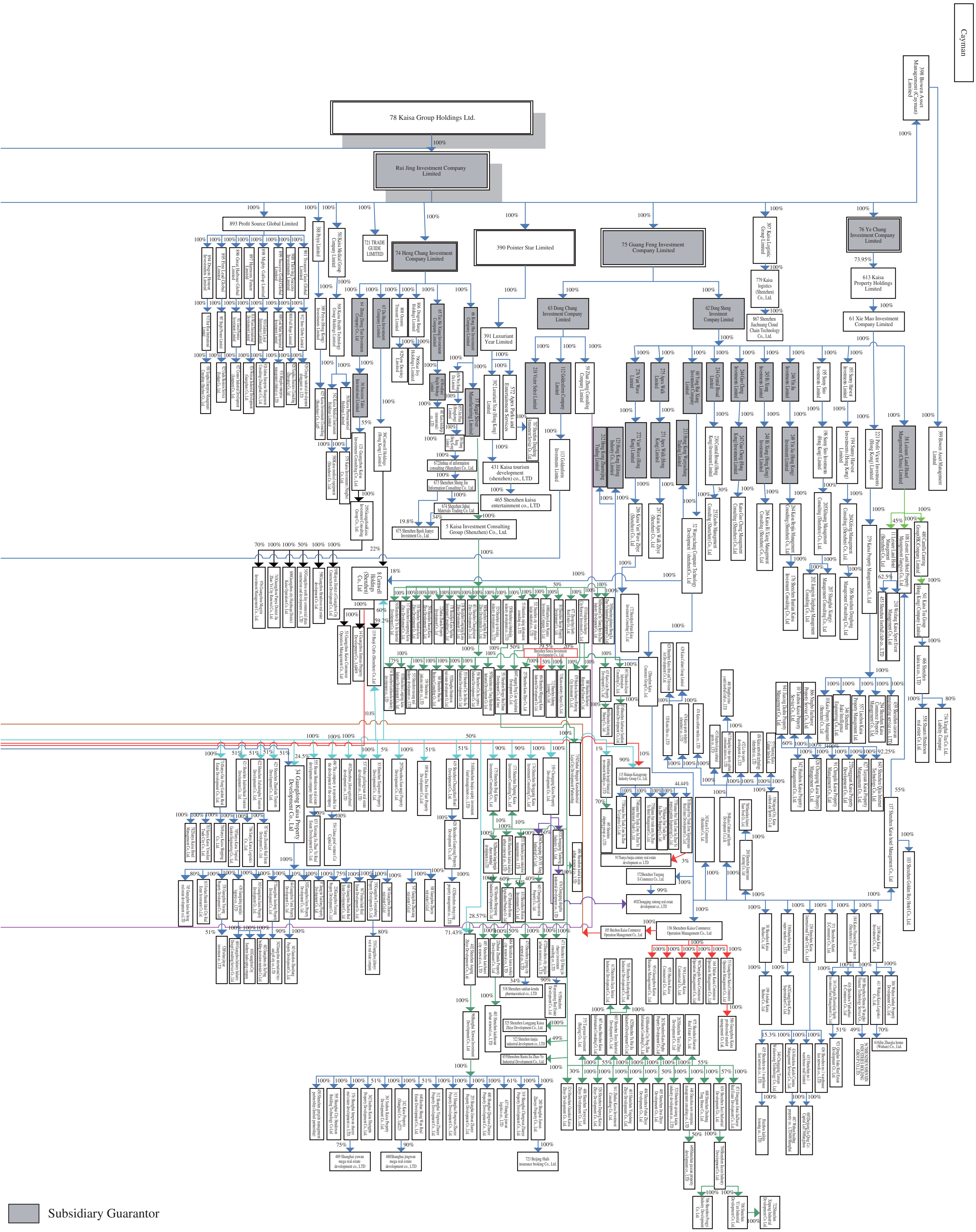
(1) N/A represents not available or not applicable, as the case may be

Sources: CEIC Data Company Ltd and National Bureau of Statistics of China

CORPORATE STRUCTURE

The following chart shows our corporate structure as of the date of this offering memorandum[(1)]:





Subsidiary Guarantor

Overview

We are a leading PRC property developer with a sizable and diversified land bank of approximately 25.8 million sq.m. GFA in 47 cities across six regions. According to China Real Estate Information Corporation and China Real Estate Appraisal Center, we were ranked 31st among Chinese property developers nationwide in terms of attributable contracted sales. We focus on mass market housing demand and are primarily engaged in the development of large-scale residential properties as well as integrated commercial properties.

Headquartered in Shenzhen, the Special Economic Zone adjacent to Hong Kong, we have historically focused our property development in the Pearl River Delta region. Our well-established position in the Pearl River Delta region is supported by our geographically diversified development portfolio, including projects in Shenzhen, Foshan, Guangzhou, Huizhou, Dongguan, Zhongshan, Zhuhai, Yangjiang and Qingyuan. Leveraging our success in the Pearl River Delta region, we have expanded into other areas in China, including Shanghai, Hangzhou, Taizhou, Suzhou, Zhangjiagang, Ningbo, Nanjing, Changzhou, Taicang, Shaoxing, Jiaxing, Xuzhou and Jiangyin in the Yangtze River Delta region, Chengdu, Chongqing, Pengzhou and Nanchong in the Western China region, Changsha, Hengyang, Wuhan, Ezhou, Xiaogan, Xinzheng, Xinxiang and Zhuzhou in the Central China region, and Shenyang, Yingkou, Benxi, Anshan, Weifang, Liaoyang, Dalian, Dandong, Huludao, Bazhou, Gu'an and Qingdao in the Pan-Bohai Bay Rim.

As of June 30, 2019, we had a total of 167 property development projects, including completed properties, properties under development and properties for future development, in 47 cities in China. As of June 30, 2019, we had completed properties with a total GFA of approximately 26.3 million sq.m., and had a land bank with an estimated total GFA of approximately 25.8 million sq.m., including completed properties held for sale with a total GFA of approximately 2.2 million sq.m., properties under development with an estimated total GFA of approximately 12.8 million sq.m. and properties for future development with an estimated total GFA of approximately 10.8 million sq.m.

We focus primarily on development of the following:

- Residential properties. Our large-scale residential properties are generally located in suburban areas with access to public transport and other urban facilities in selected cities in China. These properties include apartments, serviced apartments and townhouses, often with complementary commercial facilities, restaurants and community facilities. The principal target customers for our residential properties are middle to upper-middle income households. We often develop our residential properties in a number of phases. We believe our multi-phased approach has enabled us to manage our capital resources efficiently and has increased our returns through the higher average selling prices which we expect to achieve at subsequent development phases.
- Commercial properties. Our integrated commercial properties are generally located in central business districts in selected cities in China. Our other commercial projects are expected to consist of a mixture of office buildings and retail spaces.

Our revenue was RMB17,771.5 million, RMB32,779.3 million, RMB38,705.0 million (US$5,638.0 million) and RMB20,106.0 million (US$2,928.8 million) in 2016, 2017, 2018 and the six months ended June 30, 2019, respectively.

We have historically contracted out construction works of all our development projects to construction contractors, and intend to continue to outsource substantially all of our construction works. We cooperate with Centaline and World Union to jointly promote our developed properties in different regional markets in China. Going forward, we will continue to improve the management of our sales through our dedicated sales team and intend to continue to engage professional property sales agencies to provide marketing and sales services for our properties in China.

We intend to continue to focus on developing residential and commercial properties in the Pearl River Delta region and further diversify geographically through expansion into other promising markets in China. In addition to our focus on residential and commercial development projects, we also aim to increase our investment properties and consequentially our rental income.

We intend to retain certain of our commercial properties for long-term investment purposes. In managing our investment property portfolio, we will take into account the estimated long-term growth potential, overall market conditions and our cash flows and financial conditions.

Our Competitive Strengths

We believe we have the following competitive strengths:

Market leadership in the Pearl River Delta region with a national footprint

We are a leading property developer in the Pearl River Delta region and have an increasing presence in other select strategic cities with high economic growth potential in China.

We are well-recognized in the Pearl River Delta region with a proven track record of successfully bringing to market reputable residential properties. Leveraging our success in the Pearl River Delta region, we have expanded into other areas in China, including Shanghai, Hangzhou, Taizhou, Suzhou, Zhangjiagang, Ningbo, Nanjing, Changzhou, Taicang, Shaoxing, Jiaxing, Xuzhou and Jiangyin in the Yangtze River Delta region, Chengdu, Chongqing, Pengzhou and Nanchong in the Western China region, Changsha, Hengyang, Wuhan, Ezhou, Xiaogan, Xinzheng, Xinxiang and Zhuzhou in the Central China region, and Shenyang, Yingkou, Benxi, Anshan, Weifang, Liaoyang, Dalian, Dandong, Huludao, Bazhou, Gu'an and Qingdao in the Pan-Bohai Bay Rim. According to "Top 200 Real Estate Enterprise Property Developers by Sales in 2018" jointly compiled and issued by China Real Estate Information Corporation and China Real Estate Appraisal Center, we were ranked 31st nationwide in terms of attributable contracted sales.

We believe that "Kaisa" evokes our high standard of industry practice and that the market recognition of "Kaisa" is further supplemented by our award winning property management services for properties we developed. We customize services to meet the particular needs and requirements of the community and focus particularly on maintaining customer satisfaction. We believe that by providing quality property management services, we will be able to improve the appeal of our products to customers and distinguish our products from those of our competitors.

We believe that our well-established position and operating expertise will enable us to successfully capture market share and mass market housing demand nationwide.

Quality land bank acquired at relatively low cost through various channels, including redevelopment

Our land acquisition team adopts a coordinated approach during the land acquisition process. We believe our insight into development trends in our target regions has enabled us to acquire large tracts of land at relatively low cost. We acquired our land reserves at relatively low cost as our reserves consist mostly of parcels of land located in selected cities where, we believe, the value of acquired land had not been fully recognized at the time of acquisition.

We intend to continue to leverage our extensive experience, in-depth local knowledge and business and technical expertise in managing urban redevelopment projects to take advantage of the incentives and preferential policies for promoting urbanization and redevelopment announced by the Shenzhen Municipal Government in October 2009.

We also have experience building our land reserves through acquiring and renovating distressed and uncompleted properties. While certain distressed properties present potential for achieving profitability at relatively low cost, this land acquisition approach requires the ability to resolve the numerous problems that rendered the properties distressed, to perform an evaluation and complete the property acquisition on a timely basis, and to devise and execute a comprehensive turn-around solution. Regardless, we have been able to acquire parcels of land by acquiring uncompleted distressed property developments at relatively low cost. We believe that the relatively low cost of our land reserves has enhanced our ability to respond to changing market conditions by adjusting prices while maintaining profitability.

Responsiveness to market trends and prudent financial management

Our knowledge of real estate markets and our understanding of market trends in China enable us to respond effectively to market conditions and changes. Our business model incorporates the key market factors that influence housing growth in China, particularly in the cities and regions where we operate or into which we intend to expand. In selecting sites for our residential developments, we focus on identifying suburban areas with access to road networks, public transport and urban facilities. We conduct in-depth internal market analysis, together with our site research and additional market information provided by third-party sources, which enable us to better assess the risks, costs and potential returns associated with potential sites for development. By being proactive and responsive, we believe that we have been able to utilize our understanding of market fundamentals to guide our land reserve strategy. In addition, we closely monitor our cash flows and financial position with a view to achieving a balanced capital structure. We manage and seek to improve our liquidity profile by taking advantage of capital efficient projects, such as redevelopment of old urban areas, primary land development and joint venture projects with financial investors, and by instituting proactive cost controls and conservative budgeting procedures.

We have also exploited new market opportunities by identifying and acquiring distressed and uncompleted residential and commercial properties in Shenzhen and Guangzhou. We generally develop plans to achieve profitability through an analysis of various factors pertaining to the properties, including their valuation, execution, market repositioning and promotion. With our responsiveness to market conditions and innovative approach, as well as our growing track record of bringing such properties to market, we believe we have the ability to take advantage of similar market opportunities in the future.

Experienced and long-serving senior management team and continuous recruitment of management talent

Our senior management team members have extensive experience in the PRC real estate industry and expertise in strategic planning and business management. Certain of our core management members, including our founder and Chairman, Mr. Kwok Ying Shing, have led the growth of our business. To retain management talent and align their interests with those of us, we offer competitive compensation, stock option plans and a cohesive team-based working environment. We believe that our highly experienced senior management members will enable us to maintain the growth of our business. In recent years, we have attracted and hired, through a selective recruitment process, a number of seasoned managers and professionals from the real estate industry in China. We continually seek to attract and retain management talent in accordance with our aim to further expand our business operations.

Our Business Strategies

We aim to continue to grow as a leading property developer with a national presence in key economic regions in China. We have developed the following business strategies to pursue our growth objectives:

Continue to enhance profit margin from urban redevelopments in Shenzhen and the rest of the Pearl River Delta region and achieve further geographical diversification in China

We intend to continue to consolidate our leading market position in Shenzhen and the rest of the Pearl River Delta region. We believe that the Pearl River Delta region will remain one of the most economically dynamic regions in China, and that we will be able to continue to capitalize on the mass market housing demand for residential property as well as other types of property we develop in this region. In particular, we intend to continue to leverage our extensive experience, in-depth local knowledge and business and technical expertise in managing urban redevelopment projects to take advantage of the incentives and preferential policies on promoting urbanization and redevelopment announced by the Shenzhen government in October 2009. We also intend to continue to enhance profit margin from urban redevelopment and capture the growth opportunities of the Pearl River Delta region in light of the continuing improvement and expansion of the metro network and successive completion of the inter-city high speed railways.

In addition, we intend to further geographically diversify our revenue portfolio by opportunistically expanding our business operations in first-tier cities and provincial capitals following our successful expansion into several regions across China. We have entered into selected cities beyond the Pearl River Delta region. We plan to pursue further revenue geographical diversification through expansion into other select high-growth areas and major cities in China.

Further enhance asset turnover and cost efficiency through standardized product lines and a scalable business model

We have been focusing on an asset-turnover business model in order to capture the robust housing demand in China. We intend to continue to develop standardized product lines to achieve rapid asset turnover and expand the scale of our development while keeping costs competitive. We have developed certain standardized product lines which we have implemented in cities across China, and we believe that such product lines offer comfortable and convenient community living environments. We believe standardized product lines and development processes will allow us to achieve efficient use of capital and other resources and develop new projects on a timely basis.

We segment the development process into various stages and maintain a systematic approach to manage and control the major steps of our developments, including site selection and land acquisition, detailed project planning and design work, development management and construction, sales and pre-sale, and after-sale services. Our turnover time from land acquisition to pre-sales in many lower-tier cities typically range from six and a half months to nine months. We intend to further standardize our scalable property development model and optimize our development process by establishing certain standard criteria and operational guidelines that may be replicated across projects. We believe that by replicating standardized and scalable practices and methodologies in strategically selected cities, we will be able to effectively expand our business and enter into new geographic markets as attractive opportunities arise.

Continue to focus on residential mass market and commercial property development while selectively expanding our land bank and diversify our business

We will continue to focus on residential mass market and commercial property developments. We intend to continue to develop mixed-use and multifunctional complexes comprising high-end office space, hotels, shopping centers, entertainment facilities and restaurants. We believe demand for office buildings, retail space and other types of commercial properties will continue to increase as commercial activities grow in China. We seek to achieve and maintain a balanced development structure by further diversifying into commercial property markets, while continuing to develop residential properties, particularly in the mass market housing segment.

We intend to increase our holdings of the commercial properties which we develop for long-term investment purposes so as to enhance the overall value of our property portfolio and to increase the proportion of recurring rental income. The commercial properties we intend to develop and retain include office space, retail space and hotels. We intend to enter into tenancy agreements with reputable international and local tenants to secure recurring rental income. We believe the diversification of our property portfolio will reduce our reliance on one particular sector of the market.

We will continue to selectively expand our land reserves for new property developments in order to sustain our continued growth and to execute our business expansion plan. We will continue to acquire land through acquisitions of controlling equity interests in parties that hold land use rights. In addition to building our land reserves through the public tender, auction and listing-for-sale process, we intend to take advantage of our experience in revamping distressed properties and continue to acquire distressed properties with good development potential. Furthermore, we intend to continue to participate in the redevelopment projects for old urban areas and villages in Shenzhen and other cities with high growth potential in Pearl River Delta to gain access to land that is suited for our property development plans.

We are actively seeking to diversify our business. For example, in November 2016, we acquired 21.7% equity interest in Kaisa Health Group Holdings Limited (formerly known as Mega Medical Technology Limited), a Hong Kong Stock Exchange listed company engaging in supply of dental equipment and consumables, and became its largest shareholder. In 2017, we further increased our equity interest in Kaisa Health Group Holdings Limited to 41.24% through its rights issue. We intend to further promote our brand name and increase our overall competitiveness through such diversification. We also continue to evaluate our business model and strive to optimize our business portfolio, have further restructured our property management business through a spin-off. See "— Property Management".

Further enhance our brand recognition

We intend to enhance the brand awareness of "Kaisa" not only in the Pearl River Delta region, but in other selected cities and regions in China. We intend to continue to promote our brand, "Kaisa," by focusing on product quality, site planning, layout and architectural design and customer service. We seek to distinguish ourselves by continuing to provide value-added products that meet the needs of our local middle to upper-middle income target mass market customers, and to continue to build our product reliability through "risk announcement" practices. We have a branding team to promote recognition of our brand and products. In addition, we will continue to advertise "Kaisa" across a variety of media, including newspapers, the Internet, television, radio and outdoor advertisements, and by participating in property exhibitions and organizing promotional events. Our goal is to further enhance "Kaisa" as a national brand.

Description of Our Property Developments

The map below June 30, 2019 shows the geographical distribution of our property development projects as of June 30, 2019:

As of June 30, 2019, the total GFA of our land bank was 25.8 million sq.m., located in the six regions shown in the below table:

The Pearl River Delta	14.1 million sq.m.
The Pan-Bohai Bay Rim	4.1 million sq.m.
The Western China Region	3.0 million sq.m.
The Central China Region	2.4 million sq.m.
The Yangtze River Delta	2.1 million sq.m.
Hainan	0.1 million sq.m.

As of June 30, 2019, approximately 76% of our land bank is located in first- and key second-tier cities, including 3.2 million sq.m. located in Shenzhen.

As of June 30, 2019, we had a total of 167 property development projects in the following three categories:

- completed properties, comprising completed properties sold, each property held for sale and each investment property for which we have completed construction and received a construction works acceptance and compliance certificate from the relevant governmental authorities;
- properties under development, comprising each property for which we hold a land use rights certificate and a construction works commencement permit; and
- properties for future development, comprising properties for which (i) we have obtained land use rights certificates but have not received a construction works commencement permit; and (ii) we have not obtained land use rights certificates but have entered into a land grant contract or obtained confirmation from the relevant land and resources bureau that we have been selected as the winner of the public listing-for-sale process.

Our classification of projects reflects the basis on which we operate our business and may differ from classifications employed for other purposes or by other developers. Each property project or project phase may involve multiple land use rights certificates, construction permits, pre-sale permits, completion certificates and other permits and certificates which may be issued at different stages of their developments.

The table below sets forth project-by-project information for our property development projects as of June 30, 2019. For illustrative purpose, the table below includes projects held by our affiliates/joint ventures which are not consolidated into our financial statements. The total GFA figures are not adjusted by our attributable interest in our subsidiaries or unconsolidated affiliates/joint ventures.

No.	Projects	Address	Location	Type[1]	Project Phase	Site Area	Total GFA	Total GFA: Completed Properties	Total GFA: Under Development	Total GFA: Future Development	Interest attributable to us
						(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
The Pearl River Delta											
1	Shenzhen Woodland Height	Junction of Shenhui Road and Lilang Road, Buji Town, Longgang District	Shenzhen	Residential	1-8	160,514	580,135	580,135	–	–	100%
2	Shenzhen Mocha Town	Busha Road, Longgang District	Shenzhen	Residential	1-7	185,724	735,299	735,299	–	–	100%
3	Shenzhen Kaisa Center [(2)]	East of Shangbu Nan Road and North of Nanyuan Road, Futian District	Shenzhen	Residential	–	5,966	98,241	98,241	–	–	100%
4	Shenzhen Lake View Place	Juction of Xincheng Road and Pingxi Road,Longgang Distric	Shenzhen	Residential	1-5	182,064	388,626	388,626	–	–	100%
5	Shenzhen Xiangrui Garden	North of Beihuan Highway, Nanashan District	Shenzhen	Residential	–	57,984	143,796	143,796	–	–	100%
6	Shenzhen Mingcui Garden	Ping'an Avenue, Liang'antian Community, Pinghu Street, Longgang District	Shenzhen	Residential	1-4	102,439	394,663	394,663	–	–	100%
7	Shenzhen Jincui Garden	Cuizhu Road, Luohu District	Shenzhen	Residential	–	9,066	105,830	105,830	–	–	100%
8	Shenzhen Shangpin Garden	Bantian Community, Bantian Street, Longgang District	Shenzhen	Residential	–	45,829	231,572	231,572	–	–	100%
9	Shenzhen Kaisa Financial Center	Shennan Avenue, Futian District	Shenzhen	Commercial	1	14,411	142,000	–	142,000	–	100%
10 . . .	Shenzhen Metro City [(2)]	Buji Station, Shenhui Road, Nanmendun, Buji Town, Longgang District	Shenzhen	Residential	1-4	5,241	124,479	124,479	–	–	100%
11 . . .	Shenzhen Kaisa City Plaza	Banxuegang Avenue, Longgang District	Shenzhen	Residential	1-4	179,642	1,084,854	825,271	259,583	–	100%
12 . . .	Shenzhen Kaisa Metropolitan Homeland [(2)]	Mumianwan Station, Longgang Avenue, Buji, Longgang District	Shenzhen	Residential	1-4	19,393	138,892	138,892	–	–	100%

No.	Projects	Address	Location	Type[1]	Project Phase	Site Area	Total GFA	Total GFA: Completed Properties	Total GFA: Under Development	Total GFA: Future Development	Interest attributable to us
						(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
13 . . .	Shenzhen Dapeng Kaisa Peninsula Resort	Yingbin Avenue, Dapeng District	Shenzhen	Commercial	1-2	48,256	186,466	186,466	–	–	100%
14 . . .	Shenzhen Kaisa Yuefeng Garden	Bulong Road, Bantian, Longgang District	Shenzhen	Residential	1-2	47,890	165,455	165,455	–	–	100%
15 . . .	Shenzhen Yantian City Plaza	Mingzhu Avenue,Yantian District	Shenzhen	Residential	1-3	170,311	694,042	100,211	411,915	181,916	100%
16 . . .	Shenzhen Kaisa Golden Bay International Park [6]	Xiasha Community, Dapeng Street, Dapeng New District	Shenzhen	Commercial	1-4	869,838	516,400	–	333,910	182,490	51%
17 . . .	Shenzhen Marriott Hotel Golden Bay	No.8 Jinsha Road, Xiasha Community, Dapeng New District	Shenzhen	Commercial	1	34,449	77,834	77,834	–	–	100%
18 . . .	Shenzhen Kaisa Qianhai Plaza	Junction of Yueliangwan Avenue and Mianshan Road, Nanshan District	Shenzhen	Residential	1-2	49,582	295,749	295,749	–	–	51%
19 . . .	Shenzhen Pinghu Kaisa Plaza [3]	Junction of Shouzhen Street and Pinghu Avenue, Pinghu Street, Longgang District	Shenzhen	Residential	1-2	118,488	475,000	–	333,500	141,500	100%
20 . . .	Shenzhen Kaisa Future City	Junction of Ruyi Road and Dayun Road, Longcheng Street, Longgang District	Shenzhen	Residential	1-2	48,773	279,003	122,024	128,548	28,431	80%
21 . . .	Shenzhen Nan'ao Project	Shuitousha Beach, Nan'ao Street, Dapeng District	Shenzhen	Commercial	1	25,966	51,930	–	–	51,930	50%
22 . . .	Shenzhen Dongmendao Project [2]	Dongmen Street, Luohu District	Shenzhen	Commercial & Residential	1	5,992	50,556	–	–	50,556	72%
23 . . .	Shenzhen Kaisa E Cube [6]	Huanguan Nan Road and Guantian Road, Guanlan Street, Longhua Distrct	Shenzhen	Commercial & Residential	1	34,129	160,970	–	160,970	–	39%
24 . . .	Shenzhen Inno Park [6]	West Wing of High-tech Industrial Park, Guangming District	Shenzhen	Industrial	1	103,739	269,159	–	269,159	–	24%
25 . . .	Shenzhen Nam Tai Inno City [6]	East of Nantai Road, Xixiang Street, Bao'an District	Shenzhen	Industrial	1	22,364	194,595	–	–	194,595	24%
26 . . .	Shenzhen Nam Tai Inno Valley [6]	East of Nantai Road, Xixiang Street, Bao'an District	Shenzhen	Industrial	1	22,367	170,200	–	–	170,200	24%

No.	Projects	Address	Location	Type[1]	Project Phase	Site Area	Total GFA	Total GFA: Completed Properties	Total GFA: Under Development	Total GFA: Future Development	Interest attributable to us
						(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
27 . . .	Shenzhen Futian Border Project	Intersection of Honghua Road and Xiangzhang Road, Futian District	Shenzhen	Residential	1	9,467	42,600	–	–	42,600	70%
28 . . .	Guangzhou Kaisa Plaza [2]	No.191 Tiyu West Road, Tianhe District	Guangzhou	Commercial	1-9	14,192	233,322	233,322	–	–	100%
29 . . .	Guangzhou Monarch Residence [6]	No.99 Jiangnan Avenue Central, Haizhu District	Guangzhou	Residential	–	7,707	56,666	56,666	–	–	49%
30 . . .	Guangzhou Kaisa Mansion No.1	No.505 Huangpu Avenue, Financial Center, Tianhe District	Guangzhou	Residential	1	15,178	86,138	–	86,138	–	59%
31 . . .	Guangzhou Sky Villa [6]	Tongbao Road, Guangzhou Avenue North, Baiyun District	Guangzhou	Residential	1-2	65,627	230,577	230,577	–	–	49%
32 . . .	Guangzhou Sky Mansion [6]	Lot No.20, Meihua Garden, Shatai Road, Baiyun District	Guangzhou	Residential	–	19,671	80,854	80,854	–	–	49%
33 . . .	Guangzhou Kaisa City Plaza	Lot No.49, Nangang, Yunpu Industrial Zone, Huangpu District	Guangzhou	Residential	1-4	190,742	776,318	622,770	153,548	–	95%
34 . . .	Guangzhou Kaisa Future City [6]	No.3889 Huangpu Avenue East, Huangpu District	Guangzhou	Commercial	1-3	321,261	547,995	370,358	–	177,637	49%
35 . . .	Guangzhou Nantian Project [6]	East of Beihao Chong, North West to the Luoxi Bridge, Haizhu District	Guangzhou	Commercial	1-3	78,644	315,343	–	–	315,343	50%
36 . . .	Guangzhou Kaisa Sky Bright	No.151 Xiaogang Road, Haizhu District	Guangzhou	Residential	1	3,038	16,182	–	–	16,182	100%
37 . . .	Guangzhou Kaisa Sky Pride	No.71 Beizhan Road, Yuexiu District	Guangzhou	Residential	1	7,759	29,383	–	–	29,383	100%
38 . . .	Guangzhou Xiaoping Village Project [4] [6]	West of Baiyun New Town, South of Huangshi W Road, and East of Shicha Road, Baiyun District	Guangzhou	Residential	3	179,000	507,650	–	–	507,650	55%
39 . . .	Guangzhou Nansha Lingshan Island Project [6]	Lingshan Island, MingZhu District, Nansha	Guangzhou	Residential	1-2	47,626	94,960	–	–	94,960	49%
40 . . .	Qingyuan Kaisa Northern City Plaza	Soutth GuangQing Road, Logntang Town, Qingcheng District	Qingyuan	Residential	1-5	343,749	1,183,327	–	–	1,183,327	100%

No.	Projects	Address	Location	Type[1]	Project Phase	Site Area	Total GFA	Total GFA: Completed Properties	Total GFA: Under Development	Total GFA: Future Development	Interest attributable to us
						(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
41 . . .	Foshan Shunde Kaisa Mocha Town	Lot No.1, South of the Central District, Xingtan Town, Shunde District	Foshan	Residential	1-5	71,200	234,422	234,422	–	–	100%
42 . . .	Foshan Shunde Kaisa Shangpin Garden	Linshang North Road, Beijiao New Town, Shunde District	Foshan	Residential	1-4	32,819	98,021	98,021	–	–	100%
43 . . .	Foshan Shunde Kaisa Golden World [6]	West of Waihuan Road, Ronggui Town, Shunde Diistrict	Foshan	Residential	1-9	197,584	645,921	643,202	–	2,719	49%
44 . . .	Foshan Kaisa Metro City [6]	No.169 Guangfo Road, Huangqi Town, Nanhai District	Foshan	Commercial	–	14,406	101,398	–	–	101,398	49%
45 . . .	Foshan Kaisa E Cube [6]	No. 97 Yanbu Huanzhen North road, Dali Town, Nanhai District	Foshan	Commercial	–	15,271	61,082	–	61,082	–	30%
46 . . .	Foshan Lishui Project [3] [6]	Junction of Liguang road and Foshan First Ring road, Lishui Town, Nanhai District	Foshan	Commercial	–	13,828	55,313	–	–	55,313	35%
47 . . .	Foshan Kaisa Yuefeng	Shiwan roand, South of Kuiqi West Road, West of Zhenzhong Road, Chancheng District	Foshan	Residential	–	31,017	94,960	–	–	94,960	100%
48 . . .	Dongguan Zhongyang Haomen	Longsheng Road, Xincheng District, Shilong Town	Dongguan	Residential	–	82,742	377,481	377,481	–	–	100%
49 . . .	Dongguan Dongjiang Haomen	South of Dongjiang Road, Yangwu Village and Qishi Village, Qishi Town	Dongguan	Residential	1	86,324	243,296	243,296	–	–	100%
50 . . .	Dongguan Shui'an Haomen	Fenggang Town, Fengshen Avenue	Dongguan	Residential	1	70,734	200,386	200,386	–	–	80%
51 . . .	Dongguan Dijingwan	Jinshawan Square, Xincheng District, Shilong Town	Dongguan	Residential	1-2	46,474	155,432	155,432	–	–	100%
52 . . .	Dongguan Le Grand Bleu	Xinwei Village Group, Qisha Village, Shatian Town	Dongguan	Residential	1-4	239,050	717,084	360,281	356,803	–	100%
53 . . .	Dongguan Oasis Town	Xiping Community, Junction of Huancheng Road and Green Road, Nancheng District	Dongguan	Residential	1-4	65,021	150,772	150,772	–	–	100%
54 . . .	Dongguan Yulongshan Garden	Jinzhou Community, Humen Town	Dongguan	Residential	1-2	33,910	109,180	109,180	–	–	100%

No.	Projects	Address	Location	Type[1]	Project Phase	Site Area	Total GFA	Total GFA: Completed Properties	Total GFA: Under Development	Total GFA: Future Development	Interest attributable to us
						(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
55 . . .	Dongguan Shilong Project [3]	Junction of Jiangnan Middle Road and Xihu no.1 road, Xihu District, Shilong Town	Dongguan	Residential	–	5,567	10,131	–	–	10,131	100%
56 . . .	Dongguan Riverside Woods Palace [3]	Junction of Dongshen Road and Bihu Avenue, Fenggang Town	Dongguan	Residential	–	62,802	155,693	–	–	155,693	85%
57 . . .	Dongguan Riverside Hillview Palace [3]	Junction of Dongshen Road and Bihu Avenue, Fenggang Town	Dongguan	Residential	–	64,743	202,294	–	–	202,294	90%
58 . . .	Dongguan Kaisa Glamourous Riverscape	Dougu, Zhongtang Tower	Dongguan	Residential	–	38,096	95,239	–	–	95,239	51%
59 . . .	Huizhou Kaisa Mansion No.1	Gutang'ao Miaozaikeng	Huizhou	Residential	1-10	89,998	260,577	260,577	–	–	100%
60 . . .	Huizhou Kaisa Center	No.18 Subdistrict, Jiangbei, Huicheng District	Huizhou	Commercial	1-3	70,859	722,945	722,945	–	–	100%
61 . . .	Huizhou Yuanzhou Project [4]	Tanjiao Section, Liangwu Gaotou Village, Yuanzhou Town, Buluo County	Huizhou	Residential	–	20,400	61,200	–	–	61,200	100%
62 . . .	Huizhou Riverbank New Town	Cui Mei countryside Committee, Hengkeng, Luoyang Town, Boluo County	Huizhou	Residential	1-13	1,663,969	4,326,239	1,251,805	1,202,739	1,871,695	100%
63 . . .	Huizhou Kaisa Mountain Bay	Huangbujiao, Lianfeng Village, Renshan Town, Huidong County	Huizhou	Residential	1-3	169,331	361,653	–	120,147	241,506	100%
64 . . .	Huizhou Kaisa Times Mocha Town [6]	Junction of Zhongkai Avenue and Jinbang Road, Huicheng District	Huizhou	Residential	1-5	281,066	641,781	–	458,323	183,458	51%
65 . . .	Huizhou Kaisa Dong River Garden	Jiangnanxincheng, Luoyang Town, Boluo County	Huizhou	Residential	1-4	176,724	441,810	–	196,332	245,478	100%
66 . . .	Huizhou Longmen Longquan Dajing [3]	Laiwu Village, Longtian Town, Longmen County	Huizhou	Residential	1-4	386,891	630,000	–	285,982	344,018	70%
67 . . .	Huizhou Kaisa Monarch Residence [3]	Junction of Huifeng West second Road Hechang West Fifth Road,Huicheng District	Huizhou	Residential	1	33,400	104,640	–	71,043	33,597	100%
68 . . .	Zhuhai Lake View Waldorf Garden [3]	Shangsha Street, Wanzai, Xiangzhou District	Zhuhai	Residential	1-4	164,354	550,431	416,799	78,162	55,470	100%

No.	Projects	Address	Location	Type[1]	Project Phase	Site Area	Total GFA	Total GFA: Completed Properties	Total GFA: Under Development	Total GFA: Future Development	Interest attributable to us
						(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
69 . . .	Zhuhai Golden World	Huangyang North Avenue, Wangbao Reservoir, Jintai Temple, Doumen Town, Doumen District	Zhuhai	Residential	1-4	192,710	316,037	166,728	149,309	–	100%
70 . . .	Zhuhai Kaisa Monarch Residence	North of Zhufeng Avenue, Qianwu Town, Doumen District	Zhuhai	Residential	–	16,088	28,958	–	28,958	–	100%
71 . . .	Zhuhai Kaisa Yuefeng	East of Xiewei village and South of Golden coast road, Sanzao Town, Jinwan District	Zhuhai	Residential	1	21,970	73,816	–	73,816	–	100%
72 . . .	Zhongshan Kaisa Xiangshan Royal Palace	No.3 Jinzhong Road, Jinzhong Village, Banfu Town	Zhongshan	Residential	1	21,061	69,794	–	69,794	–	100%
73 . . .	Zhongshan Kaisa Shangpin Garden [6]	No.1 Nanhu Road, Nanlang Town	Zhongshan	Residential	1	22,307	82,397	–	82,397	–	50%
74 . . .	Zhongshan Kaisa Metro City	Junction of Xingbao Road and Yunsheng Road, Shaxi Town	Zhongshan	Residential	1-2	61,873	211,608	–	211,608	–	80%
75 . . .	Zhongshan Kaisa Fortune Garden [3]	No. 68 Guangfu Avenue, Dongsheng Town	Zhongshan	Residential	1-2	51,340	128,347	–	–	128,347	100%
76 . . .	Yangjiang Riverside No. 1	Next to Longtang Road, Yangdong District	Yangjiang	Residential	1-2	78,452	159,025	–	118,910	40,115	100%
The West China Region											
77 . . .	Chengdu Kaisa Monarch Residence	Erjiangsi Village, Huayang Town, Shuangliu County	Chengdu	Residential	1-3	182,666	1,041,531	1,041,531	–	–	100%
78 . . .	Chengdu Lijing Harbour	Group 1 and 2, Huafeng Village, Yongquan Street, Wenjiang District	Chengdu	Residential	1	150,071	761,542	761,542	–	–	100%
79 . . .	Chengdu Modern Town	Yingchunqiao, Dongsheng Sub-district Office, Shuangliu County	Chengdu	Commercial	1-2	133,269	362,420	362,420	–	–	100%
80 . . .	Chengdu Kaisa Mansion No.8	South Sanzhiqu Area, Dongsheng Street, Shuangliu County	Chengdu	Residential	1-5	120,570	610,744	342,647	268,097	–	100%
81 . . .	Chengdu Kaisa City Plaza	Group 1 and 2, Machang Village, Wenjia Street Office, Qingyang District	Chengdu	Residential	1-4	112,194	460,901	460,901	–	–	100%

No.	Projects	Address	Location	Type[1]	Project Phase	Site Area	Total GFA	Total GFA			Interest attributable to us
								Completed Properties	Under Development	Future Development	
						(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
82 . . .	Chengdu Kaisa Leading Town	Group 6 and 7, Taiji Community, Gongping Street Office, Wenjiang District	Chengdu	Residential	1-2	57,836	342,533	342,533	–	–	100%
83 . . .	Chengdu Kaisa Yuefu	Junction of Fengxiang Avenue and Fenghuang Avenue, Qingbaijiang District	Chengdu	Residential	1-2	113,411	447,537	–	447,537	–	100%
84 . . .	Chengdu Kaisa Imperial Jade	No. 977, south of the Fengxi Avenue, Wenjiang District	Chengdu	Residential	1	34,088	68,175	–	68,175	–	51%
85 . . .	Chengdu Kaisa Tianyue Mansion	No. 64 Jinxing Road, Jinjiang District	Chengdu	Commercial & Residential	1	3,286	26,290	–	26,290	–	100%
86 . . .	Pengzhou Kaisa Golden Metro	West of Chengde Avenue (Beixin Avenue), Mengyang Town	Pengzhou	Residential	1-4	104,964	278,191	–	128,977	149,214	100%
87 . . .	Nanchong Kaisa Plaza	No.39 Zhengyang East Road, Shunqing District	Nanchong	Residential	1-2	29,541	116,634	116,634	–	–	100%
88 . . .	Nanchong Monarch Residence	No.308 Baituba Road Shunqing District	Nanchong	Residential	1-3	256,187	813,746	813,746	–	–	100%
89 . . .	Chongqing Kaisa Plaza	Longzhouwan Street, Banan District	Chongqing	Residential	1-3	119,767	481,362	369,035	112,327	–	100%
90 . . .	Chongqing Kaisa Bright Harbour	Baqiao Town, Dadukou District	Chongqing	Residential	1-10	324,327	989,399	461,390	528,009	–	100%
91 . . .	Chongqing Shaba Jingkou Project [6]	Ertang Village, Jingkou Street, Jingkou Town, Shapingba District	Chongqing	Residential	1	56,778	141,945	–	–	141,945	50%
92 . . .	Chongqing Kaisa Zhuanshan Fortune Garden	North end of Changjiang River Bridge, Jiangjin Distric	Chongqing	Residential	1-3	77,543	225,097	–	–	225,097	100%
93 . . .	Chongqing Riverside Seasons [6]	Ganghua Road Middle East, DaDuKou District	Chongqing	Residential	1	41,724	104,311	–	–	104,311	10%

No.	Projects	Address	Location	Type[1]	Project Phase	Site Area	Total GFA	Total GFA: Completed Properties	Total GFA: Under Development	Total GFA: Future Development	Interest attributable to us
						(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
The Pan-Bohai Bay Rim											
94 . . .	Shenyang Kaisa Center	East of Qingnian Avenue, Shenhe District	Shenyang	Commercial	1	21,423	292,331	292,331	–	–	100%
95 . . .	Shenyang Kaisa Yuefeng	Changbai South Road, Heping District	Shenyang	Residential	1-2	12,947	38,844	–	38,844	–	100%
96 . . .	Yingkou Dragon Bay	Junction of Xinxin Road and Bohai Street, Laobian District	Yingkou	Residential	1-2	220,669	607,354	347,443	259,911	–	100%
97 . . .	Yingkou Monarch Residence	West of Xuefu Road, East of Shifu Road, South of New Donghai Street, Laobian District	Yingkou	Residential	1-2	71,922	233,745	233,745	–	–	100%
98 . . .	Anshan Monarch Residence	South of Ziyou Dong Road, East of Anqian Road, Lishan District	Anshan	Residential	1-4	129,242	240,688	61,994	83,706	94,988	100%
99 . . .	Anshan Kaisa Plaza [2]	Renmin Road, Tiexi District	Anshan	Commercial	1-2	11,238	85,148	85,148	–	–	100%
100 . .	Benxi Lake View Place	Binhe North Road, Mingshan District	Benxi	Residential	1	122,200	324,480	324,480	–	–	100%
101 . .	Huludao Suizhong Kaisa Dongdaihe [3]	South of Binhai Road, Dongdaihe New district, Suizhong County	Huludao	Residential	1-13	1,647,042	2,976,942	566,091	1,159,052	1,251,799	100%
102 . .	Weifang Kaisa Golden World	North of Bailanghe Reservoir Dam, South of Weijiao Road	Weifang	Residential	1-2	128,018	131,112	–	131,112	–	100%
103 . .	Qingdao Lake View Place	East of Zhongjianger Read, West of Wangsha Road and South of Baishahe, Xiazhuang Street. Chengyang District	Qingdao	Residential	1-3	229,865	381,418	258,314	123,104	–	100%
104. . .	Dandong Kaisa Mansion No.1	South of Huanghai Avenue, Zhenxing District	Dandong	Residential	1-4	133,340	331,542	214,261	117,281	–	100%
105. . .	Liaoyang Hot Spring Resort Project	Tanghe Town, Gongchangling District	Liaoyang	Residential	1-10	372,427	259,713	–	108,570	151,143	100%
106. . .	Dalian Kaisa Center	Donggang Business District, Zhongshan District	Dalian	Commercial	1-2	26,610	156,239	84,120	72,119	–	100%

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						(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
107. . .	Dalian Kaisa Plaza	No.271 Tianjin Street, Zhongshan District	Dalian	Commercial	–	15,955	78,454	78,454	–	–	100%
108. . .	Dalian Kaisa Mansion No. 1	Junction of Zhonggang North Road and Hugang Road, Dalian Free Trade Zone	Dalian	Commercial & Residential	1	41,150	104,392	–	104,392	–	100%
109. . .	Dalian Kaisa Yuejing	The East of Shengli Road, JinPu New District	Dalian	Residential	1	24,334	85,169	–	85,169	–	100%
110. . .	Bazhou Kaisa Peacock City Yuefeng	West of Rose Garden Hot Spring Resort, Development District, Bazhou County	Bazhou	Residential	1	36,576	54,859	–	54,859	–	51%
111. . .	Gu'an Kaisa Fengyuan Tianci Project [6]	Near Niutuo Hot Spring Peacock City, Niutuo Town, Gu'an County	Gu'an	Residential	1	32,484	48,726	–	48,726	–	49%
The Central China Region											
112. . .	Changsha Lake View Place	Jinping Village, Tiaoma County	Changsha	Residential	1-4	673,536	938,203	938,203	–	–	100%
113. . .	Changsha Kaisa Times Square [6]	Yingpan East Road, Furong District	Changsha	Residential	–	21,770	108,731	108,731	–	–	50%
114. . .	Changsha Kaisa Plaza [6]	Wuyi Road, Furong Distrct	Changsha	Commercial	1	14,324	221,603	–	221,603	–	50%
115. . .	Changsha Meixi Lake Project	Meixi Lake, Yuelu District	Changsha	Residential	1-6	253,693	892,604	672,151	220,453	–	100%
116. . .	Changsha Gaotie New Town Project	Juction of Huahou road and Xiangzhang Road, Gaotie New Town, Yuhua District	Changsha	Commercial	1-2	50,161	283,789	–	–	283,789	60%
117. . .	Zhuzhou Golden World	Liyu Central Business District, Tianyuan District	Zhuzhou	Residential	1-3	222,182	597,728	597,728	–	–	100%
118. . .	Hengyang Kaisa Yuefeng	North of Chuanshan West Road, South of Lixin Avenue, West of Cailun Avenue	Hengyang	Residential	1	50,054	160,648	–	160,648	–	51%
119. . .	Wuhan Golden World	Junction of Baisha Road and Qingling East Road, Qingling County, Hongshan District	Wuhan	Residential	1-3	181,493	605,941	605,941	–	–	100%
120. . .	Wuhan Kaisa Mansion No.1	North of Zhiyin Avenue, West of Yangcheng West Road, Hangyang District	Wuhan	Residential	–	40,351	156,763	156,763	–	–	100%

No.	Projects	Address	Location	Type[1]	Project Phase	Site Area	Total GFA	Total GFA: Completed Properties	Total GFA: Under Development	Total GFA: Future Development	Interest attributable to us
						(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
121. . .	Wuhan Kaisa Plaza	No.336 Wuluo Road, Wuchang District	Wuhan	Residential	1	26,861	142,355	–	142,355	–	100%
122. . .	Wuhan Kaisa Yuefu [6]	North of Jinbei no.1 Road and East of Wuxinganxian,Jinghe Street,Dongxi Lake District	Wuhan	Residential	1-2	128,539	352,480	–	352,480	–	50%
123. . .	Wuhan Kaisa Bright Harbour [6]	South of Shefa Shan Road, East of the 2nd Chuanjiang Road, Economic Development Area	Wuhan	Residential	1	56,901	142,252	–	–	142,252	50%
124. . .	Ezhou Zhongliang Kaisa The One Mansion [6]	West of Yingbin Avenue, Ezhou District	Ezhou	Residential	1	103,176	281,669	–	281,669	–	35%
125. . .	Xiaogan Kaisa Airport Science and Technology City	Linkong Economic Development Area	Xiaogan	Industrial	5	218,814	262,577	–	–	262,577	70%
126. . .	Xinzheng Kaisa Yuefeng	West of Wenhua Road and South of Zhongxing Road	Xinzheng	Residential	1-2	69,499	156,620	–	156,620	–	100%
127. . .	Xinxiang Kaisa Yuefeng [6]	West of Hongyuan Street and North of Guihua road，Hongqi Distrct	Xinxiang	Residential	1	23,165	85,686	–	85,686	–	51%
The Yangtze River Delta											
128. . .	Jiangyin Lake View Place [6]	South of Xinhua Road, West of Dongwaihuan Road, and North of Renmin East Road	Jiangyin	Residential	1-3	225,533	272,274	272,274	–	–	49%
129. . .	Jiangyin Gushan Mocha Town	South of Golden Gushan Garden and West of Xingfu Avenue, Gushan Town	Jiangyin	Residential	1-4	76,465	132,849	132,849	–	–	100%
130. . .	Jiangyin Kaisa Plaza	No.1091 Renmin East Road	Jiangyin	Residential	1-3	158,240	553,177	553,177	–	–	100%
131. . .	Jiangyin Zhouzhuang Golden World	East of Zhouxi Dong Road, Zhouzhuang Town	Jiangyin	Residential	1-2	103,589	182,656	112,889	–	69,767	100%
132. . .	Jiangyin Changjing Lake View Waldorf	East of Xinglong Road and South of Dongshun Road, Changjing Town	Jiangyin	Residential	1-2	93,275	149,763	149,763	–	–	100%

No.	Projects	Address	Location	Type[1]	Project Phase	Site Area	Total GFA	Total GFA: Completed Properties	Total GFA: Under Development	Total GFA: Future Development	Interest attributable to us
						(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
133. . .	Jiangyin Tonghui Garden	North of Tonghui Road, West of Tongjiang Road, and South of Tongfu Road	Jiangyin	Residential	–	41,440	73,615	73,615	–	–	100%
134. . .	Jiangyin Fuqiao Homeland	North of Chengxi Road, West of Tongdu Road, and South of Binjiang Road	Jiangyin	Residential	–	35,801	134,535	134,535	–	–	100%
135. . .	Changzhou Phoenix Lake No.1	South of Qingyang Road, Xuejia Town, Xinbei District	Changzhou	Residential	1-2	101,819	253,356	253,356	–	–	100%
136. . .	Taizhou Kaisa Mansion No.1	North of Chenzhuang Road and West of No.11 Road, Taizhou Economic Development Area	Taizhou	Residential	1-7	192,505	322,836	75,193	247,643	–	51%
137. . .	Shanghai Shanhuwan Garden	No.4333 Alley, Haima Road, Haiwan Town, Fengxian District	Shanghai	Residential	1-4	104,796	140,151	140,151	–	–	100%
138. . .	Shanghai Shangpin Garden	Kangfeng North Road and Kangnian Road, Malu Town, Jiading District	Shanghai	Residential	–	23,307	84,448	84,448	–	–	100%
139. . .	Shanghai Kaisa Mansion No.8	No.99 Alley, Juting Road, Zhuanghang Town, Fengxian District	Shanghai	Residential	1-2	143,053	240,499	116,474	124,025	–	100%
140. . .	Shanghai Kaisa City Plaza	Junction of Shengzhu East Road and Chengliu Road, Xuhang Town, Jiading District	Shanghai	Residential	1-3	117,256	331,724	331,724	–	–	100%
141. . .	Shanghai Kaisa Mansion	Junction of Minsheng Road and Middle Yanggao Road, Pudong District	Shanghai	Commercial	1	11,088	77,811	–	77,811	–	100%
142. . .	Shanghai Kaisa Monarch Residence	Junction of Songjian Road and Fumao Road, Chonggu Town, Qingpu District	Shanghai	Residential	1-2	90,642	212,240	212,240	–	–	100%
143. . .	Shanghai Kaisa City Garden	East of Qiyuan Road, West of Xiaoxin River,South of Shupindong Road and North of Xinjian No.1 Road, Xuhang Town, Jiading District	Shanghai	Residential	1	23,638	55,429	–	55,429	–	75%

No.	Projects	Address	Location	Type[1]	Project Phase	Site Area	Total GFA	Total GFA: Completed Properties	Total GFA: Under Development	Total GFA: Future Development	Interest attributable to us
						(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
144. . .	Shanghai Shangpin Jiayuan	East of Qiyuan Road, West of Xiaoxin River,South of Shupindong Road and North of Xinjian No.1 Road, Xuhang Town, Jiading District	Shanghai	Residential	1	44,590	80,262	–	80,262	–	75%
145. . .	Shanghai Xuhangzhen Project	Xuhang County, Jiading District	Shanghai	Residential	1-4	126,923	213,515	–	–	213,515	90%
146. . .	Taicang Lake View Waldorf	No.1 Jinan Road, Science-Education New Town	Taicang	Residential	1-3	87,741	201,346	201,346	–	–	100%
147. . .	Hangzhou Jade Dragon Court	North of Zhennan Road, Zhijiang National Holiday Resort, West Lake District	Hangzhou	Residential	–	39,376	98,041	98,041	–	–	100%
148. . .	Hangzhou Kaisa Monarch Residence	North of Shitang Road and West of Donghu Road, Qiaosi Street, Yuhang District	Hangzhou	Residential	–	36,595	100,849	100,849	–	–	100%
149. . .	Hangzhou Puyu Court	Jingfeng Community, Wuchang Street, Yuhang District	Hangzhou	Residential	1	74,779	207,476	207,476	–	–	100%
150. . .	Hangzhou Fuyang Yinhu Project	Dashanjiao Village, Yinhu Street, Fuyang District	Hangzhou	Residential	1	26,000	23,326	–	–	23,326	100%
151 . .	Hangzhou Kaisa Yunfeng [6]	Xianlin Street, Yuhang District	Hangzhou	Residential	1	19,175	38,350	–	38,350	–	50%
152. . .	Shaoxing Kaisa Guoyue Mansion	Lanting Street, Keqiao District	Shaoxing	Residential	1	61,233	46,660	–	46,660	–	36%
153. . .	Shaoxing Kaisa Monarch Residence	Fuquan Street, Keqiao District	Shaoxing	Residential	1	19,852	72,448	–	72,448	–	70%
154. . .	Suzhou Kaisa Plaza	West of Tayuan Road and South of Zhuyuan Road, Shishan Street, High-tech District	Suzhou	Residential	1-2	33,234	123,216	123,216	–	–	100%
155. . .	Suzhou Kaisa Monarch Residence	South of Xingye Road and East of Sudai Road, Huangqiao Street, Xiangcheng District	Suzhou	Residential	1-2	59,629	197,069	197,069	–	–	100%
156. . .	Suzhou Kaisa Guoyue Mansion	West of Xinhua Road, South of Xiangyang Nan Road, Mushu Tower, Wuzhong District	Suzhou	Residential	1	32,006	48,008	–	–	48,008	100%

No.	Projects	Address	Location	Type[1]	Project Phase	Site Area	Total GFA	Total GFA			Interest attributable to us
								Completed Properties	Under Development	Future Development	
						(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
157. . .	Suzhou Kaisa Yufeng	South of Pangshan Road and West of Huxin Road,Wujiang District	Suzhou	Residential	1	29,911	81,945	–	81,945	–	100%
158. . .	Zhangjiagang Fengming Riverside	Southwest Corner of the Junction of Yingshan Road and Jingu Road, Phoenix Town	Zhangjiagang	Residential	1	31,666	37,999	–	37,999	–	100%
159. . .	Ningbo Kaisa Dongchenyipin	Junction of Century Avenue and Min'an Road, Yinzhou District	Ningbo	Commercial	1	15,086	56,285	–	56,285	–	30%
160. . .	Nanjing Kaisa City Plaza	Junction of Nanwai and Taiqing Road, South of Hexi Area, Jianye District	Nanjing	Residential	1-3	109,832	411,636	274,203	137,433	–	100%
161. . .	Nanjing Kaisa Sky Mansion	D Area No.560 Heyan Road, Xixia District	Nanjing	Residential	1	27,376	89,476	–	89,476	–	100%
162. . .	Nanjing Kaisa Yuefeng	East of Wanke area, Lishui District	Nanjing	Residential	1	65,698	144,535	–	–	144,535	100%
163. . .	Nanjing Lukou Project	East of Hutai Road., South Area of Xiaoshan Road, Lukou Street, Jiangning Disctict	Nanjing	Residential	1	73,686	103,160	–	–	103,160	51%
164. . .	Jiaxing Xitang Project	East of Hongfu Road and South of Nanyuan Road, Xitang Town	Jiaxing	Residential	1	38,881	64,857	64,857	–	–	51%
165. . .	Xuzhou Thriving Spring Villa	West of Guangzhou Park, Shanhuan West Road, Yunlong District	Xuzhou	Residential	1	132,397	172,115	–	172,115	–	50%

No.	Projects	Address	Location	Type[1]	Project Phase	Site Area	Total GFA	Total GFA: Completed Properties	Total GFA: Under Development	Total GFA: Future Development	Interest attributable to us
						(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
Hainan											
166. . .	Sanya Kaisa Begonia Seasons	Nantian Hot Spring Resort Area, North of Haitang District	Sanya	Commercial & Service	1	42,585	42,585	–	33,207	9,378	60%
167. . .	Sanya Kaisa Begonia Mountain [6]	Dongfeng Branch, Nantian Farm, Haitang Bay Town	Sanya	Residential	1	36,943	44,332	–	–	44,332	44%
Total							18,706,283	49,846,441	26,308,438	12,783,535	10,754,467
Attributable							16,389,637	44,775,263	25,101,406	10,770,927	8,902,930

Notes:

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

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

3 *Including*

(i) *A portion of land for Foshan Lishui Project*

(ii) *A portion of land for Dongguan Shilong project*

(iii) *A portion of land for Dongguan Riverside Woods Palace*

(iv) *A portion of land for Dongguan Riverside Hillview Palace*

(v) *A portion of land for Huizhou Longmen Longquan Dajing project*

(vi) *A portion of land for Zhuhai Lake View Waldorf Garden*

(vii) *A portioin of land for Huludao Suizhong Kaisa Dongdaihe for which as of June 30, 2019, the Group has not obtained the land use right certificate, but has entered into land grant contracts or obtained confirmation from the relevant land and resources bureau.*

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

5 *As of June 30, 2019, the GFA of total completed properties for sale reached 2,233,210 sq. m.*

6 *This project is owned by our affiliates/joint ventures. The total GFA figures herein are not adjusted by our attributable interest in such unconsolidated affiliates/joint ventures.*

Properties Under Development

The table below sets forth certain information of our property projects or project phases under development as of June 30, 2019. For illustrative purpose, the table below includes projects held by our affiliates/joint ventures which are not consolidated into our financial statements. The total GFA figures are not adjusted by our attributable interest in our subsidiaries or unconsolidated affiliates/joint ventures.

Project	City	Project Phase	Total GFA or Estimated Total GFA	Saleable GFA or Estimated Total Saleable GFA	Commencement Time	Status of Pre-sale permit	Estimated Completion Time	Interest Attributable to us
			(sq.m.)	(sq.m.)				
Shenzhen Kaisa Financial Center	Shenzhen	1	142,000	129,640	Apr-18	Not yet obtained	2020 4Q	100%
Shenzhen Kaisa City Plaza	Shenzhen	3 (5)	259,583	154,573	Dec-17	Yes	2020 2Q	100%
Shenzhen Yantian City Plaza	Shenzhen	2	411,915	217,904	Apr-17	Yes	2019 4Q	100%
Shenzhen Kaisa Golden Bay International Park[1]	Shenzhen	1-2	333,910	59,010	Jan-18	Not yet obtained	2020 2Q	51%
Shenzhen Pinghu Kaisa Plaza	Shenzhen	1-2	333,500	149,930	Dec-17	Yes	2019 2Q	100%
Shenzhen Kaisa Future City	Shenzhen	1	128,548	87,354	Nov-17	Yes	2020 2Q	80%
Shenzhen Kaisa E Cube[1]	Shenzhen	1	160,970	151,098	Dec-18	Yes	2020 1Q	39%
Shenzhen Inno Park[1]	Shenzhen	1	269,159	269,159	Jun-18	Not yet obtained	2020 4Q	24%
Guangzhou Kaisa Mansion No.1	Guangzhou	1	86,138	71,183	Jan-15	Yes	2019 3Q	49%
Guangzhou Kaisa City Plaza	Guangzhou	1(3)	153,548	96,821	Dec-16	Yes	2019 4Q	49%
Foshan Kaisa E Cube[1]	Foshan	–	61,082	60,593	May-19	Not yet obtained	2020 4Q	30%
Dongguan Le Grand Bleu	Dongguan	3-4	356,803	280,077	Aug-16	Yes	2021 2Q	100%
Huizhou Riverbank New Town	Huizhou	5-10	1,202,739	869,530	Dec-16	Yes	2019 3Q	100%
Huizhou Kaisa Mountain Bay	Huizhou	1	120,147	68,414	Aug-18	Yes	2020 3Q	100%
Huizhou Kaisa Times Mocha Town[1]	Huizhou	1-2	458,323	192,834	Nov-17	Yes	2020 1Q	51%
Huizhou Kaisa Dong River Garden	Huizhou	1-2	196,332	188,898	Mar-19	Not yet obtained	2020 4Q	100%
Huizhou Longmen Longquan Dajing	Huizhou	1-2	285,982	225,251	May-19	Yes	2021 1Q	70%
Huizhou Kaisa Monarch Residence	Huizhou	1	71,043	70,673	May-19	Not yet obtained	2020 4Q	100%
Zhuhai Lake View Waldorf Garden	Zhuhai	2	78,162	36,971	Jan-18	Not yet obtained	2019 4Q	100%
Zhuhai Golden World	Zhuhai	3-4	149,309	76,503	Dec-12	Yes	2019 4Q	100%
Zhuhai Kaisa Monarch Residence	Zhuhai	1	28,958	24,627	Jan-18	Yes	2019 3Q	100%
Zhuhai Kaisa Yuefeng	Zhuhai	1	73,816	73,079	Nov-18	Yes	2020 3Q	100%
Zhongshan Kaisa Xiangshan Royal Palace	Zhongshan	1	69,794	47,928	Sep-18	Yes	2019 4Q	100%

Project	City	Project Phase	Total GFA or Estimated Total GFA	Saleable GFA or Estimated Total Saleable GFA	Commencement Time	Status of Pre-sale permit	Estimated Completion Time	Interest Attributable to us
			(sq.m.)	(sq.m.)				
Zhongshan Kaisa Shangpin Garden[(1)]	Zhongshan	1	82,397	63,168	May-18	Yes	2019 3Q	80%
Zhongshan Kaisa Metro City	Zhongshan	1-2	211,608	173,894	May-18	Yes	2019 4Q	80%
Yangjiang Riverside No. 1	Yangjiang	1	118,910	92,855	Jan-19	Yes	2020 4Q	100%
Chengdu Kaisa Mansion No.8	Chengdu	4	268,097	183,135	Nov-17	Yes	2019 4Q	100%
Chengdu Kaisa Yuefu	Chengdu	1	447,537	425,191	Feb-18	Not yet obtained	2020 2Q	100%
Chengdu Kaisa Imperial Jade	Chengdu	1	68,175	68,173	Oct-18	Not yet obtained	2021 4Q	51%
Chengdu Kaisa Tianyue Mansion	Chengdu	1	26,290	18,704	Jun-18	Yes	2020 2Q	100%
Pengzhou Kaisa Golden Metro	Pengzhou	1-2	128,977	128,977	May-18	Yes	2020 3Q	100%
Chongqing Kaisa Plaza	Chongqing	3	112,327	112,327	Oct-17	Yes	2019 4Q	100%
Chongqing Kaisa Bright Harbour	Chongqing	5, 6, 9	528,009	216,495	Jun-17	Yes	2019 4Q	100%
Shenyang Kaisa Yuefeng	Shenyang	1	38,844	31,075	Oct-17	Yes	2019 4Q	100%
Yingkou Dragon Bay	Yingkou	1	259,911	95,939	Apr-18	Not yet obtained	2021 1Q	100%
Anshan Kaisa Plaza	Anshan	2, 3	83,706	83,706	Dec-17	Yes	2019 4Q	100%
Huludao Suizhong Kaisa Dongdaihe	Huludao	3, 4, 6, 8	1,159,052	941,292	Sep-14	Yes	2019 4Q	100%
Weifang Kaisa Golden World	Weifang	2	131,112	84,244	Nov-12	Not yet obtained	2019 4Q	100%
Qingdao Lake View Place	Qingdao	3	123,104	100,161	May-14	Yes	2019 3Q	100%
Dandong Kaisa Mansion No.1	Dandong	3	117,281	95,952	Dec-17	Yes	2019 4Q	100%
Liaoyang Hot Spring Resort Project	Liaoyang	1	108,570	38,611	Jan-17	Yes	2019 4Q	100%
Dalian Kaisa Center	Dalian	2	72,119	37,650	Jan-14	Not yet obtained	2019 4Q	100%
Dalian Kaisa Mansion No. 1	Dalian	1	104,392	103,792	Jun-18	Yes	2020 3Q	100%
Dalan Kaisa Yuejing	Dalian	1	85,169	82,908	Jun-19	Not yet obtained	2022 2Q	100%
Bazhou Kaisa Peacock City Yuefeng	Bazhou	1	54,859	52,802	Mar-19	Yes	2020 4Q	51%
Gu’an Kaisa Fengyuan Tianci Project[(1)]	Gu’an	1	48,726	46,935	Sep-18	Yes	2020 4Q	49%
Changsha Kaisa Plaza[(1)]	Changsha	2	221,603	169,780	Jun-17	Yes	2020 3Q	50%
Changsha Meixi Lake Project	Changsha	6	220,453	178,032	Nov-17	Yes	2019 3Q	100%
Hengyang Kaisa Yuefeng	Hengyang	1	160,648	159,679	Feb-19	Yes	2020 3Q	51%
Wuhan Kaisa Plaza	Wuhan	1	142,355	104,928	Sep-17	Yes	2019 3Q	100%
Wuhan Kaisa Yuefu[(1)]	Wuhan	1-2	352,480	251,495	Sep-18	Yes	2020 1Q	50%

Project	City	Project Phase	Total GFA or Estimated Total GFA	Saleable GFA or Estimated Total Saleable GFA	Commencement Time	Status of Pre-sale permit	Estimated Completion Time	Interest Attributable to us
			(sq.m.)	(sq.m.)				
Ezhou Zhongliang Kaisa The One Mansion[1]	Ezhou	1	281,669	275,757	Oct-18	Yes	2020 2Q	35%
Xinzheng Kaisa Yuefeng	Xinzheng	1-2	156,620	152,834	May-18	Yes	2019 4Q	100%
Xinxiang Kaisa Yuefeng[1]	Xinxiang	1	85,686	80,002	Apr-19	Yes	2021 4Q	100%
Taizhou Kaisa Mansion No.1	Taizhou	2	247,643	244,226	Sep-18	Yes	2020 1Q	51%
Shanghai Kaisa Mansion No.8	Shanghai	2	124,025	78,496	Apr-19	Not yet obtained	2019 2Q	100%
Shanghai Kaisa Mansion	Shanghai	1	77,811	77,658	Nov-16	Not yet obtained	2019 2Q	100%
Shanghai Kaisa City Garden	Shanghai	1	55,429	42,590	Jun-18	Not yet obtained	2019 4Q	75%
Shanghai Shangpin Jiayuan	Shanghai	1	80,262	77,768	Apr-19	Not yet obtained	2021 3Q	75%
Hangzhou Kaisia Yunfeng[1]	Hangzhou	1	38,350	35,125	Jul-19	Not yet obtained	2021 4Q	100%
Shaoxing Kaisa Guoyue Mansion	Shaoxing	1	46,660	45,930	Dec-18	Yes	2020 4Q	36%
Shaoxing Kaisa Monarch Residence	Shaoxing	1	72,448	47,503	Jul-17	Yes	2019 2Q	70%
Suzhou Kaisa Yufeng	Suzhou	1	81,945	59,237	Jan-18	Not yet obtained	2019 4Q	100%
Zhangjiagang Fengming Riverside	Zhangjiagang	1	37,999	36,862	Nov-18	Yes	2019 4Q	100%
Ningbo Kaisa Dongchenyipin	Ningbo	1	56,285	38,389	Oct-18	Not yet obtained	2020 3Q	30%
Nanjing Kaisa City Plaza	Nanjing	3	137,433	4,259	Apr-16	Yes	2020 1Q	100%
Nanjing Kaisa Sky Mansion	Nanjing	1	89,476	51,182	Feb-18	Not yet obtained	2019 4Q	100%
Xuzhou Thriving Spring Villa	Xuzhou	1	172,115	164,926	Jan-19	Yes	2020 4Q	50%
Sanya Kaisa Begonia Mountain	Sanya	1	33,207	33,207	May-19	Not yet obtained	2020 4Q	60%
Total			12,783,535	9,289,901				
Attributable			10,784,985	7,816,971				

Note:

1. *This project is owned by our affiliates/joint ventures. The total GFA figures herein are not adjusted by our attributable interest in such unconsolidated affiliates/joint ventures.*

Properties Held for Future Development

The table below sets forth certain information of our property projects held for future development as of June 30, 2019. For illustrative purpose, the table below includes projects held by our affiliates/joint ventures which are not consolidated into our financial statements. The estimated total GFA figures are not adjusted by our attributable interest in our subsidiaries or unconsolidated affiliates/joint ventures.

Project	Location	Project Phase	Estimated Total GFA	Estimated Completion Time[1]
Shenzhen Yantian City Plaza	Shenzhen	1-3	181,916	2021
Shenzhen Kaisa Golden Bay International Park[2]	Shenzhen	1-4	182,490	2020
Shenzhen Pinghu Kaisa Plaza	Shenzhen	1-2	141,500	2020
Shenzhen Kaisa Future City	Shenzhen	1-2	28,431	2022
Shenzhen Nan'ao Project	Shenzhen	1	51,930	2021
Shenzhen Dongmendao Project	Shenzhen	1	50,556	2021
Shenzhen Nam Tai Inno City[2]	Shenzhen	1	194,595	2021
Shenzhen Nam Tai Inno Valley[2]	Shenzhen	1	170,200	2025
Shenzhen Futian Border Project	Shenzhen	1	42,600	2021
Guangzhou Kaisa Future City[2]	Guangzhou	3	177,637	2020
Guangzhou Nantian Project[2]	Guangzhou	1-3	315,343	2021
Guangzhou Kaisa Sky Bright	Guangzhou	1	16,182	2021
Guangzhou Kaisa Sky Pride	Guangzhou	1	29,383	2021
Guangzhou Xiaoping Village Project[2]	Guangzhou	1-3	507,650	2022
Guangzhou Nansha Lingshan Island Project[2]	Guangzhou	1-2	94,960	2020
Qingyuan Kaisa Northern City Plaza . .	Qingyuan	1-5	1,183,327	2021
Foshan Shunde Kaisa Golden World[2] .	Foshan	9	2,719	2020
Foshan Kaisa Metro City[2]	Foshan	–	101,398	2021
Foshan Lishui Project[2]	Foshan	–	55,313	2021
Foshan Kaisa Yuefeng	Foshan	–	94,960	2022
Dongguan Shilong Project	Dongguan	–	10,131	2024
Dongguan Riverside Woods Palace	Dongguan	–	155,693	2024
Dongguan Riverside Hillview Palace . .	Dongguan	–	202,294	2024
Dongguan Kaisa Glamourous Riverscape	Dongguan	–	95,239	2021
Huizhou Yuanzhou Project	Huizhou	–	61,200	2021
Huizhou Riverbank New Town	Huizhou	1-13	1,871,695	2020
Huizhou Kaisa Mountain Bay	Huizhou	1-3	241,506	2020
Huizhou Kaisa Times Mocha Town[2] . .	Huizhou	3, 5, 6	183,458	2021
Huizhou Kaisa Dong River Garden . . .	Huizhou	3-4	245,478	2021
Huizhou Longmen Longquan Dajing . .	Huizhou	3-4	344,018	2023
Huizhou Kaisa Monarch Residence . . .	Huizhou	1	33,597	2020
Zhuhai Lake View Waldorf Garden	Zhuhai	3-4	55,470	2021
Zhongshan Kaisa Fortune Garden	Zhongshan	1-2	128,347	2020
Yangjiang Riverside No. 1	Yangjiang	2	40,115	2020
Pengzhou Kaisa Golden Metro	Pengzhou	3-4	149,214	2022
Chongqing Shaba Jingkou Project[2] . . .	Chongqing	1	141,945	2023
Chongqing Kaisa Zhuanshan Fortune Garden	Chongqing	1-2	225,097	2020
Chongqing Riverside Seasons[2]	Chongqing	1	104,311	2023
Anshan Monarch Residence	Anshan	3-4	94,988	2021

Project	Location	Project Phase	Estimated Total GFA	Estimated Completion Time[(1)]
Huludao Suizhong Kaisa Dongdaihe . .	Huludao	4, 7, 11, 12, 13	1,251,799	2020
Liaoyang Hot Spring Resort Project . . .	Liaoyang	3-10	151,143	2022
Changsha Gaotie New Town Project . . .	Changsha	1-2	283,789	2020
Wuhan Kaisa Bright Harbour[(2)]	Wuhan	1	142,252	2021
Xiaogan Kaisa Airport Science and Technology City	Xiaogan	1-5	262,577	2020
Jiangyin Zhouzhuang Golden World . . .	Jiangyin	2	69,767	2020
Shanghai Xuhangzhen Project	Shanghai	1-4	213,515	2021
Hangzhou Fuyang Yinhu Project	Hangzhou	1	23,326	2022
Shaoxing Kaisa Guoyue Mansion	Suzhou	1	48,008	2021
Nanjing Kaisa Yuefeng	Nanjing	1	144,535	2022
Nanjing Lukou Project	Nanjing	1	103,160	2021
Sanya Kaisa Begonia Seasons	Sanya	1	9,378	2020
Sanya Kaisa Begonia Mountain[(2)]	Sanya	1	44,332	2021
Total			10,754,467	
Attributable.			8,902,930	

Note:

1. *For projects with multiple phases, the estimated time for completing the first phase of the project.*
2. *This project is owned by our affiliates/joint ventures. The total GFA figures herein are not adjusted by our attributable interest in such unconsolidated affiliates/joint ventures.*

The site area information in this offering memorandum is derived on the following basis:

- before a land use rights certificate has been issued, the site area information in respect of the related development or phase is derived from figures set out in the relevant land grant contract or the preliminary approval documents (excluding the areas earmarked for public infrastructure and facilities); and
- if a land use rights certificate has been issued, the site area information relating to the relevant development or phase of the development is derived from the land use rights certificate.

The commencement time for each project or project phase refers to the date or estimated date for beginning construction of the first building.

The completion time for each project or project phase refers to the date on which the completion certificate is duly issued.

If no completion certificate has been issued, the completion time is estimated based on our management's best belief and knowledge. Theses estimates do not represent commitments and are subject to change.

A property is considered sold when the risks and rewards of property are transferred to the purchasers, which occurs when the construction of relevant property has been completed, the property has been delivered to the purchasers and collectibility of related receivables is reasonably assured.

Contractual Arrangements

In China, land use rights can be obtained in the primary market or the secondary market. See "— Land Acquisition." Land acquisitions in the secondary market are usually not subject to the public tender, auction and listing-for-sale requirements and can be completed by agreements among the relevant parties through private negotiation. In particular, under existing rules and regulations in Shenzhen, land use rights may be acquired through redevelopment programs without going through the public tender, auction and listing-for-sale process. From time to time, we may enter into contractual arrangements to participate in land acquisitions or development in the secondary market. In most cases, we are required to prepay deposits, advances or other consideration under these contractual arrangements. These deposits, down payments or other consideration are unsecured obligations and have been accounted for as prepayments for proposed development projects in our consolidated financial statements. We acquired 15 land parcels with approximately 2.5 million sq.m. of attributable GFA in the six months ended June 30, 2019. As of June 30, 2019, our prepayments for proposed development projects were approximately RMB19,563.5 million (US$2,849.7 million).

Our contractual arrangements for land acquisition and development as of June 30, 2019 can be broadly divided into the following categories (a project may fall under more than one category):

- *Redevelopment* — we enter into agreements with the local government or government-affiliated entities to provide demolition and resettlement services and secure the required financing in specified old urban areas, such as old industrial areas, old business districts, old residential areas and old villages, with an aim to eventually acquire land use rights to land that we redevelop. The local government or government-affiliated entities are mainly responsible for the required government filings and applications for the redevelopment project to ensure that such project is approved as an old urban area redevelopment project. Based on the framework cooperation agreements we had entered into as of June 30, 2019, we expect to acquire urban redevelopment projects with a site area of approximately 30.1 million sq.m..

- *Cooperative or joint development* — we enter into cooperative or joint development contractual arrangements with independent third parties to jointly develop projects. In such arrangements, we may not hold 100% of the rights and interests in such projects. We typically are responsible for sourcing the development funds required for the joint development, preparation, planning and development of the properties and the additional facilities.

Property Development

We maintain a systematic development approach although each project development is designed to cater to the preferences of the specific target market. The diagram below summarizes the major stages typically involved in our development of a property project:

Land Acquisition	Project Planning and Pre-development Issues	Design	Construction	Pre-sale and Sale	After Sales Services
• Land identification/ evaluation • Equity target acquisition/due diligence • Market analysis • Feasibility study • Land acquisition	• Market analysis • Production positioning • Development planning and designing/ conceptual design	• Outline design • Structural design • Construction design • Drawing • Landscape design • Interior design • Property management proposal	• Contractor selection • Supplies procurement • Construction monitoring • Completion check acceptance • Development project ownership	• Promote to potential purchasers • Apply for pre-sale permits • Sale and selling management • Possession • Deliver possession properties • Mortgage and • Registration support	• Unit property ownership certificates • Property management • Client service • Client activities and survey • Data analysis • Client database

Going forward, we intend to further standardize our scalable property development model and optimize our development process by establishing certain standard criteria and operational guidelines that may be replicated across our property projects.

Site Selection And Market Evaluation

We believe site selection and market evaluation are major determining factors for the success of our property development business. Prior to acquiring a parcel of land, our management will consider key market factors that influence housing growth in the local area and make an informed decision based on market analysis and site research performed by our land acquisition team as well as the additional market information provided by third-party sources. These pre-acquisition measures help us acquire land prudently and develop our projects with clear market positioning from the outset. The key factors we consider in site selection are the following:

- size and population of the city;
- general economic condition and development prospect in the private business sector;
- infrastructure, urban planning and the development plan of the city by the local government;

- anticipated demand for private residential and commercial properties;
- purchasing power of the residents;
- income levels;
- site area and suitability for a large-scale residential property development or for an integrated commercial property development;
- location within the city, proximity to the city center, access to transport and commercial facilities;
- surrounding environment;
- existing and potential property developments in the area and historical property demand in that area;
- overall competitive landscape; and
- overall cost structure.

We typically select sites for our residential developments in suburban areas with access to public transport and other urban facilities. We typically select sites for our commercial developments in prime locations of CBDs in selected cities.

Land Acquisition

Under current PRC laws and regulations, land use rights for the purpose of industrial use, commercial use, tourism, entertainment and commodity housing development must be granted by the government through public tender, auction or listing-for-sale. When deciding to whom to grant the land use rights, the relevant authorities will consider not only the tender price, but also the credit history and qualifications of the tenderer and its development proposal. When land use rights are granted by way of a tender, an evaluation committee consisting of no fewer than five members and in odd numbers (including a representative of the grantor and other experts) evaluates and selects the tenders that have been submitted. If 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.

Under current PRC laws and regulations, original grantees of land use rights may sell, assign or transfer the land use rights granted to them in the secondary markets. The "primary market" commonly refers to the grant of state-owned land use rights by relevant government authorities, and the "secondary market" commonly refers to the acquisition of land use rights from entities or persons which hold granted land use rights. PRC laws allow grantees of land use rights to dispose of the land use rights granted to them through secondary market sales, subject to the terms and conditions of the land use rights grant contracts and relevant laws and regulations. Unless otherwise required by relevant PRC laws and regulations, land acquisition in the secondary market is not subject to mandatory public tender, auction or listing-for-sale and can be accomplished by agreement among the relevant parties.

In 2016, 2017, 2018 and the six months ended June 30, 2019, we successfully acquired land through the following means:

- public tender, auction and listing-for-sale organized by the relevant government authorities;
- acquisition of controlling equity interests in companies that possess the land use rights for targeted land; and
- participation in redevelopment projects for old urban areas and villages.

We intend to continue to expand our land reserves for new property developments through the primary market as well as the secondary market. The table below sets forth our land acquisition in the six months ended June 30, 2019:

Time of Acquisition	Location	Attributable Interest	Site Area	Attributable Capacity Building Area	Attributable Consideration	Type
			(sq.m.)	(sq.m.)	(RMB in millions)	
February 2019 . .	Huizhou, Guangdong	100%	11,199	33,597	90.0	Commercial and residential
February 2019 . .	Suzhou, Jiangsu	100%	32,006	48,008	891.1	Residential
February 2019 . .	Hangzhou, Zhejiang	50%	19,175	19,175	315.9	Residential
April 2019	Qingyuan, Guangdong	100%	343,749	1,183,327	4,661.2	Residential
April 2019	Xiaogan, Hubei	70%	218,814	183,804	47.1	Industrial
April 2019	Dalian, Liaoning	100%	24,334	85,169	270.0	Residential
April 2019	Nanjing, Jiangsu	100%	65,698	144,535	940.0	Residential
April 2019	Nanjing, Jiangsu	51%	73,686	52,612	606.9	Residential
May 2019.	Dongguan, Guangdong	51%	38,096	48,572	529.0	Residential
May 2019.	Chongqing	100%	41,724	104,311	1,050.0	Residential
June 2019.	Guangzhou, Guangdong	100%	47,626	94,960	1,484.5	Residential
June 2019.	Foshan, Guangdong	100%	31,017	93,052	1,163.0	Residential
June 2019.	Wuhan, Hubei	100%	56,901	142,252	537.7	Residential
June 2019.	Shenzhen, Guangdong	70%	9,467	29,820	830.0	Residential
June 2019.	Shanghai	90%	126,923	192,164	2,790.0	Residential
Total.			1,140,415	2,455,358	16,206.4	

Financing of Property Developments

Historically our main sources of funding for our property developments are internal funds, proceeds from pre-sales and sales of properties and borrowings from banks and other financial institutions. From time to time, we also seek to obtain further funding to finance our project developments by accessing the international capital markets.

Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

Project Planning and Design Work

We have an engineering and procurement division and a design management division which work with our project managers as well as external designers and architects in project planning and design phases. Our senior management is regularly involved in our land acquisition and development process, especially in the master planning and architectural design of our projects. We have established written procedures to manage our planning and design process. By implementing these procedures, we can unify planning and overall coordination. We also implement a series of review and design guidelines for our planned projects.

We engage external design firms to carry out design work for our projects according to our design standards and guidelines. We select the design firm based on an evaluation of their proposed concept designs, technical capacities and track record in developing similar projects. Our design management division coordinates and works with the selected design firms in major aspects of the design process, including product positioning, master planning, concept design, layout and architectural design, landscape design and interior design.

Our design contracts generally include a price list and basis for calculating the design fees such as price per sq.m. of GFA and dispute resolution provisions. We generally make payments in installments according to the progress of a project and settle the balance of the contract amounts after the project has passed the requisite government inspections and acceptances. We adopt procedures for project monitoring and quality control during the construction process to ensure that the project construction complies with design drawings, regulations, technical standards and contract requirements.

Project Management

We maintain a systematic development approach even though each project is specifically designed to cater to the target market. We have established various centralized divisions to oversee and control the major steps of our developments. These centralized divisions include the investment and development division, the engineering and procurement division, the design management division, the cost management division, the finance division and the customer services and sales division. Our investment and development division is responsible for performing market and site analysis on the feasibility of potential projects and preparing the preliminary budget for each new project. Our engineering and procurement division manages our material procurement and project construction. Our design management division is responsible for ensuring that construction is conducted in accordance with our planning, project design and construction drawings. Our cost management division focuses on cost control in our project development process, particularly land acquisition, project planning and design, construction and finance. Our finance division is responsible for providing senior management with the relevant cost and other financial information in relation to our operations. Our customer services and sales division works with our other centralized divisions throughout the development process to ensure that our products meet market trends and regional preferences. The involvement of these centralized divisions in the process of a project development enables us to achieve consistency in project management and synergies across our various projects.

In order to effectively carry out daily development functions in projects in various cities and regions, we have established project companies in the respective cities or regions to implement the significant strategic decisions by our centralized divisions.

Procurement

We directly purchase certain major building materials and equipment such as aluminum alloys and elevators from suppliers and engage them for the installation of such materials and equipment. The amount paid for materials directly procured by us constitutes only a small portion of our total costs of materials because most construction materials are procured through our construction contractors. We have established a screening and bidding process to select material suppliers. We make decisions in selecting suppliers based on a set of factors including product quality, production capacity, management and implementation capability, track record and after-sales services. Our construction contractors are responsible for procuring most construction materials. For procurement of key construction materials, we typically designate a few brands which the contractors are required to procure.

Project Construction

We have historically contracted out all of our construction work to independent construction companies. These construction companies carry out various work including foundation leveling, civil engineering construction, equipment installation, internal decoration, landscaping and various engineering work. Under relevant PRC laws and regulations, a construction company is required to hold the relevant construction qualification certificate for the type of construction it undertakes. We have guidelines for selecting construction companies and typically invite at least three qualified construction companies to bid through a tender process. We limit our selection of construction contractors to those which have obtained the relevant construction certificates and necessary licenses, including construction enterprise qualification certificates, safety permits and permits for production of industrial products. When selecting construction contractors, we consider various factors including quality and safety, reputation, track record in similar-size projects, technical and construction capabilities and proposed construction schedule and price.

The construction contracts we enter into with construction companies typically provide for the completion date of the construction projects, quality and safety requirements mandated by relevant PRC laws and regulations and our quality standards and other specifications. Our construction contracts generally provide progressive payment arrangements according to construction phases until approximately 95% of the total contract price is paid. We typically withhold 5% of the contract sum for one to two years after the completion of construction as the additional quality warranty retention. In 2016, 2017, 2018 and the six months ended June 30, 2019, we did not experience any material problems with services provided by our third-party construction contractors.

Quality Control and Construction Supervision

We emphasize quality control and adopt our quality control procedures to ensure that our properties and services comply with relevant rules and regulations relating to quality, safety and total permitted GFA and meet market standards. We adopt written selection and specification requirements for procurement of each type of material and equipment, including brand requirements, quality, technical standards, sample inspection and random quality inspection. We impose ingredient specifications for certain important construction materials such as cement. In addition, construction materials must go through the procedures of submission, sampling and testing before they are used in our projects.

We have adopted a construction plan design manual, which sets out the general classifications and illustrative guidelines for the quality specifications and parameters of our construction projects. It contains various aspects of design requirements, including construction and decoration, structural design, power supply, drainage and air conditioning systems, as well as environmental protection matters. In addition, we have adopted a manual for the general design of residential projects, which sets out the guidelines and requirements for our residential developments by classes and standards in terms of applications, environmental and economic functions, safety, and durability.

We have formulated internal control standards and procedures to regulate all major processes and procedures in our construction works. We require external contractors to adhere to the guidelines in respect of our standards and procedures, comply with relevant PRC laws and regulations in carrying out their work, and report any deviations and instances of non-compliance. Our project engineers perform on-site supervision during our construction process and conduct progressive inspections at each construction phase. We assign evaluation teams to perform on-site evaluation reviews of our existing contractors periodically with respect to construction quality, safety control and their compliance with the relevant PRC regulations and standards relating to building materials and workmanship. We also prepare detailed quality evaluation reports for each unit of our projects after construction completion.

In addition, we engage independent third-party supervisory companies to monitor, control and manage the construction progress of our projects, including quality, cost control, safety, quality control of construction materials and equipment, and to conduct on-site inspection. Our contracts with supervisory companies generally set out payment terms, fee calculation methods and dispute resolution provisions. The supervisory fees are generally determined either at a negotiated percentage of the total construction cost of the construction project, or according to the number of supervisory personnel persons deployed. We generally make progressive payments to our supervisory companies according to construction phases until they complete the relevant services.

We are not responsible for any labor problems in respect of workers employed by our contractors or accidents and injuries that may be incurred by those workers on our construction sites if such accidents or injuries were not caused by us. These risks are borne by our contractors as provided for in our contracts with them. During the three years ended 2018, we were not aware of any non-compliance by the construction contractors of the PRC laws and regulations relating to environmental protection, health and safety or labor disputes raised by our contractors or subcontractors.

We provide our customers with a warranty for the quality of the structure of the construction pursuant to the Measures on the Sales of Commodity Housing (《商品房銷售管理辦法》) and Regulations for the Operations of Urban Property Development (《城市房地產開發經營管理條例》). In addition, we also provide a quality warranty on certain fittings and fixtures, if applicable, usually for a period of two years according to the published national standards.

Pre-Sale

In line with market practice, we pre-sell properties prior to the completion of their construction. Under applicable PRC laws and regulations, the following conditions must be met prior to commencing any pre-sale of any particular property development:

- the land premium has been fully paid and the relevant land use rights certificate has been duly issued;
- the construction land planning permit, construction works planning permit and the construction works commencement permit have been duly issued;
- the funds contributed to the property development may not be less than 25% of the total amount required to be invested in the project;
- the progress and the expected completion date and delivery date of the construction work have been ascertained; and
- a pre-sale permit has been duly issued by the relevant construction bureau or real estate administration authority.

In addition, our pre-sale activities are subject to the relevant regulations of the cities where our property projects are located. Our Directors confirm that we complied with the relevant regulations in relation to the pre-sale of properties in the cities where we have undertaken pre-sale activities and we did not encounter any defaults committed by our customers in pre-sales or sales contracts that had a material adverse effect on our business operations or financial condition in 2016, 2017, 2018 and the six months ended June 30, 2019. See the section entitled "Risk Factors — Risks Relating to the Real Estate Industry in China — We are exposed to contractual, legal and regulatory risks related to pre-sales."

Sales and Marketing

Our sales team in our customer services and sales division is responsible for executing our overall marketing strategy and sales and product promotion plans. We provide training programs and courses to our sales staff with different levels of experience. Our sales team conducts market analysis, prepares promotional designs and project brochures, organizes on-site promotions, arranges advertising campaigns, recommends pricing, sets sales-related policies and manages our customer relationships.

We cooperate with Centaline and World Union to jointly promote our products across different regional markets in China. Through cooperating with Centaline and World Union, we believe that we are able to share their national and regional market research and information, sell and pre-sell our properties through their property sales network in China and promote our products with their professional assistance and resources. We generally enter into one-year non-exclusive sales agency agreements for the sales agency services provided by Centaline and World Union on a project-by-project basis. Pursuant to these agreements, their project teams assist with our marketing and sales. In mainland China, all of we, Centaline and World Union may conduct on-site sales through the respective on-site sales representatives. Project managers from us and Centaline or World Union are jointly responsible for monitoring the overall sales and supervising their respective sales personnel, who are subject to the relevant joint sales administration agreements entered into between Centaline or World Union and us. In general, the price, discount and all other conditions of sales conducted by Centaline or World Union and us for the same project are identical. Under these agreements, Centaline and World Union are generally entitled to a sales commission upon the execution of the relevant property purchase contract. We believe that the range of the sales commission we pay to Centaline and World Union is in line with industry practice. The sales commission is calculated and settled in cash at the end of each calendar month during the term of the sales agency agreement. Going forward, we will continue to improve the management of our sales through our sales team and intend to engage professional property sales agencies to carry out marketing and sales services for our property projects in China.

We promote our products through various media including newspapers, the Internet, television, radio and outdoor billboards. We also conduct advertising campaigns by means of direct mail, phone text messages, and project promotional materials. As part of our sales strategy, we conduct on-site promotion and display units to potential customers.

Delivery and After-Sales Services

We endeavor to deliver our products to our customers in a timely manner. We closely monitor the progress of construction of our property projects and conduct pre-delivery property inspections to ensure the quality of our properties. The time frame for delivery is set out in the sale and purchase agreements entered into with our customers. Once a property project or project phase has passed the requisite inspections and is ready for delivery, our customer services and sales division will notify our customers, and together with representatives of the construction contractors and third-party supervisory companies, inspect the properties prior to delivery to ensure quality. Furthermore, our customer services and sales division generally assists the purchasers of our properties with mortgage financing applications, title registrations and obtaining their property ownership certificates.

Our after-sales services is customer-oriented. Our objective is to ensure continued customer satisfaction. Our customer services and sales division is responsible for our after-sale services for each of our various projects. We offer multiple communication channels for our customers to provide feedback and complaints about our products or services, including a customer service telephone hotline. We also study customer satisfaction through third-party research. We also cooperate with our property management companies to handle customer complaints. We seek to make timely adjustments to products and services to meet our customers' needs. As part of our after-sales services, we provide our existing customers with "Joy Club" (佳族會), our internal bimonthly publication, to introduce our culture, brand, various projects and promotional activities.

Payment Arrangements

Purchasers of our residential properties, including those purchasing pre-sale properties, may arrange for mortgage loans with banks. We typically require a purchaser to pay a deposit no less than RMB30,000 upon signing of a preliminary sale and purchase agreement. A formal sale and purchase agreement would be arranged within seven days. If the purchaser later decides not to enter into a formal sale and purchase agreement, the purchaser will forfeit the deposit. The purchasers typically make a down payment as required by the applicable regulations on the date of execution of the formal sales and purchase agreement. Mortgage applications and approvals are the purchaser's own responsibility, and we assist them on an as-needed basis. The payment terms of sales and pre-sales of properties are substantially identical.

In accordance with industry practice, we provide guarantees to banks with respect to the mortgage loans they offer to our purchasers. These guarantees are released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property and (ii) the issuance of property ownership certificate for the mortgaged property and the completion of the registration of the mortgage, which is generally available within six months to one year after the purchaser takes possession of the relevant property. In line with industry practice, we do not conduct independent credit checks on our purchasers but rely on the credit checks conducted by the mortgagee banks. As of December 31, 2016, 2017 and 2018 and June 30, 2019, our outstanding guarantees over the mortgage loans of our customers amounted to RMB21,843.2 million, RMB30,094.9 million, RMB30,587.4 million and RMB33,077.1 million (US$4,818.2 million), respectively. In 2016, 2017, 2018 and the six months ended June 30, 2019, we did not experience any instances where we had to honor our guarantee obligations as a result of a failure by our customers to repay their mortgage loans. See "Risk Factors — Risks Relating to the Business — We guarantee mortgage loans of our customers and may be liable to the mortgagee banks if our customers default on their mortgage payments."

Property Management

We provide property management services through Kaisa Prosperity Holdings Limited, our subsidiary, which holds 18 property management companies currently managing the properties we developed. All these companies are our indirect subsidiaries. The property management agreements between our property management companies and the property owners set forth the scope and the quality requirements of the services provided by our property management companies. Our property management companies typically provide after-sales services to purchasers of our properties, including maintenance of public areas and facilities, rental of car parking spaces, security, operation of clubhouse, gardening and landscaping and other services. The property management agreements also set forth the payment arrangements of management fees. In 2016, 2017, 2018 and the six months ended June 30, 2019, we derived revenue from our property management services of RMB271.6 million, RMB315.9 million, RMB516.2 million

(US$75.2 million) and RMB375.0 million (US$54.6 million), respectively. Under PRC laws and regulations, the owners' association of a residential community has the right to change property management companies pursuant to certain procedures. As of June 30, 2019, owners of all of our property developments who had become statutorily entitled to choose their property management companies continued to choose our property management companies to manage their properties. See "Risk Factors — Risk Relating to Our Business — Property owners may terminate our engagement as the provider for property management services."

On June 22, 2018, we proposed to spin-off and separately list the shares of our subsidiary, Kaisa Property Holdings Limited, which is the holding company of our property management business, on the main board of the Stock Exchange. The Stock Exchange has confirmed we may proceed with the proposed spin-off. On June 22, 2018, Kaisa Property Holdings Limited submitted a listing application form (Form A1) to the Stock Exchange to apply for the listing of, and permission to deal in, its shares on the main board of the Stock Exchange. On December 6, 2018, the spin-off and listing of Kaisa Property Holdings Limited on the Stock Exchange was completed. We believe the spin-off is commercially beneficial for the following reasons, including, among others, the spin-off will provide opportunity for us to realize the value of investment in our property management business under a separate standalone platform, and allow Kaisa Property Holdings Limited to gain direct access to capital market to improve its operating and financial performance. As of the date of this offering memorandum, hold approximately 73.95% of the total issued share capital of Kaisa Property Holdings Limited. In connection with the spin-off, we have designated Kaisa Property Holdings Limited as an Unrestricted Subsidiary under the Existing Notes. Similarly, Kaisa Property Holdings Limited will be an Unrestricted Subsidiary under the Notes.

Hotel Development and Operation

We currently operate four hotels in Shenzhen, two in Huizhou, one in Liaoyang and one in Suizhong. The three hotels in Shenzhen are being operated under our own brand "Kare (可域酒店)". We, through Marriott, operated Marriott Golden Bay Resort, an ocean front hotel located on Jinshawan Beach in Shenzhen. Shenzhen Kaisa Golden Bay International Park has a site area of 869,838 sq.m. and a total GFA of 516,400 sq.m. We intend to redevelop it to further enhance its attraction to individual and corporate customers and marketability. According to our current preliminary redevelopment plan, the redeveloped complex is expected to consist of a number of renovated hotel and serviced apartments.

We intend to launch a few new hotels under our own brands "Kare (可域酒店)" and "Orientino Hotels (鉑域酒店)" in the near future. We will also engage internationally recognized hotel management companies to manage and operate some of our hotels upon the completion of their construction. We believe that by engaging hotel management companies to manage our hotels, we will be able to benefit from their reputation and brand recognition, hotel management and operating experience, an advanced management model as well as global reservation systems and employee training programs.

Investment Properties

We develop commercial properties such as office buildings, retail stores and car parking spaces for leasing purposes. We believe these properties help to maintain our recurring revenue. Our commercial leases are generally for terms of three to four years. If there are anchor tenants renting relatively large areas at our commercial properties, or whose presences are expected to attract other tenants, we may consider offering them leases for terms of between ten and 20 years, with annual rental reviews with reference to fixed percentage increases. Rents are typically determined based on prevailing market rates and calculated on a per square meter basis. We may choose to sell the commercial properties we have developed when we believe that sales would generate a better return on investment than rental. We intend to retain certain of our commercial properties under development and for future development for long-term investment purposes. In managing our investment property portfolio we will take into account estimated long-term growth potential, overall market conditions and our cash flows and financial condition. The rental income derived from our investment properties represented 1.3%, 0.8%, 0.7% and 1.0%, respectively, of our revenue in 2016, 2017, 2018 and the six months ended June 30, 2019.

Properties Used by Us

Our corporate headquarters is in Shenzhen Kerry Center, located in Luohu District, Shenzhen, with a GFA of approximately 542 sq.m. Our office premises in Shenzhen primarily consist of Rooms 3303-04 in the Kerry Center, which was acquired by us in 2006, and most of the office space on the 5th floor of the Shenzhen Kaisa Center, which was retained and owned by us since 2006. In addition, as of June 30, 2019, we rented properties in various cities in the PRC. We use these rented properties primarily as office premises.

Competition

We believe that the property markets in the Pearl River Delta region and other parts of China are highly fragmented. We compete with other real estate developers based on a number of factors including product quality, service quality, price, financial resources, brand recognition, ability to acquire proper land reserves and other factors. Our existing and potential competitors include private and public developers in the PRC and Hong Kong. Our competitors may have more experience and resources than we do. We believe we maintain a competitive position with our well-known "Kaisa" brand in the Pearl River Delta region. We have entered the Western China region, the Central China region, the Yangtze River Delta region and the Pan-Bohai Bay Rim. We believe major barriers to enter into these markets include a potential new entrant's limited knowledge of local property market conditions and limited brand recognition in these markets. For more information on competition, please refer to the section titled "Risk Factors — Risks Relating to the Real Estate Industry in China — Intensified competition may adversely affect our business and our financial condition."

Intellectual Property Rights

As of June 30, 2019, we had registered 1,410 trademarks in the PRC and six trademarks in Hong Kong. Our other trademark applications were still under the review of the PRC Trademark Office as of June 30, 2019. We did not experience any infringement of our intellectual property rights in 2016, 2017, 2018 and the six months ended June 30, 2019, and we are not aware of any material unauthorized use of our brand name or logo or other forms of our brand image as of June 30, 2019. We believe that although the registration of our certain trademarks is pending, our business operation will not be materially affected. Our Directors confirm that we had not committed any infringement of intellectual property rights as of June 30, 2019.

Insurance

We maintain group accident insurance for our employees. The insurance primarily insures our employees for personal injuries in our workplace or on our construction sites. We also maintain property damage or third-party liability insurance for our workplace, construction sites or property developments for some of our projects. Under PRC law, these types of insurance are not mandatory and may be purchased on a voluntary basis. We and our construction contractors monitor the quality and safety measures adopted at our construction sites to lower the risks of damage to our property and liabilities that may be attributable to us. We re-evaluate the risk profile of the property development business and adjust our insurance practices from time to time. We believe we have sufficient insurance coverage in place and that our insurance practice is in line with the customary practice in the PRC real estate industry.

However, there are risks that are not covered, and we are self-insured for money losses, damages and liabilities that may arise in our business operations. See the section entitled "Risk Factors — Risks Relating to the Business — We may suffer certain losses not covered by insurance."

Employees

As of June 30, 2019, we had approximately 14,900 full-time employees.

The remuneration package of our employees includes salary, bonus, share options and other cash subsidies. In general, we determine employee salaries based on each employee's qualification, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determination on salary raise, bonus and promotion. We are subject to social insurance contribution plans organized by the PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay, on behalf of our employees, a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. See "Risk Factors — Risks Relating to China — 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." We believe the salaries and benefits that our employees receive are competitive in comparison with market rates.

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We believe our relationship with our employees is good. We have not experienced significant labor disputes which adversely affected or are likely to have an adverse effect on the operations of our business had occurred.

Environmental and Safety Matters

We are subject to PRC environmental laws and regulations as well as environmental regulations promulgated by local governments. We are required to engage qualified agencies to conduct an environmental assessment and submit an environmental impact assessment report to the relevant government authorities for approval before construction begins. Under relevant PRC laws and regulations, when there is a material change in respect of the construction site, or the scale or nature of a project, a property developer must submit a new environmental impact assessment report for approval. During the course of construction, the property developer and the construction companies must take measures to minimize air pollution, noise pollution and water and waste discharge. Upon completion of each property development, the relevant government authorities will inspect the site to ensure that applicable environmental standards have been met. The resulting report is then submitted together with other specified documents to the local construction administration authorities for the record. From November 20, 2017, after the construction project has been completed, the project company (other than the environmental authorities) should conduct environmental protection inspection of the completed project, formulate environmental protection inspection report, disclose the report to the public, and submit the relevant data and information through the online platform of environmental protection inspection on completion of construction projects. See the section entitled "Risk Factors — Risks Relating to the Real Estate Industry in China — Potential liability for environmental damages could result in substantial cost increases."

During the course of property development, our construction may result in the creation of dust, noise, waste water and solid construction waste. Our construction contractors, under the construction contracts, are responsible for performing all necessary measures to prevent pollution and enhance environmental control of the construction sites and to comply with relevant laws and regulations. We endeavor to comply with relevant PRC laws and regulations on environmental protection and safety by (i) engaging qualified construction contractors and requiring the construction contractors to take steps to minimize adverse environmental impact during construction and to be responsible for the final clean up of the construction site, (ii) monitoring the project at every stage to ensure the construction process is in compliance with the environmental protection and safety laws and regulations, and (iii) requiring the construction contractors to immediately remedy any default or non-compliance.

Inspections of each of our completed property projects by the relevant PRC government authorities to date have not revealed any environmental liability which we believe would have a material adverse effect on our business operations or financial condition.

In 2016, 2017, 2018 and the six months ended June 30, 2019, we did not experience any material environmental pollution incidents and we incurred insignificant costs in connection with our compliance with environmental and safety laws and regulations. All of our completed property projects and properties under construction had received the requisite environmental approvals according to the timeline imposed by the relevant PRC government authorities.

We monitor the safety measures adopted by our construction contractors and safety aspects of the construction process through engaging independent third-party supervisory companies to oversee compliance with environmental and health and safety laws and regulations. See "— Quality Control and Construction Supervision" for further details. In relation to workplace safety on our construction sites, our construction contractors are generally responsible for any accidents or injuries not caused by us. We also require our construction contractors to purchase accident insurance to cover their workers and to adopt appropriate safety measures, including providing workers with safety training.

We believe that our operations are in compliance with currently applicable national and local environmental and health and safety laws and regulations in all material respects. We intend to continue to comply with relevant PRC environmental and health and safety laws and regulations, to engage only qualified construction contractors with good environmental protection and safety track records and to require the construction contractors to strictly comply with relevant laws and regulations relating to environment and health and safety and to maintain appropriate insurance. We will also continue to educate our employees in relation to the importance of environmental and safety and health issues and to keep abreast of developments in PRC environmental laws and regulations.

Internal Control

We engaged Grant Thornton Advisory Services Limited, an external professional adviser, in August 2016 to conduct an independent internal control review and to assist our management to improve our internal control system. We have adopted various measures to enhance our internal control procedures. The enhanced internal controls measures include: (1) segregating the internal audit function from the operational functions, (2) assigning the internal audit function to handle the whistle-blowing function, (3) strengthening document retention procedures, (4) strengthening approval procedures on the use of company chops, (5) defining detail requirements on supporting documents for accounting recording, (6) putting in place guidelines specifying documents for accounting personnel's inspection before release of on-line bank payment, (7) segregating fund sourcing and internal fund transfer functions and implementing additional control procedures, (8) enforcing restrictions on transactions with fund remittance agents, (9) implementing policies and procedures on transactions of significant monetary amounts or transactions not in the normal course of business, (10) setting up automatic approval processes in the office automation system in line with delegation of authority and (11) introducing collective approval from the board in approving transactions involving significant monetary amounts. Our board of directors considered that our enhanced internal control system was adequate and effective.

Legal Proceedings And Material Claims

In 2016, 2017, 2018 and the six months ended June 30, 2019, we were involved in legal proceedings or disputes in the ordinary course of business, including claims primarily relating to contract disputes with our contractors, our purchasers and financial institutions. We are currently involved in certain outstanding lawsuits with some financial institutions, contractors, co-development partners, tenants and individuals. Other than the aforementioned, we are not implicated in or aware of any other material legal proceedings or claims currently existing or pending against us. See the section entitled "Risk Factors — Risks Relating to the Business — We may be involved from time to time in disputes, administrative, legal and other proceedings arising out of our operations or subject to fines and sanctions in relation to our non-compliance with certain PRC laws and regulations, and may face significant liabilities as a result."

In 2016, 2017, 2018 and the six months ended June 30, 2019, we did not encounter any circumstances that led to material construction delays or received any material claims from our customers for our failure to complete any pre-sold project on time or for our delay in the delivery of ownership certificates except as disclosed in this offering memorandum. See the section entitled "Risk Factors — Risks Relating to the Business — We may not be able to complete our projects according to schedule or on budget."

The following discussion summarizes the principal laws, regulations, policies and administrative directives to which we are subject.

The PRC Legal System

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws, of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. Court verdicts do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC, or NPC, and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil and criminal matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul administrative rules, regulations, directives and orders.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local laws and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws passed in June 1981, the Supreme People's Court. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative bodies which promulgate such laws.

The PRC Judicial System

Under the PRC Constitution and the Law of Organization of the People's Courts, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts. The local courts are comprised of the basic courts, the intermediate courts and the higher courts. The basic courts are organized into civil, criminal, economic and administrative divisions. The intermediate courts are organized into divisions similar to those of the basic courts, and are further organized into other special divisions, such as the intellectual property division. The higher level court supervise the basic and intermediate courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in China. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local court to the court at the next higher level. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgment which has been given in any court at a lower level, or the presiding judge of a court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the PRC adopted in April 1991, amended in October 2007 August 2012, and June 2017 respectively, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the object of the action. However, such selection can not violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request for enforcement of the judgment, order or award. There are time limits imposed on the right to apply for such enforcement. If a party fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognized and enforced by the court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principal of reciprocity, unless the court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

Establishment of a Real Estate Development Enterprise

According to the PRC Law on Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》) promulgated by the Standing Committee of the NPC, effective in January 1995, amended in August 2007, August 2009 and August 2019 (effective in January 2020), a real estate developer is defined as an enterprise that engages in the development and operation of real estate for the purpose of making profits. Under the Regulations on Administration of Development of Urban Real Estate (《城市房地產開發經營管理條例》) promulgated by the State Council in July 1998, and amended on January 8, 2011, March 19, 2018 and March 24, 2019 respectively, an enterprise that is to engage in development of real estate must satisfy the following requirements:

- its registered capital must be RMB1 million or more; and
- it must have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom must hold the relevant qualification certificate.

The local government of a province, autonomous region or municipality directly under the PRC central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer.

To establish a real estate development enterprise, the developer must apply for registration with the administration for industry and commerce. The developer must also report its establishment to the real estate development authority in the location of its registration, within 30 days of the receipt of its business license. Where a foreign-invested enterprise is to be established to engage in the development and operation of real estate, it must also comply with the relevant requirements under the PRC laws and administrative regulations regarding foreign-invested enterprises and apply for approvals or filings relating to foreign investments in China.

Under the Catalog of Guidance on Industries for Foreign Investment (Revised in 2017) (《外商投資產業指導目錄》(2017)), promulgated by MOFCOM and NDRC on ("Guidance Catalog"), June 28, 2017, effective on July 28, 2017 foreign investment is permitted in the real estate development industry, and filing with the relevant authorities, instead obtaining approvals, is required for foreign investors to acquire Chinese companies if those foreign investors are not subject to the special administrative measures on foreign investment entry excluding the foreign entity established or controlled by PRC enterprises, companies or individuals to acquire its affiliated Chinese company. On June 26, 2018, MOFCOM and NDRC jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2018 Version) (《外商投資准入特別管理措施(負面清單)(2018年版)》) effective from July 28, 2018. On June 30, 2019, MOFCOM and the NDRC jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2019 Version) (《外商投資准入特別管理措施(負面清單)(2019年版)》) which will replace the Special Administrative Measures (Negative List) for Foreign Investment Access (2018 Version) effective from July 30, 2019.

A foreign investor intending to engage in the development and sale of real estate in China may establish an equity joint venture, a cooperative joint venture or a wholly foreign owned enterprise by the foreign investor in accordance with the PRC laws and administrative regulations governing foreign-invested enterprises.

In July 2006, the MOHURD, MOFCOM, NDRC, PBOC, the State Administration for Industry and Commerce ("SAIC", which has been reorganized as the State Administration for Market Regulation) and SAFE jointly issued an Opinion 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進入和管理的意見》), which provides, among other things, that an overseas entity or individual investing in real estate in China other than for self-use must apply for the establishment of a foreign invested real estate enterprise ("FIREE") in accordance with applicable PRC laws and may only conduct operations within the authorized business scope. The joint opinion attempts to impose additional restrictions on the establishment and operation of FIREE by regulating the amount of registered capital as a percentage of total investment in certain circumstances, limiting the validity of approval certificates and business licenses to one year, restricting the ability to transfer equity interests of a FIREE or its projects and prohibiting the borrowing of money from domestic and foreign lenders where its registered capital is not paid up or the land use rights not obtained. In addition, the joint opinion also limits the ability of foreign individuals to purchase commodity residential properties in China.

In May 2007, MOFCOM and SAFE issued the Circular on Strengthening and Regulating the Examination and Approval and Supervision of Foreign Direct Investment in the Real Estate 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》) ("Circular 50"). Under Circular 50, prior to applying for establishment of real estate companies, foreign investors must first obtain land use rights and building ownership, or must have entered into pre-sale or pre-grant agreements with respect to the land use rights or building ownership. If foreign-invested enterprises in China engage in real estate development or operations or if FIREEs in China engage in new real estate project developments, they must first apply to the relevant PRC governmental authorities to expand their scope of business or scale of operations in accordance with the PRC laws and regulations related to foreign investments. In addition, the local PRC governmental authorities must file with MOFCOM for record their approvals of establishment of FIREEs, and must exercise due control over foreign investments in high-end properties. Foreign exchange authorities may not allow capital-account foreign exchange sales and settlements by FIREEs that have been established in contravention of these requirements.

In connection with the filing requirement, MOFCOM issued the Notice on the Proper Filings of Foreign Investment in the Real Estate Sector (《關於做好外商投資房地產業備案工作的通知》) in June 2008 to authorize the competent MOFCOM at the provincial level to verify and check the filing documents.

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, in the case that a real estate enterprise is established within the PRC with overseas capital, it is prohibited to purchase and/or sell real estate properties completed or under construction within the PRC for arbitrage purposes. The local MOFCOM authorities are not permitted to approve foreign-invested investment companies to engage in the real estate development and management.

According to the Several Opinions of the State Council on Further Strengthening the Utilization of Foreign Investment (《關於進一步做好利用外資工作的若干意見》), promulgated by the State Council on April 6, 2010, except where approval by the relevant departments under the State Council is required by the Catalog of the Projects which Shall be Approved by the Government (《政府核准的投資項目目錄》), foreign investment in encouraged and permitted industries with a total investment of US$300 million or less must be examined and approved by NDRC branches at the provincial level. Pursuant to the Notice on Issues Related to Devolution of Authority of Examination and Approval of Foreign Investment (《關於下放外商投資審批權限有關問題的通知》), promulgated by MOFCOM on June 10, 2010, MOFCOM branches at the provincial level are responsible for the examination and approval of establishment and modifications of foreign-invested enterprises in encouraged or permitted industries with a total investment of less than US$300 million and with a total investment of less than US$50 million in restricted industries.

On November 11, 2015, MOFCOM and SAFE jointly issued the "Circular on Further Improving the Record-filing for Foreign Investment in Real Estate" (《關於進一步改進外商投資房地產備案工作的通知》). According to this circular, the record-filing procedure has been cancelled. On September 3, 2016, the Standing Committee of the NPC adopted a decision on amending the law of foreign invested companies which became effective from October 1, 2016. Upon the effectiveness of the decision, the establishment of the foreign invested enterprise and its subsequent changes will be required to be filed with the relevant authorities instead of obtaining approvals from relevant commerce authorities as required by the existing PRC laws, except for the foreign invested enterprises which are subject to the special administrative measures regarding foreign investment entry. On September 30, 2016, the SAIC issued a circular on relevant issues of the registration of foreign invested enterprises to implement the decision. On October 8, 2016, NDRC and MOFCOM jointly issued a notice according to which the industries falling within the categories in which foreign investment is prohibited or restricted and those falling within the encouraged category subject to relevant requirements of equity or senior management under the Guidance Catalog, will be subject to the special administrative measures for foreign investment entry. On the same day, MOFCOM promulgated the "Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises" (《外商投資企業設立及變更備案管理暫行辦法》) which was revised on July 30, 2017 and June 29, 2018 (effective on June 30, 2018). On January 14, 2017, NDRC issued the Circular on Effectively Implementing Foreign Capital-related Work in the Catalog of Investment Projects Subject to Governmental Approval (2016 Version)(《關於做好貫徹落實《政府核准的投資項目目錄(2016年本)》有關外資工作的通知》), according to which, 1) any project of the restricted category with a total investment (including capital increase) for USD300 million or above as included in the Guidance Catalog shall be approved by NDRC, and any project with a total investment (including capital increase) for USD2 billion and above shall be submitted to the State Council for filing, 2) any project of the restricted category with a total investment (including capital increase) for less than USD300 million as included in the Guidance Catalog shall be approved by the provincial government, and 3) the foreign investment projects beyond the scope of projects subject to approval and not in the prohibited category as provided in the Guidance Catalog shall be presented to local development and reform commissions for filing. On February 28, 2018, MOFCOM and SAIC jointly issued the "Notice on Relevant Matters Concerning the Acceptance of Applications for MOFCOM Filing and AIC Registration of Foreign Investment Enterprises at a Single Window with a Single Form" (《關於實行外商投資企業商務備案與工商登記"單一窗口、單一表格"受理有關工作的通知》) under which, since June 30, 2018, applications for MOFCOM filing and registration with administration for market regulation of foreign investment enterprises which are not subject to special administrative measures of foreign investment entry, should be accepted at a single window with a single form nationwide. Subsequently on June 29, 2018, MOFCOM issued the revised Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises which came into effect from June 30, 2018. On March 15, 2019, the National People's Congress of the PRC adopted the Foreign Investment Law of the PRC or the Foreign Investment Law (《中華人民共和國外商投資法》) with a view toward unifying and streamlining the foreign investment framework into China which will come into effect on January 1, 2020. The Foreign Investment Law will replace the PRC Law on Sino-foreign Equity Joint Ventures, the PRC Law on Wholly Foreign-owned Enterprise and the PRC Law on Sino-foreign Cooperative Joint Ventures. Under the Foreign Investment Law, the types of foreign investment into China will include:

- establishment of a foreign invested enterprise in China, independently or jointly with any other investor
- acquisition of shares, equities, property or any other similar rights and interests of an enterprise in China
- investment in a new project in China, independently or jointly with any other investor
- investment in any other way as may be stipulated by laws, administrative regulations or provisions of the State Council

The Foreign Investment Law establishes a nationwide "pre-establishment national treatment and negative list" management system. The system is intended to create an environment where all foreign investment will be treated the same as domestic investments, other than foreign investments into industries that are listed in the "Special Administrative Measures (Negative List) for Foreign Investment Access." According to the Foreign Investment Law, all foreign invested enterprises will be required to follow the corporate governance rules under the PRC Company Law once the Foreign Investment Law comes into effect. However, for foreign invested enterprises formed prior to the adoption of the Foreign Investment Law, the Foreign Investment Law allows for a five-year transition period to bring the corporate governance of such foreign invested enterprises in line with the PRC Company Law.

Qualifications of a Real Estate Developer

Under the Provisions on Administration of Qualifications of Real Estate Developers (《房地產開發企業資質管理規定》) (the "Provisions on Administration of Qualifications") promulgated by the Ministry of Construction in March 2000 and amended in May 2015, a real estate developer must apply for registration of its qualifications according to such Provisions on Administration of Qualifications. An enterprise may not engage in property development without a qualification classification certificate for real estate development. The Ministry of Construction oversees the qualifications of real estate developers with national operations, and local real estate development authorities at or above the county level oversee the qualifications of local real estate developers.

In accordance with the Provisions on Administration of Qualifications, real estate developers are classified into four classes.

- Class 1 qualifications are subject to preliminary examination by the construction authorities at the provincial level and final approval of the Ministry of Construction. A class 1 real estate developer is not restricted as to the scale of its real estate projects and may undertake a real estate development anywhere in the country.
- Class 2 or lower qualifications are regulated by the construction authorities at the provincial level subject to delegation to lower level government agencies. A real estate developer of class 2 or lower may undertake a project with a gross floor area of less than 250,000 square meters subject to confirmation by the construction authorities at the provincial level.

Under the relevant PRC laws and regulations, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers by considering the professional personnel in their employ, financial condition and operating results. A real estate developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. A developer of any qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another classification.

For a newly established real estate developer, the real estate development authority will issue a provisional qualification certificate, if it is an eligible developer, within 30 days of receipt by the authority of the application. The provisional qualification certificate will be effective for one year from its date of issue and may be extended for not more than two additional years with the approval of the real estate development authority. The real estate developer must apply for qualification classification to the real estate development authority within one month before expiration of the provisional qualification certificate.

Development of a Real Estate Project

Under the Interim Regulations of the People's Republic of China on Grant and Assignment of the Use Right of State-owned Urban Land (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) promulgated by the State Council in May 1990, China adopted a system to grant and assign the right to use state-owned land. A land user must pay a land premium to the state as consideration for the grant of the right to use a land site within a specified period of time, and the land user may assign, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the relevant PRC laws and regulations, the land administration authority at the city or county level may enter into a land grant contract with the land user to provide for the grant of land use rights. The land user must pay the land premium as provided by the land use rights grant contract. After payment in full of the land premium, the land user may register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. The relevant PRC laws and regulations provide that land use rights for a site intended for real estate development must be obtained through grant except for land use rights which may be obtained through premium-free allocation by the PRC government pursuant to the PRC laws or the stipulations of the State Council. Government-allocated land is not allowed to be transferred unless the transfer is approved by the relevant PRC government authorities and the land premium as determined by the relevant PRC government authorities has been paid.

At the stages of examination, approval or record-filing for a construction project, the construction or the developer entity must make a preliminary application for construction on the relevant site to the relevant land administration authority in accordance with the Measures for Administration of Examination and Approval for Construction Sites (《建設用地審查報批管理辦法》) promulgated by the Ministry of Land and Resources (which has been reorganized as the Ministry of Natural Resources) in March 1999 and amended on November 30, 2010 and November 2016 respectively, and the Measures for Administration of Preliminary Examination of Construction Project Sites (《建設項目用地預審管理辦法》) promulgated by the Ministry of Land and Resources in July 2001, as amended in November 2004, November 2008 and November 2016 respectively. After receiving the preliminary application, the land administration authority will carry out preliminary examinations of various aspects of the construction project in compliance with the overall zoning plans and land supply policy of the government, and will issue a preliminary approval in respect of the project site if its examination proves satisfactory. The land administration authority at the relevant city or county will sign a land use rights grant contract with the land user and issue an approval for the construction site to the construction entity or the developer.

Under the Measures for Control and Administration of Grant and Assignment of Right to Use Urban State-owned Land (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated by the Ministry of Construction in December 1992, the grantee under a land grant contract, i.e. a real estate developer, must further apply for a permit for construction site planning from the relevant municipal planning authority. After obtaining such permit, a real estate developer will organize the necessary planning and design work. Planning and design proposals in respect of a real estate development project are again subject to relevant reporting and approval procedures required under the Law of the People's Republic of China on Urban and Rural Planning (《中華人民共和國城鄉規劃法》) promulgated by the NPC in October 2007 and amended in April 2015 and April 23, 2019 and local statutes on municipal planning. Upon approval by the authorities, a permit for construction works planning will be issued by the relevant municipal planning authority.

In accordance with the Regulations for the Expropriation of Compensation for Housing on State-owned Land (《國有土地上房屋徵收與補償條例》) promulgated by the State Council and implemented in January, 2011, with regard to the expropriation of the housing of entities and individuals on the State-owned land for the need of public interest, the owners of the housing being expropriated shall be offered a fair compensation.

Compensation offered by governments at municipal and county levels that make housing expropriation decisions regarding parties with housing being expropriated includes: (i) compensation for the value of the housing being expropriated; (ii) compensation for relocation and temporary settlement caused by expropriation of housing; and (iii) compensation for the loss arising from the suspension of production and operation caused by expropriation of housing.

The amount of compensation for the value of housing being expropriated may not be less than the market price of the real estate similar to it on the announcement date of the housing expropriation decision. The value of housing being expropriated must be appraised and determined by a real estate price appraisal institution with corresponding qualifications according to the housing expropriation appraisal measures. A party that objects to the appraised value of the housing being expropriated may apply to the real estate price appraisal institution for review of the appraisal. A party that objects to the review result may apply to the real estate price appraisal expert committee for authentication.

The parties whose housing is being expropriated may choose monetary compensation, or may choose to exchange the property rights of the housing. If the parties whose housing is being expropriated choose to exchange the property rights of the housing, governments at municipal and county levels must provide housing used for the exchange of property rights, and calculate and settle the difference between the value of housing being expropriated and the value of housing used for the exchange of property rights. If residential housing of an individual is expropriated due to renovation of an old urban district and the individual chooses to exchange for the property rights of the housing in the area being renovated, governments at municipal and county levels that make housing expropriation decisions must provide the housing in the area being renovated or the nearby area.

When the site has been properly prepared and is ready for the commencement of construction works, the developer must apply for a permit for commencement of works from the construction authorities at or above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works (《建築工程施工許可管理辦法》) promulgated by the MOHURD in June 2014 and amended in September 2018. According to the Notice Regarding Strengthening and Regulating the Administration of Newly-commenced Projects (《國務院辦公廳關於加強和規範新開工項目管理的通知》) issued by the General Office of the State Council on November 17, 2007, before commencement of construction, all kinds of projects shall fulfill certain conditions, including, among other things, compliance with national industrial policy, development plan, land supply policy and market access standard, completion of all approval and filing procedures, compliance with zoning plan in terms of site and planning, completion of proper land use procedures and obtaining proper environmental valuation approvals and construction permit or report.

The development of a real estate project must comply with various laws and legal requirements on construction quality, safety standards and technical guidance on architecture, design and construction work, as well as provisions of the relevant contracts. On January 30, 2000, the State Council promulgated and implemented the Regulation on the Quality Management of Construction Projects (《建設工程質量管理條例》) as amended in October 2017 and April 2019, which sets the respective quality responsibilities and liabilities for developers, construction companies, reconnaissance companies, design companies and construction supervision companies. In August 2008, the State Council issued the Regulations on Energy Efficiency for Civil Buildings (《民用建築節能條例》), which reduces the energy consumption of civil buildings and improves the efficiency of the energy utilization. According to this regulation, the design and construction of new buildings must meet the mandatory criteria on energy efficiency for buildings, and failure to meet such criteria will result in no commencement of construction or acceptance upon completion. Among other things, this regulation sets forth additional requirements for property developers in the sale of commodity buildings in this respect. According to the Administrative Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) enacted by the Ministry of Construction in April 2000 and amended on October 19, 2009 and the Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收規定》) which were promulgated by the MOHURD in December 2013, after completion of work for a project, a property developer is required to apply for the acceptance examination to the property development authority under the people's government on or above the county level and report details of the acceptance examination, upon which the "Record of acceptance examination upon project completion" is issued. For a housing estate or other building complex project, an acceptance examination is required to be conducted upon completion of the whole project and where such a project is developed in phases, separate acceptance examination is required to be carried out for each completed phase.

Land for Property Development

In April 1988, the NPC amended the PRC Constitution to permit the transfer of land use rights in accordance with the laws and regulations. In December 1988, the National People's Congress amended the Land Administration Law (《中華人民共和國土地管理法》) to permit the transfer of land use rights in accordance with the laws and regulations.

Pursuant to the Measures on Disposal of Idle Land (《閑置土地處置辦法》) promulgated by the Ministry of Land and Resources on April 28, 1999, idle land fees may be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use rights may be forfeited to the government without compensation to the developer if the land has not been developed for two years as required by the laws and regulations, and allotted for other purposes. Under current PRC laws and regulations on land administration, land for property development may be obtained only by grant except for land use rights obtained through allocation. Under the Regulations on the Grant of State-owned Land Use Rights Through Public Tender, Auction and Listing-for-Sale promulgated by the Ministry of Land and Resources (《招標拍賣掛牌出讓國有土地使用權規定》) in May 2002 and amended in September 2007, land for commercial use, tourism, entertainment and commodity housing development must be granted by public tender, auction or listing-for-sale. Under these regulations, the relevant land administration authority at city or county level, or the grantor, is responsible for preparing the public tender or auction documents and must make an announcement 20 days prior to the day of public tender or auction with respect to the particulars of the land parcel and the time and venue of the public tender or auction. The grantor must also verify the qualification of the bidding and auction applicants, accept an open public auction to determine the winning tender or hold an auction to ascertain a winning bidder. The grantor and the winning tender or bidder will then enter into a confirmation followed by the execution of a contract for assignment of state-owned land use rights. Over the years, the Ministry of Land and Resources has promulgated further rules and regulations to define the various circumstances under which the state-owned land use rights may be granted by means of public tender, auction and listing-for-sale or by agreement. Under the Regulation on Grant of State-owned Land Use Rights by Agreements (《協議出讓國有土地使用權規定》) promulgated by the Ministry of Land and Resources on June 11, 2003, except for a project that must be granted through tender, auction and listing as required by the relevant laws and regulations, land use right may be granted through transfer by agreement and the land premium for the transfer by agreement of the state-owned land use right shall not be lower than the benchmark land price.

The Urgent Notice on Further Governing and Rectifying Land Market and Strengthening Administration of Land (《關於深入開展土地市場治理整頓嚴格土地管理的緊急通知》) issued by the General Office of the State Council on April 29, 2004 restated the principle of strict administration of the approval process for the construction land and protection of the basic farmland.

The Notice on Issues Relating to Strengthening the Land Control (《關於加強土地調控有關問題的通知》) promulgated by the State Council on August 31, 2006 sets forth the administration of the receipt and disbursement of the land premium, modifies the tax policies relating to the construction land, and builds up the system of publicity for the standards of the lowest price with respect to the granted state-owned land use right.

In March 2007, the NPC adopted the PRC Property Rights Law (《中華人民共和國物權法》), which became effective on October 1, 2007. According to the Property Rights Law, when the term of the right to use construction land for residential (but not other) purposes expires, it will be renewed automatically. Unless it is otherwise prescribed by any law, the owner of construction land use rights has the right to transfer, exchange, and use such land use rights as equity contributions or collateral for financing. If the state takes the premises owned by entities or individuals, it must compensate the property owners in accordance with law and protect the lawful rights and interests of the property owners.

In September 2007, the Ministry of Land and Resources further promulgated the Regulations on the Grant of State-owned Construction Land Use Rights Through Public 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》) to require that land for industrial use, except land for mining, must also be granted by public tender, auction and listing-for-sale. Only after the grantee has paid the land premium in full under the land grant contract, can the grantee apply for the land registration and obtain the land use right certificates. Furthermore, land use rights certificates may not be issued in proportion to the land premium paid under the land grant contract.

In October 2007, the Standing Committee of National People's Congress promulgated the Law of the People's Republic of China Urban and Planning (《中華人民共和國城鄉規劃法》), pursuant to which, a construction planning permit must be obtained from the relevant urban and rural planning government authorities for building any structure, fixture, road, pipeline or other engineering project within an urban or rural planning area.

In November 2007, the Ministry of Land and Resources, the Ministry of Finance and PBOC jointly promulgated the Administration Measures on Land Reserves (《土地儲備管理辦法》) as amended in January 2018, pursuant to which, local authorities should reasonably decide the scale of land reserves in accordance with the macro-control of the land market. Idle, unoccupied, and low-efficient state-owned construction land inventory shall be used as land reserves in priority.

In December, 2007, the Ministry of Land and Resources promulgated the Rules on Land Registration (《土地登記辦法》), which further stresses payment in full of the land premium prior to the application for the registration of state-owned construction land use rights. In December 2017, the Rules on Land Registration was abolished.

In November 2009, the Ministry of Land and Resources issued a Circular on the Distribution of the Catalog for Restricted Land Use Projects (2006 Version Supplement) and the Catalog for Prohibited Land Use Projects (2006 Version Supplement) (《關於印發〈限制用地項目目錄(2006年本增補本)〉和〈禁止用地項目目錄(2006年本增補本)〉的通知》), as a supplement to its 2006 version. In this Circular, the Ministry of Land and Resources has set forth a ceiling for the land granted by local governments for development of commodity housing as follows: seven hectares for small cities and towns, 14 hectares for medium-sized cities; and 20 hectares for large cities.

In November 2009, the MOF, the Ministry of Land and Resources, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (《關於進一步加強土地出讓收支管理的通知》). The Notice raises the minimum down-payment for land premiums to 50% and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. Any developer defaulting on any such payment may not participate in any new transactions of land grant.

In November 2009, the MOHURD and the Office of the Leading Group for Addressing Problems Regarding Unauthorized Change of Planning and Adjustment of the Floor Ratio in Real Estate Development under the Ministry of Supervision jointly promulgated the Notification on Further Unfolding of the Special Project to Address Problems Regarding Unauthorized Change of Planning and Adjustment of the Floor Area Ratio (《關於深入推進房地產開發領域違規變更規劃調整容積率問題專項治理的通知》) which re-emphasized the need to rectify, investigate and punish real estate developing companies committing any unauthorized adjustment of the floor area ratio.

In March 2010, the Ministry of Land and Resources promulgated the Notification on Issues Relating to Strengthening the Supply and Regulation of the Land for Real Estate Development (《關於加強房地產用地供應和監管的有關問題的通知》) which adopted measures to improve the regulation of land for real estate development. These include, among others, measures to improve the preparation and implementation of the plan of land supply, guarantee the supply of land for supportive housing development, improve the regime of public tender, auction and list-for-sale of land use right, enhance the supervision on the use of land, disclose information on the supply and grant of land and the status of the construction project on the land to the public, and conduct special inspection on outstanding problems in the field of land use.

Pursuant to the notification, the administration of land and resources of cities and counties shall establish a regime for developers to report the commencement and completion of construction projects. Under such regime, the developer shall report in writing to the respective administration of land and resources at the commencement and completion of the construction project. The commencement and completion date of construction set forth in the agreements may be postponed by reporting the reasons of delay to the respective administration of land and resources no later than 15 days prior to the expiration. The developer who fails to report accordingly shall be announced to the public and prohibited from participating in any new transactions of land grant for at least one year. Additionally, the land used for developing supportive housing, small-to-medium-size self-used residential commodity housing and reconstructing shantytown shall not be less than 70% of the total land supply for residential property development. The lowest land premium for the grant of land use right shall not be lower than 70% of the benchmark price for the land grade the granted land locates, and the deposit for the participation of tender shall not be lower than 20% of the lowest land premium. The land grant agreement shall be executed in writing within 10 days after the deal is reached, the down payment of the land grant price which shall not be less than 50% of the full land grant price shall be paid within one month after the land grant agreement is executed, and the land grant price shall be paid in full no later than one year after the land grant agreement is executed. A developer who defaults on the payment of the land premium, holds idle land, hoards or speculates in land, develops property on the land exceeding its actual development capacity or defaults on the performance of land grant agreement shall be banned from participating in any transactions of land grant for a certain period.

On September 21, 2010, the Ministry of Land and Resources and the Ministry of Housing and Urban Development jointly promulgated the Notice of Further Strengthening Control and Regulation of Land and Construction of Property Development (《關於進一步加強房地產用地和建設管理調控的通知》), which stipulated, among other things, that: (i) at least 70% of land designated for construction of urban housing must be used for economically affordable housing, housing for resettlement of shanty towns and small to medium-sized ordinary commercial housing;

in areas with high housing prices, the supply of land designated for small to medium-sized, price-capped housing must be increased; (ii) developers and their controlling shareholders (as defined under PRC laws) are prohibited from participating in land biddings before the rectification of certain misconduct, including (1) illegal transfer of land use rights; (2) failure to commence required construction within one year from the delivery of land under land grant contracts due to such developers' own reasons; (3) noncompliance with the land development requirements specified in land grant contracts; and (4) crimes such as swindling land by forging official documents and illegal land speculation; (iii) developers are required to commence construction within one year from the date of delivery of land under the relevant land grant contract and complete construction within three years since commencement of the construction; (iv) development and construction of projects of low-density and large-sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1:1; and (v) the grant of two or more bundled parcels of lands and undeveloped land is prohibited.

In December 2010, the Ministry of Land and Resources promulgated the Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land and Promotion of the Healthy Development of Land Markets (《關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知》), which provides, among other things, that: (i) cities and counties that have less than 70% of their land supply designated for social security housing projects, housing for redevelopment of shanty towns or small/medium residential units must not provide land for large-sized and high-end housing before the end of 2010; (ii) land and resource authorities in local cities and counties will report to the Ministry of Land and Resources and provincial land and resource authorities, respectively regarding land with a premium rate of more than 50%; (iii) land designated for affordable housing which is used for commodity property development against relevant policies or involved illegal income will be confiscated and the relevant land use rights will be withdrawn. Moreover, changing the plot ratio without approval is strictly prohibited.

On February 15, 2012, the Ministry of Land and Resources promulgated the Notice on Accomplishment of Real Estate Land Administration and Control in 2012 (《國土資源部關於做好2012年房地產用地管理和調控重點工作的通知》). The notice provides that:

- **The real estate control policy shall be firmly performed and the key tasks shall be clarified.** The real estate land administration and control is confronting fundamental requirements and key tasks that the control policy by central government shall be strictly implemented, the supervision and control shall be strengthened, while the price of real estate and land shall be stable and reasonable.

- **The real estate land supply shall be properly managed for the purpose of the welfare of the masses.** Relevant authorities shall compile the annual supply plan of land for residential purposes of year 2012 from a scientific and reasonable perspective. The planned land supply quantity shall be no smaller than the average quantity of the recent five years, no less than 70% among which shall be designated for social security housing projects, housing for redevelopment of shanty towns and small/medium residential units. The supply of land for social security housing projects shall be guaranteed. The supply of high-end housing land shall be strictly controlled and no land shall be permitted for the development of villas.

- **The land supply for social security housing projects shall be guaranteed.** The construction land permission procedure for social security housing projects shall be accelerated.

- **Unlawful acts shall be strictly punished and the development and construction shall be vigorously encouraged.** Unlawful acts, including any of the following ones, shall be prohibited: a land use right is granted over a parcel of land where the land area exceeds the size approved by the relevant competent authorities; more than one parcel of land is granted to the same bidder at the same time; a land use right is granted over a parcel of land where the demolition of buildings erected on such land has not been carried out of the occupants of such land have not been compensated for the demolition and resettlement; a land use right is granted over a parcel of land with a plot ratio of less than one. A reporting system shall be implemented according to which, when concluding a land grant contract, a provision providing land users report to land and resources authorities in a written form before or at the commencement and completion of a project.

- **Supervision analysis and media propaganda shall be strengthened to provide a positive guidance towards the market.** Relevant local departments shall strengthen the supervision over land price. A record filing system of abnormal land purchases shall be implemented and improved.

On May 22, 2012, the Ministry of Land and Resources amended the Measures on Disposal of Idle Land (《閒置土地處置辦法》), which were originally published in April 1999. This amendment includes the following significant changes or new provisions:

- **Emphasizing the key purposes of regulating idle land.** The current version of Measures on Disposal of Idle Land re-emphasize the importance of suppressing intentional reservations of land for the purpose of resale. For example, it provides that if the real estate developer intentionally delays the commencement of construction and development for the purpose of reserving the land for resale with bad faith, and before the condition of such land is reviewed and disposed of by the government, the government should neither accept new applications for land use by the same holder of land use rights, nor register the status of transfer, lease, mortgage or information change of the land considered to be idle.

- **Readdressing the disposal method of idle land.** Consistent with the April 1999 version, the amended Measures on Disposal of Idle Land once again addressed the method of disposal of idle land. If the real estate developer fails to commence the construction and development of the land for one year, the government should issue the Notice on Imposition of Land Idleness Penalty Fees to the holder of land use right. The penalty fees should be 20% of the price that the holder paid for obtaining the land use right. If the holder of land use rights failed to commence the construction and development of the land for two years, the government should issue the Notice on Decision of Withdrawal of Land Use Right to the holder, thereby withdrawing the holder's right to use land for free. However, compared with the 1999 version, the amended Measures on Disposal of Idle Land specify the procedure for determining and disposing of idle land, including:

    1. Once relevant governmental authority suspects that a tract of land has become idle, it should initiate investigation within 30 days therefrom and issue a "notice on investigation of idle land" to the holder of land use right. The holder of land use right should submit explanatory materials about the development condition and reason for land idleness to the government within 30 days upon the receipt of such notice.

    2. After investigation, if the government decides that the investigated land has become idle, it should issue a "notice on confirmation of idle land" to the investigated holder of land use rights, which will specify the facts and grounds for determining that the land concerned has become idle. Relevant information of the idle land will also be published on the governmental authority's official website after issuance of such notice.

    3. If the idleness of land was caused by the real estate developer rather than the government, the governmental authority is entitled to impose penalty fees for the idleness or even withdraw the decision for granting the land use right. However, before such penalty decisions are made, the government should notify the holder of the land use rights that the holder has the right to request a hearing.

    4. Once the government decides to impose penalty fees for land idleness, it should issue a "notice on imposition of land idleness penalty fees" to the holder of the land use rights, and the owner should pay the penalty fees within 30 days upon the receipt of the notice. If the government decides to withdraw the decision for granting land use right, the government should issue a "notice on decision of withdrawal of land use rights" to the holder, and the holder should cancel the registration of its land use rights from government's record within 30 days upon its receipt of such notice.

- **Specifying the circumstances where the delay of commencement of construction and development was caused by the government.** If the delay of commencement of construction and development was caused by the government, the real estate developer will not be directly subject to penalties for delays caused by the developer itself. The amended Measures on Disposal of Idle Land specify the following circumstances where the delay of commencement of construction and development is considered to be caused by the government:

1. Where the land fails to be delivered to the holder of the land use rights in accordance with the time limit and conditions as prescribed in the land transfer contract or the land allocation decision, with the result that the conditions for commencing the construction and development of the project are not met;

2. Where relevant land-use planning is modified, with the result that the owner of the land use rights cannot commence construction and development;

3. Where the land-use planning and construction conditions need to be modified in light of new policies issued by the government;

4. Where the construction and development of the land cannot be commenced due to complaints lodged by the general public in connection with the land;

5. Where the construction and development of the land cannot be commenced due to military control or protection of historic and cultural relics; and

6. Where other acts of any government or government agency cause the delay.

According to the Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Edition) and the Catalog for Prohibited Land Use Projects (2012 Edition) (《關於印發《限制用地項目目錄(2012年本)》和《禁止用地項目目錄(2012年本)》的通知》) promulgated by the Ministry of Land and Resources in May 2012, the transferred area of the residential housing projects should not exceed (i) seven hectares for small cities and towns, (ii) 14 hectares for medium-sized cities, and (iii) 20 hectares for large cities, and plot ratio must be more than 1.0. The MOHURD and the Ministry of Land and Resources jointly issued the Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply (《關於加強近期住房及用地供應管理和調控有關工作的通知》) dated April 1, 2017 which provides, among others, that cities and counties that have more than one million inhabitants should make three-year (2017-2019) and a five-year (2017-2021) plans for housing land supply, and make the plans public by the end of June 2017. The circular further requires that local governments should adjust the size, structure and timing of land supply for residential housing in due course depending on the period of the inventory cycle of commodity housing: where such period is longer than 36 months, no more land is to be supplied; land supply shall be reduced in size if the said period is over 18 months but shorter than 36 months; more land shall be provided in the case of a period of longer than six months but shorter than 12 months; however, if the current inventory could be sold in less than six months, land shall be supplied in a significant scale at a fast pace. In addition, the circular stipulates that local authorities should adopt the examination system of land acquisition capital to insure the property developers acquiring land with internal funds and the property developers should be disqualified for any land bid backed by capital from questionable sources and prohibited from bidding for land within stipulated time limit.

Sale of Commodity Houses

Under the Measures for Administration of Sale of Commodity Houses (《商品房銷售管理辦法》) promulgated by the Ministry of Construction in April 2001, sale of commodity houses can include both sales before the completion of the properties, or pre-sale, and sales after the completion of the properties.

Any pre-sale of commodity buildings must be conducted in accordance with the Measures for Administration of Pre-sale of Commodity Buildings in Urban Area promulgated by the Ministry of Construction in November 1994 (《城市商品房預售管理辦法》), as amended in August 2001 and July 2004, and other related regulations. The pre-sale regulations provide that any pre-sale of commodity properties is subject to specified procedures. According to the current PRC laws and regulations, a pre-sale permit must be in place before a commodity building may be put to pre-sale. Specifically, a developer intending to sell a commodity building before its completion must apply to the real estate development authorities for a pre-sale permit. A commodity building may be sold before completion only if:

- the purchase price has been paid in full for the grant of the land use rights involved and a land use rights certificate has been properly obtained;
- a construction planning permit and a construction permit have been properly obtained;
- funds invested in the development of the commodity buildings for pre-sale represent 25% or more of the total investment in the project and the construction progress as well as the completion and delivery dates have been properly ascertained; and

- a pre-sale permit has been obtained.

The pre-sale proceeds of commodity buildings must be used to develop the relevant project so pre-sold.

Commodity buildings may be put to post-completion sale and delivery after they have passed the acceptance examination and otherwise satisfy the various preconditions for such sale. Before the post-completion sale of a commodity building, the developer must, among other things, submit a real estate development project manual and other documents relating to the project evidencing the satisfaction of the preconditions for post-completion sale to the real estate development authority for its record.

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的有關問題的通知》). Pursuant to the notice, without the pre-sale approval, the commodity properties are not permitted to be pre-sold and the real estate developer 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 sell completed commodity properties.

The *Provisions on Sales of Commodity Properties at Clearly Marked Price* (《商品房銷售明碼標價規定》) was promulgated by the NDRC on March 16, 2011 and became effective on May 1, 2011. According to the provisions, any real estate developer or real estate agency ("real estate operators") is required to mark the selling price explicitly and clearly for both newly-build and second-hand commodity properties. The provisions require real estate operators to clearly indicate the prices and relevant fees of commodity properties, as well as other factors affecting the prices of commodity properties to the public. With respect to the real estate development projects that have received property pre-sale permit or have completed the filing procedures for the sales of constructed properties, real estate operators shall announce all the commodity properties available for sales on at once within the specified time limit. Furthermore, with regard to a property that has been sold out, real estate operators are obliged to disclose this information and to disclose the actual transaction price. Real estate operators cannot sell commodity properties beyond the explicit marked price or charge any other fees not explicitly marked. Moreover, real estate operators may neither mislead properties purchasers with false or irregular price marking, nor engage in price fraud by using false or misleading price marking methods.

Transfer of Real Estate

According to the PRC laws and the Provisions on Administration of Transfer of Urban Real Estate (《城市房地產轉讓管理規定》) promulgated by the Ministry of Construction in August 1995, as amended in August 2001, a real estate owner may sell, gift or otherwise legally transfer the property to another natural person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred together. The parties to a transfer must enter into a written real estate transfer contract and register the transfer with the real estate administration authority having jurisdiction over the location of the real estate within 90 days of the execution of the transfer contract.

Where the land use rights are originally obtained by grant, the real property may only be transferred on the condition that:

- the land premium has been paid in full for the granted land use rights as required by the land grant contract and a land use rights certificate has been properly obtained; and
- in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed; or

- in case of a whole land lot development project, construction works have been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and the site has been leveled and made ready for industrial or other construction purposes.

If the land use rights are originally obtained by grant, the term of the land use rights after transfer of the real estate will be the remaining portion of the original term in the land grant contract. In the event that the assignee intends to change the use of the land provided in the land grant contract, consent must first be obtained from the original land use rights grantor and the planning administration authority at the relevant city or county and an agreement to amend the land grant contract or a new land grant contract must be signed in order to, inter alia, change the use of the land and adjust the land premium accordingly.

If the land use rights are originally obtained by allocation, such allocated land use right may be changed to granted land use rights upon approval by the government vested with the necessary approval power as required by the State Council. After the government authorities vested with the necessary approval power approve such change, the grantee must complete the formalities for the grant of the land use rights and pay the land premium according to the relevant statutes. Assignment of Land for commercial use, tourism, entertainment and commodity housing development must be conducted through public tender, auction or listing-for-sale under the current PRC laws and regulations.

Leases of Buildings

The Measures for Administration of Lease of Commodity Housing (《商品房屋租賃管理辦法》) promulgated by the MOHURD on December 1, 2010 and implemented on February 1, 2011, requires parties to a leasehold arrangement of a property shall register the leasing agreement with property administrative authorities within 30 days after entering into such leasing agreement under local government at the municipal or county level where the property is situated. In addition, enterprise may be imposed a fine of RMB1,000 to RMB10,000 and individuals of RMB1,000 or less if they do not register leasing agreement within time limit required by competent authorities. On June 3, 2016, the General Office of the State Council issued the Opinions on Accelerating the Cultivation and Development of Leasing Market (《國務院辦公廳關於加快培育和發展住房租賃市場的若干意見》), which encourages real estate developers to carry out house leasing businesses. The said opinions support real estate developers to utilize built residential properties or newly built residential properties to carry out leasing businesses. The opinions also encourage real estate developers to put up the residential properties for rent and to cooperate with residential property leasing enterprises to develop rental properties.

On July 18, 2017, MOHURD, NDRC and other government departments jointly released the Circular on Accelerating the Development of the Housing Leasing Market in Large and Medium-sized Cities with a Large Inflow Population (《關於在人口淨流入的大中城市加快發展住房租賃市場的通知》, hereinafter referred to as the Circular). According to the Circular, the government will take multiple measures to speed up the development of the rental market and increase supply of rental housing, including but not limited to, encouraging the local governments to increase land supply for the development of property for rental- and increasing the proportion of rental housing to the commercial residential building projects.

On September 14, 2017, MOHURD issued a notice and officially announce its support for the pilot program on houses with joint property ownership rights in Beijing and Shanghai. On March 16, 2016, Shanghai Municipal People's Government promulgated the Measures for the Administration on Houses with Joint Property Rights (《上海市共有產權保障住房管理辦法》), which was implemented on May 1, 2016. On September 20, 2017, Beijing Municipal Housing and Urban-Rural Development Commission, Beijing Municipal Planning and Land Resources Management Committee, Beijing Municipal Development and Reform Commission and Beijing Municipal Bureau of Finance released the Interim Measures for the Administration of Houses with Joint Property Rights (《共有產權住房管理暫行辦法》), which was implemented on September 30, 2017. According to the aforementioned measures, the houses with joint property ownership rights refers to the housing that the property ownership rights are jointly owned by the government and the purchasers, and the sales price is lower than the market price and the ownership of the housing is restricted. The land for joint property ownership rights will be included in the annual plan of land supply of the local government, listed separately and supplied with priority.

Mortgages of Real Estate

Under the PRC Urban Real Estate Administration Law (《中華人民共和國城市房地產管理法》) promulgated by the Standing Committee of the National People's Congress in July 1994, the PRC Security Law (《中華人民共和國擔保法》) promulgated by the NPC in June 1995, and the Measures for Administration of Mortgages of Urban Real Estate (《城市房地產抵押管理辦法》) promulgated by the Ministry of Construction in May 1997, as amended in August 2001, when mortgage is created on the ownership of a building legally obtained, such mortgage must be simultaneously created on the land use rights of the land on which the building is situated. The mortgagor and the mortgagee must sign a mortgage contract in writing. China has adopted a system to register mortgages of real estate. After a real estate mortgage contract has been signed, the parties to the mortgage must register the mortgage with the real estate administration authority at the location where the real estate is situated. A real estate mortgage contract will become effective on the date of registration of the mortgage. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority will, when registering the mortgage, make an entry under "third party rights" on the original property ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or on works in progress, the registration authority will, when registering the mortgage, record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved will re-register the mortgage of the real property after issue of the certificates evidencing the rights and ownership to the real estate.

The PRC Property Rights Law promulgated in March 2007 that became effective in October 2007 further widens the scope of assets that can be mortgaged, allowing for any asset associated with property rights to be mortgaged as collateral unless a specific prohibition under another law or regulation applies.

Property Financing

The Circular on Further Strengthening the Management of Loans for Property Business (《關於進一步加強房地產信貸業務管理的通知》) (Yinfa [2003] No. 121) issued by PBOC on June 5, 2003 specifies the requirements for banks to provide loans for the purposes of property development and individual residential mortgage as follows:

- commercial banks shall issue loans applied for by property development enterprises on through property development loans, and shall not issue in the form of property development cash flow loans or any other forms. Any kind of loan cannot be granted for the projects which do not have land-use rights certificates, construction land planning permits, construction works planning permits and construction commencement permits. Where non-property loans are issued to property development enterprises, commercial banks shall observe the principle of "recovering only, and no issuing." The proprietary capital (owner's equity) of property development enterprises applying for loans shall be no less than 30% of the total development investment. Property loans extended by commercial banks may only be used for local housing projects and may not be used cross-regionally;
- property loans may be granted to property enterprises who are qualified for property development, rank high in credibility and have no overdue payment for construction. Such loans must be given in full support of residential housing projects which conform to the purchasing capacity of families with medium-to-low income, and must be properly restricted where projects involve building properties of large size and/or cover large area, such as luxury commodity houses and villas. For property enterprises with commodity houses of high vacancy rate and debt ratio, strict approval procedures must be applied to their new property development loans and their activities must also be subject to close monitoring;
- loans to land reserve institutions shall be mortgage loans, the amount of which shall not exceed 70% of the assessed value of purchased lands, and the term of loans shall not exceed two years. Commercial banks shall not issue loans to property development enterprises for the purpose of paying for land premiums; and
- commercial banks shall further expand the spectrum of individual housing loans to allow more people to benefit from such loans. To reduce unnecessary interest for

borrowers, commercial banks shall issue individual housing loans only to those who purchase housing where main structural development has already been completed. Where borrowers apply for individual housing loans to purchase their first residence for self-use, the ratio of down payment shall remain 20%; for second or further residences, the ratio of down payment shall be raised appropriately.

In a Circular on Facilitating the Continuously Healthy Development of Property Market (《關於促進房地產市場持續健康發展的通知》) issued by the State Council in August 2003, a series of measures were adopted by the government to control the property market, including on the lending for residential development. They included, among others, strengthening efforts in housing provident fund collection and the granting of loans, improving the guarantee mechanism of individual home loans and strengthening the monitoring over property loans.

Pursuant to the Guidance on Risk Management of Property Loans of Commercial Banks (《商業銀行房地產貸款風險管理指引》) issued by the CBRC on August 30, 2004, any property development enterprises applying for property development loans must have at least 35% of capital required for the development.

The Notice on Adjustment of the Housing Loan Policy and Deposit Rate of Excess Reserve for Commercial Banks (《關於調整商業銀行住房信貸政策和超額準備金存款利率的通知》), promulgated by PBOC in March 2005, has made adjustment to individual housing loan policies of commercial banks as well as individual housing fund loan rate. Pursuant to this notice, the preferential mortgage loan interest rate was replaced by the commercial loan interest rate subject to certain restrictions on the lower limit on such interest rates. In the urban areas or cities with rapidly increased real estate prices, minimum down payment ratio for individual housing loans was adjusted from 20%-30%. On May 24, 2006, the Opinion of MOHURD and Other Departments on Adjusting the Housing Supply Structure and Stabilizing Property Prices forwarded by the State Council (《關於調整住房供應結構穩定住房價格的意見》) (Guobanfa [2006] No. 37) reiterated the existing measures and ushered additional measures that aim to further curb rapid increases in property prices in large cities and to promote healthy development of the PRC property market. See "Regulations-Measures on Stabilizing Housing Price" below for more details.

The Opinion on Standardizing the Admittance and Administration of Foreign Capital in Property Market (《關於規範房地產市場外資准入和管理的意見》) enforced by MOFCOM, the MOHURD and the NDRC on July 11, 2006 provides that where any foreign-invested enterprises fails to make full payment of its registered capital, fails to obtain the land use rights certificate or fails to make its project development capital reach 35% of the total project investment amount, it shall not deal with any domestic or overseas loan and the administrative department of foreign exchange shall not approve the settlement of the foreign exchange loan thereof.

On May 26, 2010, MOHURD, PBOC, and the CBRC jointly issued the Circular on Standardizing the Assessing Criteria of the Second Home for Personal Mortgage Loans (《關於規範商業性個人住房貸款中第二套住房認定標準的通知》), under which a stricter standard will be adopted in assessing whether a house to be bought is a second home when granting mortgage loans. The new standard will be based on property ownership, not mortgage history, and the unit for the number of the houses will be determined in terms of family (including the borrower, his spouse and minor children), rather than individuals. Home buyers are required to provide a registration record from the local housing registration system when applying for mortgage loans. If it is impossible to check the purchasing record, loan applicants are required to submit a certification listing the number of homes owed by the applicant's family. The banks will examine both the number of the homes owned by the applicant's family and the applicant's previous mortgage and purchasing record in order to counter speculative activities. The banks will define a loan applicant as a second-home buyer as long as the applicant has taken out a mortgage loan previously, or his family has a home ownership record in the housing registration system, or it is confirmed that his family has owned a property based on due diligence.

The Notice on Issues Relating to Standardizing Different Residential Mortgage Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》) jointly issued by PBOC and CBRC on September 29, 2010 provides (also see in "Regulations-Measures on Stabilizing Housing Price"):

- all commercial banks shall suspend the granting of housing loans to resident families for purchasing third and further residences; commercial banks shall also suspend the granting of housing loans to non-local residents who cannot provide local tax payment proof or proof of social insurance payment for a period of one year or longer;
- for the purchase of commodity housing with loans, the down payment shall be adjusted to more than 30% of the total price; for families who purchase a second residence with

a mortgage loan, the down payment shall not be less than 50%, and the loan rate shall not be less than 1.1 times the benchmark rate; and

- all commercial banks shall strengthen the management of consumption loans, and prohibit such loans from being used for purchasing houses. For property development enterprise with idle land, that change the use and nature of land, delay the time of construction initiation or complement, hold bank housing units for future sales, or have other records of violations of laws and regulations, all commercial banks shall suspend the granting of loans to them for new development projects and suspend the extension of loans. Any commercial banks which fails to earnestly implement the differential credit policies shall be seriously punished once the issued is ascertained.

On November 2, 2010, the Ministry of Finance, MOHURD, CBRC and PBOC jointly issued the Circular on Issues Concerning Policies on Regulation of Personal Housing Provident Fund Loan (《關於規範住房公積金個人住房貸款政策有關問題的通知》), which provides that where personal housing provident fund loan is used to buy the first ordinary self-use house and the floor area of the house is no more than 90 sq.m., the down-payment proportion shall not be lower than 20%; where the floor area of the house is more than 90 sq.m., the down-payment proportion shall not be lower than 30%. Only the housing provident fund-paying families whose floor area per capita is less than local average shall have access to personal housing provident fund loan which is used to buy the second house, and the loan shall be used to buy ordinary self-use house so as to improve dwelling conditions. Where the personal housing provident fund loan is used to buy the second house, the down-payment proportion shall not be lower than 50%, and the interest rate of such loan shall not be less than 1.1 times of the interest rate of the personal housing provident fund loan for the purchase of the first house. Personal housing provident fund loan for the purchase of a third or more houses by housing provident fund-paying families shall be suspended.

On March 8, 2011, the General Office of CBRC issued the Notice on Promoting Housing Financial Services and Strengthening Risk Management (《中國銀監會辦公廳關於做好住房金融服務加強風險管理的通知》), which stipulates that in handling the individual housing loan business financial institutions must strictly implement the provision that, with respect to families that purchase second residential properties through a loan, the down payment may not be less than 60%, and the loan interest rate may not be less than 1.1 times the benchmark rate.

To support the demand of purchasers of residential property and to promote the sustainable development of the real estate market, the PBOC and the CBRC jointly issued the Notice on Further Improving Financial Services for Residential Property (《關於進一步做好住房金融服務工作的通知》) on September 29, 2014, which provides that for any family that wishes to use a loan to purchase a residential property, the minimum down payment will be 30% of the property price and the minimum loan interest rate will be 70% of the benchmark lending interest rate, with the specific terms of such loan to be decided by the banking financial institution that provides the loan, based on the risk profile of the borrower. Where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply mortgage loan policy for first-time purchasers of residential property. In cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies. In March 2015, the PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment to 40% for households that own a residential property and have not paid off their existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve their living conditions, and allow the bank to decide at its own discretion the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. On February 1, 2016, the PBOC and CBRC jointly issued the "Notice on the Adjustment of Individual Housing Loans Policies" (《關於調整個人住房貸款政策有關問題的通知》) which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%. On August 25, 2019, PBOC issued the Announcement of the People's Bank of China No.16 [2019] under which, starting from October 8, 2019, new commercial individual housing loans should be priced by adding basis points to the latest monthly loan prime rate (LPR) of corresponding maturity. The basis points added should conform to the national and local housing credit policy requirements, reflect the loan risk profile, and remain fixed during the contract period. The interest rate of first-time commercial individual housing loans should not be lower than the LPR of corresponding maturity, and the interest rate of second-time commercial individual housing loans not be lower than the LPR of corresponding maturity plus 60 basis points.

Real Estate Management

Under the Measures for the Administration of Qualifications of Property Service Enterprises (《物業服務企業資質管理辦法》) promulgated by the Ministry of Construction in March 2004, as amended in November 2007 and May 2015 respectively, a property service enterprise must apply for assessment of its qualification by the relevant qualification approval authority. An enterprise which passes such a qualification assessment will be issued a qualification certificate. No enterprise may engage in property management without undertaking a qualification assessment conducted by the relevant authority and obtaining a qualification certificate. However, on March 8, 2018, the Measures for the Administration of Qualifications of Property Service Enterprises was abolished. On March 19, 2018, the Regulation on Property Management was revised accordingly so that no qualification certificate is required for the property service enterprises.

Insurance

There is no mandatory provision under the PRC laws, regulations and government rules which require a property developer to take out insurance policies for its real estate developments. According to the common practice of the property industry in China, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies must pay for the insurance premium at their own costs and take out insurance to cover their liabilities, such as third party's liability risk, employer's liability risk, risk of non-performance of contract in the course of construction and other kinds of risks associated with the construction and installation works throughout the construction period. The insurance coverage for all these risks will cease immediately after the completion and acceptance upon inspection of construction.

Measures on Stabilizing Housing Price

The General Office of the State Council promulgated a Circular on Stabilizing Housing Price (《關於切實穩定住房價格的通知》) in March 2005, introducing measures to be taken to restrain the housing price from increasing too fast and to promote a stable development of the real estate market. In April 2005, the Ministry of Construction, NDRC, the Ministry of Finance, the Ministry of Land and Resources, PBOC, SAT and CBRC jointly issued an Opinions on Stabilizing Housing Prices (《關於做好穩定住房價格工作的意見》) containing the following guidance:

- Where the housing price is growing too fast, while the supply of ordinary commodity houses at medium or low prices and low-cost affordable houses is insufficient, the housing construction should mainly involve projects of ordinary commodity houses at medium or low prices and low-cost affordable houses. The construction of low-density, high-end houses should be strictly controlled. The relevant local government authorities are authorized to impose conditions on planning and design such as the building height, plot ratio and green space and to impose such requirements as the selling price, type and gross floor area as preconditions on land assignment. The local governments are also required to strengthen their supervision of real estate developments in their jurisdictions.
- Where the price of land for residential use and the price for residential housing are growing too fast, the proportion of land supply for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses at medium or low prices and low-cost affordable houses should be especially increased. Land supply for villa construction should continue to be suspended, and land supply for high-end housing property construction should be strictly restricted.
- Idle land fee must be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use rights of land that has not been developed for two years must be forfeited without compensation.
- Commencing from June 1, 2005, a business tax upon transfer of a residential house by an individual within two years from his/her purchase will be levied on the entire sales

proceeds from such sale. For an individual to transfer an ordinary residential house after two years from his/her purchase, the business tax will be exempted. For an individual to transfer a property other than an ordinary residential house after two years from his/her purchase, the business tax will be levied on the difference between the price of such sale and the original purchase price.

- Ordinary residential houses with medium or small gross floor areas and at medium or low prices may be granted preferential treatment such as planning permits, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio is above 1.0, the gross floor area of one single unit is less than 120 square meters, and the actual transfer price is lower than 120% of the average transfer price of comparable houses at comparable locations. The local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential houses that may enjoy the preferential policies.
- Transfer of unfinished commodity properties by any pre-sale purchaser is forbidden. In addition, purchasers are required to buy properties in their real names. Any commodity property pre-sale contract must also be filed with the relevant government agencies electronically immediately after its execution.

The Notice on Adjustment of the Housing Loan Policy and Deposit Rate of Excess Reserve for Commercial Banks (《關於調整商業銀行住房信貸政策和超額準備金存款利率的通知》), promulgated by PBOC in March 2005, has made adjustment to individual housing loan policies of commercial banks as well as individual housing fund loan rate. Pursuant to this notice, the preferential mortgage loan interest rate was replaced by the commercial loan interest rate subject to certain restrictions on the lower limit on such interest rates. In the urban areas or cities with rapidly increased real estate prices, minimum down payment ratio for individual housing loans was adjusted from 20% to 30%. In May 2006, the Ministry of Construction, NDRC, PBOC and other relevant PRC government authorities jointly issued their Opinions on Housing Supply Structure and Stabilization of Property Prices (《關於調整住房供應結構穩定住房價格意見的通知》). These opinions reiterated the existing measures and ushered additional measures that aim to further curb rapid increases in property prices in large cities and to promote healthy development of the PRC property market. These measures include:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low-to medium-cost and small-to medium-size units and low-cost rental properties;
- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 must consist of units with a unit floor area of less than 90 square meters per unit and that projects which have received approvals prior to this date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government, such as Beijing, Chongqing and Shanghai, provincial capitals and certain other cities may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- increasing the minimum amount of down-payment from 20% to 30% of the purchase price of the underlying property if the underlying property has a unit floor area of 90 square meters or more, effective from June 1, 2006;
- prohibiting commercial banks from lending to real estate developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the relevant projects, of less than 35%, restricting the grant or extension of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, and prohibiting commercial banks from accepting commodity properties which have been vacant for more than three years as security for their loans; and
- imposing a business tax levy on the entire sales proceeds from transfer of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years when such levy was initially implemented in June 2005, and allowing such business tax to be levied on the difference between the price for such re-sale and the original purchase price in the event that an individual transfers a property other than an ordinary residential property after five years from his/her date of purchase.

In May 2006, the Ministry of Land and Resources published an Urgent Notice to Tighten Up Land Administration (《當前進一步從嚴土地管理的緊急通知》). In this notice, the Ministry of Land and Resources stressed that local governments must adhere to their annual overall land use planning and land supply plans and tighten up the control on land supply for non-agricultural use. The notice requires local governments to suspend the supply of land for new villa projects to ensure adequate supply of land for more affordable housing. In this notice, the Ministry of Land and Resources also required the local governments to conduct thorough investigations of illegal land use and submit a report on such investigations to the Ministry by the end of October 2006.

In July 2006, the Ministry of Construction, NDRC, MOFCOM, PBOC, SAIC, and SAFE jointly issued an Opinion on Regulating the Access and Management 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通知》) (the "171 Opinion"). The 171 Opinion aims to tighten access by foreign capital to the PRC real estate market and to restrict property purchases in China by foreign institutions or individuals. It provides, among others, that a foreign institution or individual must establish a foreign-invested enterprise in order to purchase real property in China if the property is not intended for self use. The registered capital of such foreign-invested enterprise must amount to at least 50% of its total investments in PRC real properties if the amounts of such investments exceed US$10 million. Branches and representative offices of foreign institutions in China and foreign individuals who work or study in China for more than one year may purchase real property for their own use but not for any other purposes. In addition, foreign institutions which have no branches or representative offices in China or foreign individuals who work or study in China for less than a year are prohibited from purchasing any real property in China. In September 2006, SAFE and the Ministry of Construction jointly issued a Notice in Respect of Foreign Exchange Issues in the Real Estate Market (《關於規範房地市場外匯管理有關問題的通知》) (the "47 Notice") to implement the 171 Opinion. The 47 Notice provides specific procedures for purchasing real properties by foreign institutions and foreign individuals. The 47 Notice also forbids a foreign invested real estate enterprise to apply for overseas loans if it has failed to pay its registered capital in full or failed to obtain the land use rights certificates, or its own capital funds do not reach 35% of the total investment for the project.

In July 2006, CBRC promulgated a Notice on Further Strengthening the Administration of Real Estate Credit (《關於進一步加強房地產信貸管理的通知》). The notice (i) prohibits providing loans to disqualified real estate developers including those whose own capital is less than 35% of the total capital required for the projects (not including affordable housing projects), or who have not obtained the relevant land use right certificates, construction land planning permits, construction work planning permits or construction work commencement permits; and (ii) prevents real estate developers from obtaining loans by project split-up or rolling-ahead development strategies.

In September 2007, the Ministry of Land and Resources issued the Notice on Implementation of the State Council's Certain Opinions on Resolving Difficulties of Housing for Low-income Urban Families and Further Strengthening Macro-control of Land Supply (《關於認真貫徹國務院〈關於解決城市低收入家庭住房困難的若干意見〉進一步加強土地供應調控的通知》) as amended on January 1, 2010, pursuant to which, at least 70% of the land supply arranged by the relevant land administration authority at city or county level for residential property development for any given year must be used for developing low-to-medium-cost and small- to medium-size units, low-cost rental properties and affordable housing.

In November 2007, the PRC government revised its Catalog of Guidance on Industries for Foreign Investment by, among other things, removing the development of ordinary residences from the foreign-investment-encouraged category and adding the secondary market residential property trading and brokering into the foreign-investment-restricted category. In July 2008, PBOC and CBRC jointly issued the Notice on Financially Promoting the Saving and Intensification of Use of Land (《關於金融促進節約集約用地的通知》), requiring that relevant financial institutions to strengthen the administration of construction land project loans, including the administration of commercial real estate credit loan.

In October 2008, PBOC issued the Notice on Extending the Downward Range of the Interest Rate for Commercial Personal Home Loans and Supporting the Residents in First-time Purchase of Ordinary Residential Homes (《關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知》), pursuant to which, since October 27, 2008, the bottom limit of the interest rate applicable to the commercial personal home loans has been extended, the minimum amount of down payment has been adjusted to 20% and the interest rate applicable to personal home loans financed by provident fund has been also reduced.

In October 2008, the Ministry of Finance and SAT issued the Notice on the Adjustments to Taxation on Real Property Transactions (《關於調整房地產交易環節稅收政策的通知》), pursuant to which, since November 1, 2008, the rate of deed tax has been reduced to 1% for a first-time home buyer of an ordinary residence with a unit floor area less than 90 square meters, individuals who sell or purchase residential properties are temporarily exempted from stamp duty and who sell residential properties are temporarily exempted from land value-added tax.

In December 2008, the General Office of the State Council issued the Several Opinions on Facilitating the Healthy Development of the Real Estate Market (《關於促進房地產市場健康發展的若干意見》), which aims to, among other things, encourage the consumption of the ordinary residence and support the real estate developer to handle the market change. Pursuant to this opinion, in order to encourage the consumption of the ordinary residence, from January 1, 2009 to December 31, 2009, business tax is imposed on the full amount of the sale income upon the transfer a non-ordinary residence by an individual within two years from the purchase date. For the transfer of non-ordinary residence which is more than two years from the purchase date and ordinary residence which is within two years from the purchase date, the business tax is to be levied on the difference between the sale income and the purchase price. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residence that is smaller than the average size for their locality may buy a second ordinary residence under favorable loan terms similar to first-time buyers. In addition, support for real estate developers to deal with the changing market is to be provided by increasing credit financing services to "low-to-medium-level price" or "small-to-medium-sized" ordinary commercial housing projects, particularly those under construction, and providing financial support and other related services to real estate developers with good credit standing for merger and acquisition activities.

In December 2008, the Ministry of Finance and SAT issued the Notice on the Policy of Business Tax on Re-sale of Personal Residential Properties (《關於個人住房轉讓營業稅政策的通知》), which reiterates the measures set forth in the above Several Opinions on Facilitating the Healthy Development of the Real Estate Market regarding the business tax.

In December 2009, the State Council terminated the policy on preferential treatment relating to business taxes payable upon transfers of residential properties by property owners as previously adopted in December 2008 by the PRC government in response to the global economic slowdown, and the Ministry of Finance and SAT jointly issued the Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties (《關於調整個人住房轉讓營業稅政策的通知》) to curtail speculation in the property market in response to the property price rises across the country. Pursuant to the Notice, effective from January 1, 2010, business tax will be imposed on the full amount of the sale income upon the transfer of non-ordinary residence by an individual within five years, instead of two years, from the purchase date. For the transfer of non-ordinary residence which is more than five years from the purchase date and ordinary residence which is within five years of the purchase date, the business tax is to be levied on the difference between the sale income and the purchase prices. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after five years from the purchase date.

In January 2010, the General Office of the State Council issued a Circular on Facilitating the Stable and Healthy Development of Property Market (《關於促進房地產市場平穩健康發展的通知》), which adopted a series of measures to strengthen and improve the regulation of the property market, stabilize market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance for the purchase of property, restrain speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly requires each family (including a borrower, his or her spouse and children under 18), that has already purchased a residence through mortgage financing and have applied to purchase a second or more residences through mortgage financing, to pay a minimum down-payment of 40% of the purchase price on the second of more residences.

On April 17, 2010, the State Council announced a series of new measures in the Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities (《國務院關於堅決遏制部分城市房價過快上漲的通知》) to keep housing prices from rising too quickly in certain cities in conjunction with and subsequent to a meeting held on April 14, 2010. The new measures include, among other things:

- **Higher minimum down payment requirements**
  - first-time home house buyers must make a down payment of at least 30% of the purchase price of the underlying property if the underlying property has a unit floor area of 90 sq.m. or more;

- o second-time home buyers must make a down payment of at least 50% of the purchase price of the underlying property subject to a minimum mortgage loan interest rate at 110% of the relevant PBOC benchmark one-year lending interest rate; and
- o commercial banks should significantly increase the ratio of minimum down payment to the purchase price and the minimum mortgage loan interest rate, respectively, for buyers who purchase a third or additional houses by mortgage financing.

- **Commercial banks' right to stop lending**
  - o in regions where house prices have been increasing too quickly, commercial banks may stop granting mortgage loans to home buyers who purchase a third or any additional houses;
  - o commercial banks are required to stop granting mortgage loans to home buyers who are not local residents and cannot provide evidence of payment of tax or social insurance contribution in such local area for more than one year; and
  - o the local governments may adopt interim measures to impose limits on the maximum number of units that one family may own.
- **Punishment of speculative developers**
  - o commercial banks are not allowed to lend to developers who hold idle land or manipulate land reserve or price; and
  - o the CSRC may suspend review of applications from speculative developers for listing of shares, restructuring or refinancing.
- **Disclosure of property ownership**
  - o property developers who have filed with the local government information of the completed properties to be sold or who have obtained the pre-sale permits are required to disclose to the public the properties for sale all at once and within a specified period of time and sell the properties they develop exactly at the price provided to the local government.

On September 29, 2010, the Ministry of Finance, SAT and the Ministry of Housing and Urban Development jointly issued the Notice on Adjustments to Deed Tax and Individual Income Tax on Real Estate Transactions (《關於調整房地產交易環節契稅個人所得稅優惠政策的通知》), according to which, a family (including the purchaser, the purchaser's spouse and minor children) purchasing its first ordinary residential property will enjoy a 50% reduction on deed tax payment; in case that the GFA of fore-mentioned property is less than 90 sq.m., the deed tax rate will be 1%. Individuals who purchase another residential property within one year after selling their own residential properties shall no longer enjoy exemption or reduction of individual income tax.

On September 29, 2010, PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》), according to which, the minimum down-payment has been raised to 30% of the purchase price of the commodity residential property, and commercial banks shall suspend granting mortgage loans to families that purchase a third or further residential property or non-local residents who fail to provide one-year or longer tax payment certificates or social insurance payment certificates. For a mortgage on the second residential property, the minimum down-payment must be 50% of the purchase price and the interest rate must be no less than 1.1 times that of the corresponding benchmark interest rate over the same corresponding period released by the PBOC.

On January 26, 2011, the State Council issued the Notice on Further Adjustment and Control of Property Markets (《關於進一步做好房地產市場調控工作有關問題的通知》) which requires, among other restrictive measures: (i) a minimum down-payment of 60% of the total purchase price with a minimum mortgage interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate, local residents with two or more residential properties, non-local residents with one or more residential properties and non-local residents that are unable to provide documentation certifying payment of local tax or social insurance payment for a specified time period, are not permitted to purchase any residential properties located in the local administrative area.

On January 27, 2011, the Ministry of Finance and SAT jointly issued the Notice on Adjusting the Business Tax Policies upon Transferring Residential Properties by Individuals (《關於調整個人住房轉讓營業稅政策的通知》). Pursuant to the notice, business tax will be levied upon the transfer of a residential property held by an individual for less than five years and the amount of business tax to be paid will be calculated based on the full amount of the sale proceeds. For an individual transferring a non-ordinary residential property held for five years or more, the business tax to be paid will be calculated based on the difference between the sale proceeds and the original purchase price. An individual transferring an ordinary residential property held for five years or more will be exempted from the business tax.

On July 12, 2011, the State Council announced the PRC government's intention to impose austerity measures on second- and third-tier cities. The State Council ordered the Ministry of Construction to compile a list of second- and third-tier cities that will be affected by the austerity measures.

On July 19, 2012, Ministry of Land and Resources and MOHURD issued the Urgent Notice to Further Tighten Up Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of the Real Property 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》). According to this notice, the Ministry of Land and Resources, MOHURD and their respective local counterparts will continue to strictly regulate the market to prevent housing prices from rebounding. Local governments must ensure a supply of land for social security housing projects, and must try to increase the completion rate of such projects. Further, the governments will further improve the land price evaluation procedure, thereby allowing for the reasonable determination of base prices for land auction. For those auctions in which the land prices may be raised to a significantly higher level, the governments must adjust the bidding method in a timely manner. For those lands which are expected to reach unprecedentedly high prices and those lands whose final deal prices have a premium rate of more than 50%, the government should adjust the land transfer scheme in a timely manner, such as by limiting the final home prices or requiring the land purchaser to build additional social security housing projects. Further, the government will continue enforcing the system for reporting unusual transactions, which requires that governments at city-level and county-level should, within two business days upon the signing of purchase confirmation letter or the dispatch of the letter of acceptance, submit the unusual transaction data to the national land market monitoring and administration system, thereby reporting the unusual transaction to the Ministry of Land and Resources and its agencies at the provincial level.

Additionally under this notice, the government emphasizes that the scope of land to be transferred should not exceed its scope limit, and some other acts will continue to be strictly prohibited, such as combining two or more separate tracts of land into one bidding subject, or transferring land without first completing the demolition and relocation work. The floor-area ratio of residential land should be no less than 1. Further, land allocation decision or land transfer contract should require real estate developer to commence the construction and development within one year after the land has been delivered to it and to complete the construction and development within three years. The government will strictly inspect the competence of bidders so as to prohibit any bank loan from being used for the payment of land price. The deposit for land auction or bidding should not be less than 20% of the base price. After the deal of land transfer has been reached, the land transfer agreement should be signed within 10 business days, 50% of the land price should be paid within one month after the signing of the land transfer agreement and the payment of remaining land price should be made within one year. Also, the government should prohibit the purchaser from purchasing land for a certain period if such a purchaser (a) failed to pay the land price in a timely manner; (b) intentionally left the land idle; (c) intentionally reserved land for the purpose of resale; (d) developed land beyond its development capability; or (e) failed to duly perform the land use contract.

On September 6, 2012, the Ministry of Land and Resources promulgated the Notice on Strictly Implementing Land Use Standards and Vigorously Promoting Economical and Intensive Land Use (《關於嚴格執行土地使用標準大力促進節約集約用地的通知》), which stipulates, among other things, that: (a) land use standards shall be strictly implemented and continuously improved. For industrial and commercial land transferred through lawful public tender, auction and listing-for-sale, the administration of land and resources of cities and counties shall establish the requirements related to land use standards for the schemes and announcement of land assignment, and include such requirements in assignment contracts and strictly enforce the requirements. Construction lands that are listed in the Catalog for Prohibited Land Use Projects, or that fail to conform to the prescribed conditions in the Catalog for Restricted Land Use Projects (《限制用地項目目錄》), or for which the intensity of investment, floor area ratio, construction coefficient, ratio of green land, or proportion of administrative offices and living facilities land fail to conform to relevant requirements for industrial projects or total area or each functional division area surpasses the required limits or the land area and floor area ratio fails to conform to the conditions of the residential land supply shall not pass the land supply and approval procedures; (b) the format and substantial content of land use standard shall be strictly examined; (c) the implementation of land use standard shall be further supervised and evaluated; and (d) the land use standard training program shall be given to the officials in land and resources authorities, and such the land use standards shall be widely publicized for the purpose of effectuation.

On November 5, 2012, the Ministry of Land and Resources, the Ministry of Finance, PBOC and CBRC jointly promulgated the Notice on Strengthening Land Reserves and Financing Administration (Guotuzi Fa [2012] No. 162) (《關於加強土地儲備與融資管理的通知》(國土資發[2012]162號)) in order to strengthen land bank institutions administration, determine the reasonable scale and structure of land bank, strengthen the administration of land pre-development, reservation and protection, and regulate the financing to land reservation and the use of land reservation funds.

On February 20, 2013, the executive meeting of the State Council chaired by Premier Wen Jiabao issued a document emphasizing the strict implementation of tightening measures for the real estate market. The measures include completing a system of responsibility for stabilizing housing prices; restraining purchases of residential housing for investment and speculation purposes; expanding the supply of both ordinary commodity housing and of land; accelerating construction of affordable housing projects; and strengthening market supervision.

On February 26, 2013, the General Office of State Council issued the Notice on Continuing to Effectively Regulate the Real Estate Market (《關於繼續做好房地產市場調控工作的通知》) (the "No. 17 Notice") which requires, among other restrictive measures:

(i) *Improving the responsibility system for stabilizing housing prices.* Municipalities directly under the central government, cities listed on state plans and provincial capitals (excluding Lhasa), must set an annual objective for controlling housing prices and publish annual new commodity housing price control target in the first quarter of the year.

(ii) *Firmly restraining purchases of residential housing for investment and speculation purposes.* Municipalities directly under the central government, cities listed on state plans and provincial capitals (excluding Lhasa) which have implemented restrictions on the real estate market are required to cover all administrative areas of the cities as restricted areas, and restricted housing shall include new commodity housing and second-hand housing. Non-local residents who possess one or more residential properties or fail to continuously provide a certain number of years local tax payment certificates or social insurance payment certificates are to be barred from purchasing any residential properties located in the administrative area. For cities where housing prices are increasing at an excessively high rate, local branches of the PBOC may further raise the down-payment rate and mortgage interest rate for the purchase of a second residential property. In addition, the state will strictly enforce a 20% tax on home sale profits.

(iii) *Expanding supply of ordinary commercial housing and its land use.* The overall housing land supply in 2013 shall not be lower than the average actual land supply in the past five years. Financial institutions, subject to credit requirements, are to prioritize requests for loans for ordinary commodity housing construction projects in which medium and small housing units constitute 70% or more of the total units in such construction project.

(iv) *Accelerating the planning and construction of affordable housing projects.* All local regions shall actively advance the renovation of scattered shantytowns and ramshackle buildings, gradually carry out comprehensive redevelopment of old urban residential areas, and steadily develop urban villages. It is important to reinforce planning and

overall coordination, to integrate the construction of affordable housing with urban development in view of the actual needs of urbanization and improving the housing conditions of residents.

(v) *Strengthening market regulation and managing expectations.* All local regions shall raise the pre-sale threshold for commercial housing, and reinforce the management of commercial housing pre-sale licensing, so as to guide real estate developers to rationally determine housing prices, and steadily push forward the reform of the commercial housing pre-sale system.

(vi) *Accelerating the establishment and development of a long-term mechanism to guide the healthy development of the real estate market.* All relevant departments shall press ahead with the reform of the real estate tax regime, improve the housing financial system and housing land supply mechanism, and push forward the housing industrialization.

Pursuant to the "No. 17 Notice", local branches of the PBOC may further raise the minimum down-payment for the purchase of a second residential property in the case that the local housing prices are increasing at an excessively high rate. On April 7, 2013, Beijing raised the percentage of the minimum down payment for second-home purchases from 60% to 70% of the total purchase price. In October and November of 2013, certain branches of the PBOC in several major cities, such as Shanghai, Shenzhen, Guangzhou, Hangzhou, Shenyang and Changsha, also adjusted their differentiated credit extension policies based on housing types and raised the minimum down payment for second-home purchases to 65% or 70% of the purchase price.

On November 24, 2014, the State Council promulgated the Interim Regulations on Real Estate Registration (《不動產登記暫行條例》), effective from March 1, 2015, which provides for the following, among others:

i) The Competent department of land and resources under the State Council shall be responsible for guiding and supervising the real estate registration of the State. The local government at or above the county level shall designate a department as the real estate registration authority within its administrative region which shall be subject to the guide and supervision by the competent real estate registration authority at the higher level.

ii) The real estate authority shall establish a uniform real estate registration book to record the items including, without limitation, the nature condition, ownership conditions of the real estate, and restriction of rights.

iii) The competent department of land and resources under the State Council shall, in coordination with other related departments, establish a uniform basic management platform for real estate registration information. The information registered by the real estate registration authorities at all levels shall be incorporated into the uniform basic platform to ensure the real-time sharing of registration information at the national, provincial, municipal and county level.

iv) Any right holder or interested party may apply for inquiring about or copying the real estate registration materials and the registration authority shall not refuse to provide such information. Units and individuals inquiring about the real estate registration information shall not use such registration information for any other purpose and no such information may be disclosed to the public or others without the consent of the right holder.

The Implementing Rules of the Interim Regulations on Real Estate Registration (《不動產登記暫行條例實施細則》), which took effect on January 1, 2016, authorizes the real estate registration authority to perform site inspection following an acceptance of the application for real estate registration and sets out regulations regarding real estate registration information management.

On March 30, 2015, the Ministry of Finance and SAT jointly issued the Notice on Adjusting the Business Tax Policies upon Transferring Residential Properties by Individuals (《關於調整個人住房轉讓營業税政策的通知》). Pursuant to the notice, business tax will be levied upon the transfer of a residential property held by an individual for less than two years and the amount of business tax to be paid will be calculated based on the full amount of the sale proceeds. For an individual transferring a non-ordinary residential property held for two years or more, the business tax to be paid will be calculated based on the difference between the sale proceeds and the original purchase price. An individual transferring an ordinary residential property held for two years or more will be exempted from the business tax.

On August 27, 2015, the MOHURD, the MOF and PBOC jointly issued the Notice on the Adjustment of the Rate of the Minimum Down Payment for Personal Housing Loans from Housing Provident Fund (《關於調整住房公積金個人住房貸款購房最低首付款比例的通知》) to further improve the policies on the personal housing loans from housing provident fund and support the needs of depositing workers, under which, from September 1, 2015, with regard to families which have already owned one house and settled the housing payment, when applying for loans from the housing provident fund for a second housing so as to improve living conditions, the lowest down payment rate will be reduced from 30% to 20%.

In September 2015, the State Council issued a Notice to Adjust and Promote the System of Capital Fund for Investment Projects in Fixed Assets (《關於調整和完善固定資產投資項目資本金制度的通知》), under which the minimum capital ratio remains 20% for affordable housing projects and ordinary commodity residential projects, and is decreased to 25% for other property projects.

On February 1, 2016, the PBOC and CBRC jointly issued the Notice on the Adjustment of Individual Housing Loans Policies (《關於調整個人住房貸款政策有關問題的通知》) which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%.

On October 10, 2016, the MOHURD issued the Circular on Further Regulating Operations of Real Estate Developers to Safeguard the Real Estate Market Order (《關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知》), which requires that improper operations of real estate developers shall be investigated and punished according to law. The improper operations include releasing or spreading false housing information and advertisements, maliciously pushing higher and artificially inflating housing prices by fabricating or spreading information on rising property price and other operations. On May 19, 2018, the MOHURD issued the Notice on Issues of Further Do Good Job of the Regulation of the Real Estate Market (《關於進一步做好房地產市場調控工作有關問題的通知》) which required that local governments shall formulate the residential property development plan according to their respective social development level, supply and demand of residential property and population, and certain cities shall increase the supply of construction land for residential.

On February 13, 2017, the Asset Management Association of China issued the No. 4 Administrative Rules for the Filing of Private Equity and Asset Management Plans Issued by Securities and Futures Institutions (《證券期貨經營機構私募資產管理計劃備案管理規範第4號》) which stops the filing of private equity and asset management plans of securities and futures institutions which investing into the ordinary residential real estate projects in 16 cities including Beijing, Shanghai, Guangzhou, Hefei, Suzhou, Hangzhou, Tianjin, Wuhan, Chengdu etc.. It also prevents private equity and asset management plans from funding real estate development enterprises to pay land premium or supply working capital through multiple ways, including but not limited to entrusted loans, trust plans and receiving beneficial right of the assets.

Environmental Protection

The laws and regulations governing the environmental protection requirements for real estate development in China include the PRC Environmental Protection Law (《中華人民共和國環境保護法》), the PRC Prevention and Control of Noise Pollution Law (《中華人民共和國環境噪聲污染防治法》), the PRC Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》) and the PRC Administrative Regulations on Environmental Protection for Development Projects (《建設項目環境保護管理條例》). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact report, an environmental impact analysis table or an environmental impact registration form must be submitted by a developer before the relevant authorities grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the project company (other than the environmental authorities) should conduct environmental protection inspection of the completed project to ensure compliance with the applicable environmental protection standards and regulations before the property can be delivered to the purchasers. The project company shall formulate environmental protection inspection report, disclose the report to the public, and submit the relevant data and information through the online platform of environmental protection inspection on completion of construction projects.

Labor Law and Labor Contract Law

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) effective since January 1, 1995, the PRC Labor Contract Law effective since January 1, 2008, and the Implementing Regulations of the PRC Labor Contract Law effective since September 18, 2008, an employment relationship is established from the date when an employee commences working for an employer, and a written employment contract must be entered into on this same date. If an employment relationship has already been established with an employee but no written employment contract has been entered into simultaneously, a written employment contract must be entered into within one month from the date on which the employee commences work. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is established, it must pay the employee twice his/her salary for each month of the eleven months' period and rectify the situation by subsequently entering into a written employment contract with the employee.

Regulation on Social Insurance and Housing Fund

As required under Regulation of Insurance for Labor Injury, Provisional Insurance Measures for Maternity of Employees, Regulation of Unemployment Insurance, the Decision of the State Council on Setting up Basic Medical Insurance System for Staff Members and Workers in Cities and Towns, the Interim Regulations on the Collection and Payment of Social Insurance Premiums and the Interim Provisions on Registration of Social Insurance, business enterprises are obliged to provide their employees in China with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance. Any enterprise that fails to make social insurance contributions in accordance with the relevant regulations may be ordered to rectify the noncompliance and pay the required contributions within a stipulated deadline. If the enterprise fails to rectify the noncompliance by the stipulated deadline set out by the government authorities, it can be assessed a late fee by the relevant authority in the amount of 0.2% of the amount overdue per day from the original due date.

In addition, 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 components 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 the social insurance premiums for such employees. According to the Social Insurance Law, an employer that fails to make social insurance contributions may be ordered to pay the required contributions within a stipulated deadline and be subject to a late fee of 0.05% of the amount overdue per day from the original due date by the relevant authority. If the employer continues to fail to rectify the delinquent social insurance contribution payment within such stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue.

According to Regulations on Management of Housing Fund, enterprises must register at and be subject to review by housing fund administration centers with competent jurisdictions, and open accounts of housing fund for their employees with the designated banks. Enterprises are also obliged to pay and deposit housing fund in full amount in a timely manner. Any enterprise that fails to make housing fund contributions may be ordered to rectify the noncompliance and pay the required contributions within a stipulated deadline; otherwise, an application may be made to a local court for compulsory enforcement.

Foreign Exchange Controls

Under the PRC Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》) promulgated in 1996 and revised in 1997 and as amended in 2008 and various regulations issued by SAFE and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments and the payment interest and dividend. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside China for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from SAFE or its local office. Payments for transactions that take place within China must be made in Renminbi. Unless otherwise provided, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad under capital account items after obtaining the prior approval from SAFE or its local office. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by SAFE or its local office. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the State. For foreign exchange proceeds under the capital accounts, approval from SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the rules and regulations of the State.

On August 29, 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the 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》) (the "Circular No. 142"). Pursuant to Circular No. 142, a foreign-invested enterprise's Renminbi fund received from the settlement of its foreign currency capital must be used within the business scope as approved by the government authority that approved the establishment of such foreign-invested enterprise, and such Renminbi fund cannot be used for domestic equity investment unless it is otherwise provided for.

On May 10, 2013, SAFE issued Notice on Printing and Distributing "the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China" and the Ancillary Documents (國家外匯管理局關於印發《外國投資者境內直接投資外匯管理規定》及配套文件的通知), which includes three appendices: (i) Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investor (《外國投資者境內直接投資外匯管理規定》); (ii) List of Repealed Regulations on Foreign Exchange Administration over Direct Investment (《廢止境內直接投資外匯管理法規目錄》); and (iii) Operating Guidelines for Domestic Direct Investment Business (《境內直接投資業務操作指引》).

Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors (《外國投資者境內直接投資外匯管理規定》) (the "Provisions") was promulgated on May 10, 2013 and effective on May 13, 2013, which contains a total of four chapters and 20 articles. The Provisions set out the general principles for foreign exchange control in direct investments of foreign investors and specific provisions on foreign exchange registration, foreign exchange account management, foreign exchange settlement and sales, as well as supervision and administration of banks engaging in the foreign exchange business related to direct investments of foreign investors. The Provisions apply to foreign investors setting up foreign investment enterprises, foreign investment projects and foreign-invested financial institutions in China through methods of new establishment, mergers or acquisitions, and obtaining the ownership right, control right and business management right of domestic enterprises. The Provisions also apply to domestic direct investments of investors from Hong Kong, Macao and Taiwan.

Operating Guidelines for Domestic Direct Investment Business (《境內直接投資業務操作指引》) (the "Guidelines") was promulgated on May 11, 2013 and effective on May 13, 2013, which has two parts, 23 Clauses and three tables. The Guidelines provide advice for basic information registration of prior-period costs, basic information registration of the newly established foreign-invested enterprises, foreign-invested enterprises set up through mergers or acquisitions by foreign investors, registration to conform foreign investors' cash and non-cash capital contributions, opening, entry and use of foreign exchange capital accounts, prior-period costs foreign exchange accounts, domestic asset realization accounts, domestic re-investment special accounts, security deposit special foreign exchange accounts, as well as transfer and remittance of foreign exchange funds for domestic direct investments. On March 30, 2015, SAFE issued the Notice on the Reform of the Administration of Foreign Exchange Registered Capital Settlement for 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》) effective from June 1, 2015, under which, a reform on the administration of foreign exchange capital settlement for foreign-invested enterprises is carried out in China and foreign-invested enterprises may make equity investments within China by utilizing the RMB funds converted from their foreign exchange registered capital. Besides the remittance of equity transfer payments in the original foreign currency, foreign-invested enterprises mainly engaged in investment business (including foreign investment companies, foreign-invested venture capital enterprises and foreign-invested equity investment enterprises) are permitted to directly convert foreign capital funds into RMB funds or transfer the RMB funds converted from the foreign capital account to the bank account of the investee enterprise based on the actual investment scale on the premise that the domestic investment projects are authentic and in compliance. Equity investments within China by remitting the equity transfer payments in the original foreign currency by general foreign-invested enterprises other than the above enterprises shall be governed by the current domestic reinvestment laws and regulations. If such foreign-invested enterprises make equity investments in China by using converted RMB funds, the investee enterprise shall first register this domestic reinvestment activity with the administration of foreign exchange (bank) of its incorporation place and open a corresponding RMB account for depositing the converted RMB funds, and the foreign-invested enterprises shall then transfer the converted RMB funds into the above RMB account of the investee enterprise based on the actual investment scale. If the investee enterprise continues to make equity investments in China, the above principles shall apply. On June 9, 2016, SAFE issued the Notice to Reform and Regulate the Administration Policies of Foreign Exchange Capital Settlement (《關於改革和規範資本項目結匯管理政策的通知》) to further reform the foreign exchange capital settlement over the nationwide.

SAFE stressed in a post published on its website on December 31, 2016 that the authority is improving the application process for individual foreign exchange purchasing and reiterated that individuals are prohibited to buy foreign currencies to purchase overseas real estate.

According to Circular of the State Administration of Foreign Exchange on Further Advancing Foreign Exchange Administration Reform to Enhance Authenticity and Compliance Reviews (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) issued by SAFE on 26 January 2017, funds for overseas loans under domestic guarantees are allowed to be transferred back for domestic use. Debtors can transfer back, directly or indirectly, the funds under guarantees for domestic use through issuing loans to or equity participation in domestic institutions. SAFE promulgated the Circular to Further Promote Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》) dated October 23, 2019 to further ease cross-border trade and investment, such as canceling restrictions on the use of foreign exchange settlement in domestic asset transaction accounts and allowing foreign non-investment enterprises to carry out domestic equity investment provided that such investment will not violate applicable special administrative measures (negative list) for foreign investment access and the projects to be invested shall be authentic and legitimate.

Mainland China Taxation

Because virtually all of our business operations are in mainland China and we carry out these business operations through operating subsidiaries and joint ventures organized under the PRC law, our PRC operations and our operating subsidiaries and joint ventures in mainland China are subject to PRC tax laws and regulations, which indirectly affect your investment in the Notes.

Dividends from our PRC Operations

Under the PRC tax laws effective prior to January 1, 2008, dividends paid by our PRC subsidiaries or joint ventures to us were exempt from PRC income tax. However, pursuant to the

Enterprise Income Tax Laws (《中華人民共和國企業所得稅法》), dividends payable by foreign invested enterprises, such as subsidiaries and joint ventures in China, to their foreign investors are subject to a withholding tax at a rate of 10% unless any lower treaty rate is applicable.

Under the Enterprise Income Tax Laws, enterprises established under the laws of foreign jurisdictions but whose "de facto management body" is located in China are treated as "resident enterprises" for PRC tax purposes, and are subject to PRC income tax on their worldwide income. For such PRC tax purposes, dividends from PRC subsidiaries to their foreign shareholders are excluded from such taxable worldwide income. Under the implementation rules of the Enterprise Income Tax Law, "de facto management bodies" are defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. There is uncertainty as to how this new law and its implementation rules will be interpreted or implemented by relevant tax bureaus.

Our Operations in Mainland China

Our subsidiaries and joint ventures through which we conduct our business operations in mainland China are subject to PRC tax laws and regulations.

Deed Tax

Under the PRC Interim Regulation on Deed Tax (《中華人民共和國契稅暫行條例》) promulgated by the State Council in July 1997, implemented in October 1997 and amended in March 2019 deed tax is chargeable to transferees of land use rights and/or ownership in real properties within the territory of mainland China. These taxable transfers include:

- grant of use right of state-owned land;
- sale, gift and exchange of land use rights, other than transfer of right to manage rural collective land; and
- sale, gift and exchange of real properties.

Deed tax rate is between 3% to 5% subject to determination by local governments at the provincial level in light of the local conditions.

Pursuant to the Notice on Adjustment of Preferential Treatment Policies in respect of Deed Tax and Business Tax on Real Estate Transactions (《關於調整房地產交易環節契稅、營業稅優惠政策的通知》) promulgated by MOF, SAT and MOHURD on February 17, 2016 and implemented on February 22, 2016, the rate of deed tax payable for real estate transactions is adjusted downward as follows:

(1) for an individual purchasing the only residential property for his/her household, the rate of deed tax is adjusted downward to 1% for a property of 90 sq.m. or less and to 1.5% for a property of more than 90 sq.m.; and

(2) for an individual purchasing the second residential property for his/her household to improve the living conditions, the rate of deed tax is reduced to 1% for a property of 90 sq.m. or less and to 2% for a property of more than 90 sq.m.

If a taxpayer applies for tax preferential treatments, the competent real estate authority at the location of the property will issue written search results on the housing status of the taxpayer's household pursuant to his/her application or authorization and promptly provide the search results and the relevant housing status information to the tax authority. Detailed operation measures will be collectively formulated by the competent financial, tax and real estate departments of various provinces, autonomous region and municipalities.

Beijing, Shanghai, Guangzhou and Shenzhen are not subject to the above deed tax preferential treatment policies temporarily.

Corporate Income Tax

Prior to the implementation of the Enterprise Income Tax Laws, our PRC subsidiaries and joint ventures were generally subject to a 33% corporate income tax. Under the Enterprise Income Tax Laws, effective from January 1, 2008, a unified enterprise income tax rate is set at 25% for both domestic enterprises and foreign-invested enterprises. The Enterprise Income Tax Laws provided certain relief to enterprises that were established prior to March 16, 2007, including (1) continuing to enjoy the previous preferential income tax rate during a five-year transition period if such enterprises were entitled to preferential income tax rates before the effectiveness of the

Enterprise Income Tax Laws; (2) continuing to enjoy the preferential income tax rate until its expiry if such enterprises were entitled to tax holidays for a fixed period under the relevant laws and regulations. However, where the preferential tax treatment had not commenced due to losses or accumulated loss not being fully offset, such preferential tax treatment was deemed to commence from January 1, 2008. In addition, according to the Enterprise Income Tax Laws, dividends from PRC subsidiaries to their foreign corporate shareholders are subject to a withholding tax at a rate of 10% unless any lower treaty rate is applicable. However, under the Enterprise Income Tax Laws, enterprises established under the laws of foreign jurisdictions but whose "de facto management body" is located in China are treated as "resident enterprises" for PRC tax purposes, and are subject to PRC income tax on their worldwide income. Dividends from PRC subsidiaries to their foreign corporate shareholders that are treated as resident enterprises for the reason mentioned above will be excluded from such taxable worldwide income. Under the Enterprise Income Tax Laws, "de facto management bodies" are defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. There is uncertainty as to how the Enterprise Income Tax Laws will be interpreted or implemented by relevant tax bureaus.

In addition, pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006 and applicable in Hong Kong to income derived in any year of assessment commencing on or after April 1, 2007 and in mainland China to any year commencing on or after January 1, 2007, a company incorporated in Hong Kong is subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more equity interest in each such PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% equity interest in that subsidiary. On August 1, 2015, SAT issued the Announcement on Issuing the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Agreements (《關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》), effective on November 1, 2015, which provide that prior approvals from or filings with (as the case may be) the relevant local tax authorities are required before a non-resident taxpayer may enjoy any benefits under the relevant taxation treaties.

On March 6, 2009, SAT issued the Measures Dealing with Income Tax of Enterprise Engaged in Real Estate Development and Operation (《房地產開發經營業務企業所得稅處理辦法》) effective on January 1, 2008, which specifically stipulates the rules regarding tax treatment of income and deduction of cost and fees, verification of calculated tax cost and tax treatment on certain matters of the real estate development enterprise according to the Enterprise Income Tax Law and its implementation rules.

On May 12, 2010, SAT promulgated the Notice on the Confirmation of Completion Conditions for Development of Products by Real Estate Development Enterprises (《關於房地產開發企業開發產品完工條件確認問題的通知》), which provides that a property will be deemed as completed when its delivery procedures (including move-in procedures) have commenced or when the property is in fact put in use. Real estate developers must conduct the settlement of cost in time and calculate the amount of corporate income tax for the current year.

Business Tax and Value-added Tax

Under the PRC Interim Regulation on Business Tax (《中華人民共和國營業稅暫行條例》) of 1994, as amended in December 2008, and the Detailed Implementation Rules of the Interim Regulation of the PRC on Business Tax (《中華人民共和國營業稅暫行條例實施細則(2011年修訂)》) issued and implemented by MOF on December 25, 1993 and as amended on December 15, 2008 and October 28, 2011, services in China are subject to business tax. Taxable services include sale of real property in mainland China. The Business tax rate is between 3% to 20% depending on the type of services provided. Sale of real properties and other improvements on land are levied a business tax at the rate of 5% of the turnover of the selling enterprise payable to the relevant local tax authorities. On November 19, 2017, the PRC Interim Regulation on Business Tax was abolished.

Pursuant to the Notice on the Full Implementation of Pilot Program for Transition from Business Tax to Value-Added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) and the Implementing Measures for the Pilot Program for Transition from Business Tax to Value-added Tax (《營業稅改徵增值稅試點實施辦法》) issued by the MOF and SAT on March 23, 2016. On May 1, 2016, the "transitioning from business tax to value-added tax" scheme became effective. The sale of self-developed old real estate projects (refers to real estate projects launched time before April 30, 2016 stating on the construction works commencement permit) by common taxpayer among real estate developers shall be subject to a simple tax rate of 5%. Real estate developers selling real estate project by advance payment will be subject to an appreciation tax of 3% when receiving the advance payment.

Pursuant to the Interim Measures on the Management of Value Added Tax of Self-developed Real Estate Project by the Sale of Real Estate Developers (《房地產開發企業銷售自行開發的房地產項目增值稅徵收管理暫行辦法》) issued on March 31, 2016 and implemented on May 1, 2016 and as amended on June 15, 2018 by SAT, "self-development" means infrastructure facilities and buildings erected on the land with land use rights which are developed by a real estate development company ("taxpayer"). These measures are also applicable to a development completed by a taxpayer after such project is taken over.

VAT is payable by taxpayers in the calendar month immediately following receipt of the presale proceeds of real estate self-development in accordance with the following formula:

Prepaid VAT = Presale proceeds ÷ (1 + applicable rate or simplified rate) X 3%

The applicable rate is 11%. Nevertheless, for taxpayers conducting old real estate projects and have chosen simplified tax method, the simplified rate of 5% will be applied in calculating the Prepaid VAT. Once simplified tax method is chosen, it will be applicable for 36 months.

Old real estate projects refer to (1) real estate projects with commencement dates of construction stated in the Construction Permits prior to April 30, 2016, and (2) construction projects which commencement dates of construction are not stated in the Construction Permits, or construction projects with commencement dates of construction stated in the construction contracts prior to April 30, 2016 but has yet to receive Construction Permits.

On November 19, 2017, the Provisional Regulations Concerning Business Tax was abolished and the Interim Regulations of the People's Republic of China on Value-added Tax (中華人民共和國增值稅暫行條例) was revised by the State Council. According to the revised Interim Regulations of the People's Republic of China on Value-added Tax, selling goods, providing labor services of processing, repairs or maintenance, or selling services, intangible assets or real property in the PRC, or importing goods to the PRC, shall be subject to value-added tax.

According to a notice jointly issued by MOF and SAT in April 2018, starting from May 1, 2018, the value-added tax rate will be lowered from 17 percent to 16 percent for manufacturing and some other industries, and from 11 percent to 10 percent for transportation, construction, real estate leasing service, sale of real estate, basic telecommunication services, and farm produce. According to a notice jointly issued by MOF, SAT and the General Administration of Customs in March 2019, from April 1, 2019, the value-added tax rate of 16 percent will be further lowered to 13 percent and the value-added tax rate of 10 percent will be further lowered to 9 percent.

Land Appreciation Tax

Under the PRC Interim Regulation on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) of 1994 and its implementation rules of 1995, LAT applies to both domestic and foreign investors in real properties in mainland China, irrespective of whether they are corporate entities or individuals. The tax is payable by a taxpayer on the appreciation value derived from the transfer of land use rights, buildings or other facilities on such land, after deducting the "deductible items" that include the following:

- payments made to acquire land use rights;
- costs and charges incurred in connection with the land development;
- construction costs and charges in the case of newly constructed buildings and facilities;
- assessed value in the case of old buildings and facilities;
- taxes paid or payable in connection with the transfer of the land use rights, buildings or other facilities on such land; and
- other items allowed by the Ministry of Finance.

The tax rate is progressive and ranges from 30% to 60% of the appreciation value as compared to the "deductible items" as follows:

Appreciation value	LAT rate
Portion not exceeding 50% of deductible items	30%
Portion over 50% but not more than 100% of deductible items	40%
Portion over 100% but not more than 200% of deductible items	50%
Portion over 200% of deductible items	60%

Exemptions from LAT are available in the following cases:

- Taxpayers constructing ordinary residential properties for sale (i.e. the residences built in accordance with the local standard for residential properties used by the general population, excluding deluxe apartments, villas, resorts and other high-end premises), where the appreciation amount does not exceed 20% of the sum of deductible items;
- Real estate taken over and repossessed according to laws due to the construction requirements of the state; and
- Due to redeployment of work or improvement of living standard, transfers by individuals of originally self-used residential properties, with five years or longer of self-used residence and with tax authorities' approval.

According to a notice issued by the Ministry of Finance in January 1995, the LAT regulation does not apply to the following transfers of land use rights:

- real estate transfer contracts executed before January 1, 1994; and
- first time transfers of land use rights and/or premises and buildings during the five years commencing on January 1, 1994 if the land grant contracts were executed or the development projects were approved before January 1, 1994 and the capital has been injected for the development in compliance with the relevant regulations.

After the enactment of the LAT regulations and the implementation rules in 1994 and 1995, respectively, due to the long period of time typically required for real estate developments and their transfers, many jurisdictions, while implementing these regulations and rules, did not require real estate development enterprises to declare and pay the LAT as they did other taxes. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, SAT, Ministry of Construction and State Land Administration Bureau separately and jointly issued several notices to reiterate that, after the assignments are signed, the taxpayers should declare the tax to the local tax authorities where the real estate is located, and pay the LAT in accordance with the amount as calculated by the tax authority and within the time period as required. For those who fail to acquire proof as regards the tax paid or the tax exemption from the tax authorities, the real estate administration authority will not process the relevant title change procedures, and will not issue the property ownership certificates.

SAT issued a further the Notice on Serious Handling of Administration of the Collection of Land Appreciation Tax (《關於認真做好土地增值稅徵收管理工作的通知》) in July 2002 to require local tax authorities to require prepayment of LAT on basis of proceeds from pre-sale of real estate.

In December 2006, SAT issued a 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通知》), which came into effect on February 1, 2007. The notice required settlement of LAT liabilities by real estate developers. Provincial tax authorities are given authority to formulate their implementation rules according to the notice and their local situation.

To further strengthen LAT collection, in May 2009, SAT released the Rules on the Administration of the Settlement of Land Appreciation Tax (《土地增值稅清算管理規程》), which came into force on June 1, 2009.

On May 19, 2010, SAT promulgated the Notice on Issues Regarding Land Appreciation Tax Settlement (《關於土地增值稅清算有關問題的通知》), which provides further clarifications and guidelines on LAT settlement, revenue recognition, deductible expenses, timing of assessment and other related issues.

On May 25, 2010, SAT issued the Notice on Strengthening the Collection of Land Appreciation Tax (《關於加強土地增值稅徵管工作的通知》), which provides for a minimum LAT prepayment rate at 2% for provinces in eastern China region, 1.5% for provinces in the central and northeastern China regions, and 1% for provinces in the western China region. The notice also delegated to the local tax authorities the authority to determine the applicable LAT prepayment rates based on the types of the properties in their respective regions.

On June 20, 2013, SAT issued the Notice of the State Administration of Taxation on Further Improving the Collection of Land Value-added Taxes (《關於進一步做好土地增值稅徵管工作的通知》), which requires the local taxation authorities further strengthening administration on the collection of LAT, in particular, the administration on the settlement of LAT, strict examination of deductions and reduction of assessment and collection projects.

Urban Land Use Tax and Buildings Tax

Pursuant to the PRC Interim Regulations on Land Use Tax in respect of Urban Land (《中華人民共和國城鎮土地使用稅暫行條例》) promulgated by the State Council in September 1988, amended on December 31, 2006, January 8, 2011, December 7, 2013 and March 2, 2019, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on urban land was between RMB0.6 and RMB30 per square meter.

Buildings Tax. Under the PRC Interim Regulations on Buildings Tax (《中華人民共和國房產稅暫行條例》) promulgated by the State Council in September 1986, and amended on January 8, 2011, buildings tax applicable to domestic enterprises is 1.2% if it is calculated on the basis of the residual value of a building and 12% if it is calculated on the basis of the rental. On January 27, 2011, the governments of Shanghai and Chongqing respectively issued measures for implementing pilot individual property tax schemes which became effective on January 28, 2011.

According to the Notice on Issues Relating to Assessment of Buildings Tax against Foreign-invested Enterprises and Foreign Individuals (《關於對外資企業及外籍個人徵收房產稅有關問題的通知》) issued by the Ministry of Finance and SAT in January 2009, the foreign-invested enterprises, foreign enterprises and foreign individuals are to be levied the same as domestic enterprise.

Stamp Duty

Under the PRC Interim Regulations on Stamp Duty (《中華人民共和國印花稅暫行條例》) promulgated by the State Council in August 1988, and amended on January 8, 2011, for property transfer instruments, including those in respect of property ownership transfers, the duty rate is 0.05% of the amount stated therein; for permits and certificates relating to rights, including property ownership certificates and land use rights certificates, stamp duty is levied on an item-by-item basis of RMB5 per item.

Municipal Maintenance Tax

Under the PRC Interim Regulations on Municipal Maintenance Tax (《中華人民共和國城市維護建設稅暫行條例》) promulgated by the State Council in 1985, and amended on January 8, 2011, any taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax is required to pay municipal maintenance tax calculated on the basis of product tax, value-added tax and business tax. The tax rate is 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

According to the Circular Concerning Unification of Municipal Maintenance Tax and Education Surcharge for Foreign Investment and Domestic Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) issued by State Council on October 18, 2010, the municipal maintenance tax is applicable to foreign invested enterprises, foreign enterprises and foreign individuals from December 1, 2010.

Education Surcharge

Under the Interim Provisions on Imposition of Education Surcharge (《徵收教育費附加的暫行規定》) promulgated by the State Council in April 1986 and amended on June 7, 1990, August 20, 2005 and January 8, 2011, any taxpayer, whether an individual or otherwise, of value-added tax, business tax or consumption tax is liable for an education surcharge, unless such taxpayer is required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas (《國務院關於籌措農村學校辦學經費的通知》). The Education Surcharge rate is 3% calculated on the basis of consumption tax, value-added tax and business tax. According to the Circular Concerning Unification of Municipal Maintenance Tax and Education Surcharge for Foreign Investment and Domestic Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) issued by State Council on October 18, 2010, the education surcharge is applicable to foreign invested enterprises, foreign enterprises and foreign individuals from December 1, 2010.

Shenzhen City Reform Measures

The People's Government of Shenzhen City published the Shenzhen City Reform Measures (《深圳市城市更新辦法》) on October 22, 2009. Under the Shenzhen City Reform Measures, "City Reform" refers to comprehensive clearing, redeveloping and resettlement activities within specified old urban areas, including old industrial zones, old commercial districts, "town-in-city" and old towns. On November 12, 2016, the People's Government of Shenzhen City amended the Shenzhen City Reform Measures. In October 2018, the Urban Planning, Land & Resources Commission of Shenzhen Municipality issued for public comment a comprehensive draft Master Planning of Urban Village (Old Village) of Shenzhen (2018-2025) (《深圳市城中村(舊村)總體規劃 (2018-2025) (徵求意見稿)》).

Certain Opinions on Promoting Redevelopment of "Three Types of Old Urban Areas" and Economic Use of Land

On August 25, 2009, the People's Government of Guangdong Province published Certain Opinions on Promoting Redevelopment of "Three Types of Old Urban Areas" and Economic Use of Land (《關於推進(三舊)改造促進節約集約用地的若干意見》), which set forth the general guidelines and requirements for redevelopment of old towns, old factories and old villages, namely "Three Types of Old Urban Areas", within Guangdong Province. On September 14, 2016, the People's Government of Guangdong Province issued the Notice on Promoting the Redevelopment Level of "Three Types of Old Urban Areas" and Economic Use of Land (《關於提升(三舊)改造水平促進節約集約用地的通知》). On April 4, 2018, the Department of Natural Resources of Guangdong Province issued the Implementing Opinions on Deepening the Redevelopment Work of "Three Types of Old Urban Areas" (《關於深入推進"三舊"改造工作的實施意見》).

Outbound Investment Administration of NDRC

On December 26, 2017, NDRC issued the Administrative Measures for the Outbound Investment of Enterprises (《企業境外投資管理辦法》), or the Measures, effective from March 1, 2018. Under the Measures, sensitive outbound investment projects carried out by PRC enterprises either directly or through overseas enterprises under their control shall be approved by NDRC, and non-sensitive outbound investment projects directly carried out by PRC enterprises shall be filed with NDRC or its local branch at provincial level. In the case of the large-amount non-sensitive outbound investment projects with the investment amount of USD300 million or above carried out by PRC enterprises through the overseas enterprises under their control, such PRC enterprises shall, before the implementation of the projects, submit a report describing the details about such large-amount non-sensitive projects to NDRC. Where the PRC resident natural persons make outbound investments through overseas enterprises under their control, the Measures shall apply mutatis mutandis. Subsequently on January 31, 2018, NDRC issued the Catalogue of Sensitive Outbound Investment Industry (2018 Version) (《境外投資敏感行業目錄(2018年版)》) effective from March 1, 2018 under which enterprises shall be restricted from making outbound investments in certain industries including without limitation real estate and hotel.

Foreign Debt Administration of NDRC

On September 14, 2015, the NDRC issued the NDRC Notice which came into effect on the same date. According to the NDRC Notice, domestic enterprises and their overseas controlled entities should register any debt securities issued outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within ten business days after the issue of the securities. On May 11, 2018, the NDRC and the MOF jointly issued the Notice on Promoting the Market Restraint Mechanisms to Strictly Prevent the Risks of Foreign Debt and Local Debt (《關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知》) which reiterated the regulatory administration of foreign debt. On June 27, 2018, NDRC emphasized in a post on its website that the proceeds from bond offerings offshore by PRC property enterprises shall be mainly used for repayments of the debts due and shall be restricted from being used for investments in property projects within or outside China or working capital and it is also expressed that NDRC plans to further regulate and standardize, among others, the relevant qualifications for the issuance of foreign debt and the usage of funds from such issuance by enterprises. On July 12, 2019, NDRC published a Notice on Requirements for Foreign Debt Registration Application by Real Estate Enterprises (《關於對房地產企業發行外債申請備案登記有關要求的通知》) on its website which imposes more restrictions on the use of proceeds of foreign debts incurred by real estate developers. According to the notice, the use of proceeds of foreign debt incurred by a real estate developer is limited to refinancing its medium to long term offshore debts which will become due within one year, and the real estate developer is required to specify in the documents for application of foreign debt registration with NDRC the details of such medium to long term offshore debts to be refinanced, such as amount, maturity date and whether such medium to long term offshore debts were registered with NDRC. The real estate developer is also required to submit a commitment letter to NDRC regarding the authenticity of its foreign debt issuance. Failure to comply with these restrictions, the real estate developer may be blacklisted and prevented from obtaining foreign debt registrations in the future.

Directors

Our Board of Directors consists of nine Directors, three of whom are independent non-executive Directors. Our Board of Directors has the general powers and duties for the management and conduct of our business. We have entered into service contracts with each of our Directors.

The table below sets forth certain information regarding our Directors:

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

Chairman and Executive Director

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

Executive Directors

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

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

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

WENG Hao (翁昊), aged 38, was appointed as the Chief Operating Officer of the Group in December 2018, executive Director of the Group in January 2019. Mr. Weng served as the chairman of Kaisa Technology & WEWA Space Group (a wholly owned subsidiary of the Company), mainly in charge of management. Mr. Weng joined the Group in June 2003, and has served as the Assistant General Manager of project management department of the Group, general manager of Nanjing branch of real estate Group, executive vice president and president of real estate Group, chairman and president of Shanghai region real estate business, executive vice president of the Company etc. Mr. Weng graduated from Southeast China University in 2003 and obtained the degree of bachelor of engineering.

Non-Executive Director

CHEN Shaohuan (陳少環), aged 53, has been a non-executive Director of the Company since 26 December 2013. She received a Diploma in Economics and Management from the Social Science Faculty of South China University of Technology in the People's Republic of China in July 1987. Ms. Chen joined Sino Life Insurance Co., Ltd. (生命人壽保險股份有限公司) ("**Sino Life Insurance**") as a substantial shareholder from December 2013 to November 2016 and was the deputy general manager of the asset management centre of Sino Life Insurance. Prior to joining Sino Life Insurance, Ms. Chen was the manager of the investment division of Shenzhen Fengsheng Investment Group Company Limited* (深圳市豐盛投資集團有限公司) from June 1995 to November 2013. Ms. Chen was also the deputy general manager of a subsidiary of Shenzhen Wuzhi Group Company* (深圳市物資總公司) engaging in construction material business from September 1983 to May 1995.

Independent Non-Executive Directors

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

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

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

Senior Management

Our senior management members are Kwok Ying Shing, Sun Yuenan, Mai Fan, Zheng Yi, Weng Hao, LAU Fu Keung, LI Haiming, WAN Bin, ZHANG Runshen, ZHAI Xiaoping, ZHAO Yi, SONG Wei, ZHAN Renchao, JIE Pingsheng, WANG Aihua, SUN Xiao, WU Jianxin, LIU Tao, YANG Ming and Yu Kwok Leung. Kwok Ying Shing, Sun Yuenan, Mai Fan, Zheng Yi and Weng Hao are also our executive directors. See the paragraphs headed "Chairman and Executive Director" and "Executive Directors" above for the description of their experience. The table below sets forth certain information regarding our senior management members (excluding executive Directors):

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

LAU Fu Keung (劉富強), aged 39, is Chief Financial Officer of the Group. He is primarily responsible for the corporate finance, investment and financing strategies, investor relations and capital management of the Group. He has over 15 years of experience in investment banking, consulting and accounting across a wide spectrum of financial products including public and private equity and debt capital markets, loans and structured finance. He received Bachelor of Business Administration (with Distinction) degree major in Finance and a Master of Accounting (with Distinction) degree from the Ross School of Business, University of Michigan, Ann Arbor, U.S.. Mr. Lau is a U.S. (Delaware) Certified Public Accountant Certificate holder. Prior to joining the Group in June 2015, he worked as a Director of Loans and Structured Credit team in the Global Credit Trading group. Prior to that, he was the Head of Equity Capital Markets, Greater China at Barclays Capital, and Vice President of Equity Capital Markets team at Deutsche Bank. Mr. Lau began his career as Senior Consultant at PricewaterhouseCoopers and Auditor at Ernst & Young respectively.

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

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

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

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

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

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

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

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

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

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

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

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

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

Company Secretary

YU Kwok Leung (余國良), aged 43, is the Company Secretary of the Company. He is primarily responsible for financial reporting, company secretarial duties and corporate finance activities of the Group. He has many years of experience in accounting and finance. He received his bachelor degree of business administration in accountancy from the Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Yu joined the Group as the financial controller in April 2016. Prior to joining the Group, Mr. Yu was the financial controller of a listed company in Hong Kong and as a senior audit manager in one of the international accounting firm.

Board Committees

Audit Committee

The audit committee is responsible for the review and supervision of our financial reporting process, internal controls and review of our financial statements. Their written terms of reference are in line with the provisions under the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "**Code**") and explains the role and the authority delegated to the audit committee by the Board. The audit committee consists of three members, all of whom are independent non-executive Directors. The audit committee comprises Mr. Rao Yong as chairman, Mr. Zhang Yizhao and Mr. Chen Shaohuan as members.

Remuneration Committee

The remuneration committee is responsible for making recommendations to our Directors' remuneration and other benefits. The remuneration of all Directors is subject to regular monitoring by the remuneration committee to ensure that level of their remuneration and compensation are reasonable. Their written terms of reference are in line with the provisions of the Code. Pursuant to code provision B.1.4 of the Code, the remuneration committee would make available its terms of reference, explaining its role and the authority delegated to it by the Board.

Our remuneration policy for our Directors and senior management members is based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. The remuneration committee comprises Mr. Zhang Yizhao as the chairman, Mr. Rao Yong and Mr. Kwok Ying Shing as members.

Nomination Committee

The nomination committee is primarily responsible for considering and recommending to our Board suitably qualified persons to become the member of our Board and is also responsible for reviewing the structure, size and composition of our Board on a regular basis and as required.

Its written terms of reference cover recommendations to our Board on the appointment of Directors, evaluation of our Board composition and the management of our Board succession with reference to certain guidelines as endorsed by the committee. These guidelines include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and time commitments of members. The nomination committee will select and recommend candidates for directorship after consideration of referrals and engagement of external recruitment professionals, when necessary. The nomination committee comprises Mr. Kwok Ying Shing as the chairman, Mr. Rao Yong and Mr. Zhang Yizhao as members.

Management Committees

Our Company has established a number of management committees, including but not limited to an investment management committee, a budget committee and a risk management committee to assist our senior management in overseeing our business operations in Hong Kong and the PRC.

Compensation of Directors

The aggregate amount of salaries and other allowances and benefits in kind paid by us to our Directors in 2016, 2017, 2018 and the six months ended June 30, 2019 were approximately RMB24.3 million, RMB67.6 million, RMB132.5 million (US$19.3 million) and RMB63.9 million (US$9.3 million), respectively, including approximately RMB1.1 million, RMB29.6 million, RMB95.5 million (US$13.9 million) and RMB22.0 million (US$3.2 million) as share option expenses in respect of such individuals in 2016, 2017, 2018 and the six months ended June 30, 2019.

Share Option Scheme

We adopted our share option scheme on November 22, 2009, in order to attract, retain and motivate our Directors, management members and employees. We have granted options to certain of our Directors, management members and employees under such scheme and as of June 30, 2019, options to subscribe for up to 475,212,000 shares of our Company are outstanding.

On June 11, 2018, we granted 43,000,000 share options to certain of our and our subsidiaries' employees, to subscribe for the ordinary shares of HK$0.10 each in our share capital, subject to the acceptance of such grantee of the share options, under the share option scheme adopted by us on November 22, 2009.

On January 24, 2019, we granted 18,000,000 share options to certain of our and our subsidiaries' employees, to subscribe for the ordinary shares of HK$0.10 each in our share capital, subject to the acceptance of such grantee of the share options, under the share option scheme adopted by us on November 22, 2009.

Directors' and Chief Executive's Interests in Securities

As of June 30, 2019, the interests of our Directors and chief executive in our equity securities were as follows:

Name of Director	Capacity	Number of the underlying shares	Approximate percentage of shareholding of the issued share capital[(1)]
KWOK Ying Shing	Interest in a controlled corporation	1,551,098,756	25.50
SUN Yuenan	Beneficial owner	50,020,000	0.82
ZHENG Yi	Beneficial owner	48,588,000	0.80
MAI Fan.	Beneficial owner/ interest of spouse	11,143,000	0.18
RAO Yong	Beneficial owner	2,400,000	0.04
ZHANG Yizhao.	Beneficial owner	1,500,000	0.02
LIU Xuesheng	Beneficial owner	1,200,000	0.02

Note:

(1) The percentage was calculated based on 6,083,178,697 Shares in issue as of June 30, 2019, assuming all the options granted under the Share Option Scheme have been exercised.

SUBSTANTIAL SHAREHOLDERS

As of June 30, 2019, so far as the Directors were aware, persons other than the Directors or chief executive of the Company, who had an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of substantial shareholder	Capacity	Number of shares(1)	Approximate percentage of the issued share capital of the Company(4)
			(%)
Da Chang	Beneficial owner	708,033,378 (L)(2)	11.64%
Da Feng	Beneficial owner	843,065,378 (L)(2)	13.86%
		240,500,000 (S)	3.95%
Da Zheng	Beneficial owner	843,065,377 (L)(2)	13.86%
Funde Sino Life Insurance Co., Ltd.	Beneficial owner	649,700,957 (L)	25.28%
	Interest in a controlled corporation	887,995,149 (L)(3)	
Fund Resources Investment Holding Group Company Limited	Beneficial owner	887,995,149 (L)	14.60%

Notes:

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

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

(3) *887,995,149 Shares were held by Fund Resources Investment Holding Group Company Limited, which was wholly owned by Funde Sino Life Insurance Co., Ltd. as of June 30, 2019. By virtue of SFO, Funde Sino Life Insurance Co., Ltd. is deemed to be interested in Shares held by Fund Resources Investment Holding Group Company Limited.*

(4) *The percentages were calculated based on 6,083,178,697 Shares in issue as of June 30, 2019, assuming all the options granted under the Share Option Scheme have been exercised.*

RELATED PARTY TRANSACTIONS

In 2016, 2017, 2018 and the six months ended June 30, 2019, the following discussion describes certain material transactions between our Group and certain related parties in the periods indicated.

Key management compensation

	For the year ended December 31,				For the six months ended June 30,	
	2016	2017	2018		2019	
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(US$ in thousands) (unaudited)	(RMB in thousands)	(US$ in thousands) (unaudited)
Director's fee	—	—	—	—	765	111
Salaries and other short-term employee benefits.	44,386	174,864	129,800	18,879	62,955	9,170
Discretionary bonus	—	—	3,259	474	2,125	310
Retirement scheme contributions.	254	453	700	102	311	45
Share option benefits	1,892	48,293	151,773	22,074	33,445	4,872
	46,532	223,610	285,532	41,529	99,601	14,508

Material related party transactions

	Year ended December 31,			For the six months ended June 30,	
	2017	2018	2018	2019	
	(RMB in thousands)	(RMB in thousands)	(US$ in thousands) (unaudited)	(RMB in thousands) (unaudited)	(US$ in thousands) (unaudited)
Advertising income received from an associate	9,434	9,434	1,372	—	—
Property management fee income received from an associate	—	9,170	1,334	—	—
Advisory income received from a joint venture	15,727	—	—	—	—
Financial advisory fees paid to an associate	8,411	74,551	10,843	10,202	1,486
Interest income received from associates(1)	32,067	3,535	514	3,337	486
Interest expense paid to a related company(2)	439,252	29,852	4,342	—	—
Interest expense paid to an associate(3)	21,858	54,273	7,894	8,126	1,184
Rental expenses paid to a controlling shareholder(4)	1,071	1,140	166	1,034	151
Other revenue from associates. .	—	—	—	76,419	11,132
Other revenue from joint venture	—	—	—	5,772	841

Notes:

(1) Interest income was charged at interest rate of 12.0% per annum on amounts due to associates.

(2) Interest expense was charged at interest rate of 12.0% per annum on loan from a related company.

(3) Interest expense was charged at interest rates ranging from 4.35% to 14.0% per annum on loans from associates.

(4) This represents payment of rental expense for various office premises to a controlling shareholder, Mr. Kwok Ying Shing. The rental expense paid during the year/period was determined at prevailing market rate of respective office premise.

DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

To fund our existing property projects and to finance our working capital requirements, we have borrowed money or incurred indebtedness from various financial institutions or trust companies and obtained financings through debt offerings. As of June 30, 2019, our total borrowings were RMB115,538.2 million (US$16,830.0 million). We have also incurred other borrowings after June 30, 2019. See "Summary — Recent Developments". We set forth below a summary of the material terms and conditions of these loans and other indebtedness.

Project Loan Agreements

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, primarily including without limitation, Bank of China, China Construction Bank, Agricultural Bank of China, Industrial and Commercial Bank of China, China Everbright Bank, China CITIC Bank, Industrial Bank, Hua Xia Bank, Ping An Bank, Bank of Communications, Bank of Dalian, Nanyang Commercial Bank, China Minsheng Bank, Bank of Jiangsu, Shenzhen Rural Commercial Bank, Guangzhou Rural Commercial Bank and Shengjing Bank. These loans typically are project loans to finance the construction of our projects (the "project loans") and with a term of one to ten years, which generally correspond to the construction periods of the particular projects.

Interest

The principal amounts outstanding under the project loans generally bear interest at floating rates calculated by reference to the relevant bank's benchmark interest rate per annum. Floating interest rates generally are subject to review by the banks annually. Interest payments generally are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of June 30, 2019, the effective interest rate on the aggregate outstanding amount of our project loans was 7.20% per annum.

Covenants

Under these project loans, some of our subsidiary borrowers have agreed, among other things, not to take the following actions without first notifying the lender and/or obtaining the lenders' prior consent:

- create encumbrances on any part of their properties or assets or deal with their assets in a way that may adversely affect their ability to repay their loans;
- grant guarantees to any third parties that may adversely affect their ability to repay their loans;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations or change the company's status, such as liquidation and dissolution;
- alter the nature or scope of their business operations in any material respect;
- incur additional debts;
- reduce their registered capital;
- transfer part or all of the liabilities under the loans to a third party;
- prepay the loan; or
- repay shareholder loans.

Dividend restriction

Pursuant to these project loans, certain of our PRC subsidiaries also agreed not to distribute any dividends:

- if the borrower's after-tax net profit is nil or negative;
- if the after-tax net profit is insufficient to cover losses in previous financial years;
- if the before-tax profit is not used to satisfy the relevant debt due during the same financial year;
- if the before-tax profit is insufficient to cover the principal, interest or other related expenses due in the next period;

- before the principal amount of and accrued interest on the relevant project loan have been timely or fully paid;
- before all the principal amount of and accrued interest with the relevant lending banks have been fully paid; or
- before obtaining written consent from the lender.

See "Risk Factors - Risks Relating to the Notes - Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries."

Guarantee and security

Certain of our PRC subsidiaries and associates have entered into guarantee or security agreements with the PRC banks in connection with some of the project loans pursuant to which these subsidiaries and associates have guaranteed or pledged certain of their properties and land use rights, share equity, account receivables, or deposits to secure the obligations of these subsidiary borrowers under these project loans.

Customer Guarantees

In line with industry practice, we provide guarantees to mortgagee banks in respect of mortgage loans taken out by purchasers of our properties. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Guarantees." As of June 30, 2019, the aggregate outstanding amount guaranteed was RMB33,077.1 million (US$4,818.2 million).

Trust Financing Loans

Certain of our PRC subsidiaries have entered into trust financing loan agreements with PRC trust companies (the "Trust Financing Loans"). These Trust Financing Loans typically have a term of half to three years. As of June 30, 2019, we had outstanding trust financing loans of an aggregate principal amount of RMB21,394.7 million (US$3,116.5 million).

Interest

The principal amounts outstanding under the trust financing loan agreements bear interest rates ranging from 8% to 16%, respectively, per annum. Interest payments generally are payable quarterly and must be made on each payment date as provided in the particular loan agreement.

Covenants

Under the Trust Financing Loans, our PRC subsidiary borrowers has agreed, among other things, not to take the following actions without first notifying the lender or obtaining the lenders' prior consent:

- change controlling shareholders;
- effect any consolidation, merger or spin-off;
- liquidate or dissolve such subsidiaries;
- grant guarantees to any third party that may adversely affect their ability to repay their loans;
- enter into any major asset acquisition or disposition;
- involve in any litigation or arbitration;
- alter the name of the company, scope of business operations, legal person or registered address;
- suffer any deterioration of business;
- take any other action which may adversely affect their ability to repay the loans; or
- repay shareholder loans.

Dividend restriction

Pursuant to these Trust Financing Loans, certain of our PRC subsidiaries also agreed not to distribute any dividends:

- if the borrower's after-tax net profit is nil or negative;
- if the after-tax net profit is insufficient to cover losses in previous financial years;

- if the before-tax profit is not used to satisfy the relevant debt due during the same financial year;
- if the before-tax profit is insufficient to cover the principal, interest or other related expenses due in the next period;
- before the principal amount of and accrued interest on the relevant project loan have been timely or fully paid; or
- before obtaining written consent from the lender.

See "Risk Factors - Risks Relating to the Notes - Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries."

Guarantee and security

Certain of our PRC subsidiaries have provided guarantees for, or pledged certain of their properties and land use rights, or pledged share equity to secure, the obligations of these subsidiary borrowers under these Trust Financing Loans.

Offshore Facility Agreements

We have entered into facility agreements for terms of up to two years with certain financial and non-financial institutions. As of the date of this offering memorandum, the aggregate outstanding amount of our offshore facilities was US$300.6 million.

Guarantee and Security

Our offshore facilities are unsecured or secured by certain accounts, shares or mortgage over certain property.

Interest

Our offshore facilities bear fixed interest or interest calculated with reference to the aggregate of the London Interbank Offered Rate.

Covenants

Our offshore facilities generally contain customary covenants and restrictions, including, among others, negative pledge on assets, financial covenants including consolidated net borrowings/loan-to value ratios.

Events of Default

These offshore facilities generally contain certain customary events of default, including nonpayment of principal or interest, cross default, insolvency and breaches of its terms. If an event of default occurs, all amounts outstanding including all interest accrued thereon may become immediately due and payable.

Debt Restructuring

On July 21, 2016, we effected a debt restructuring (the "Debt Restructuring") pursuant to a scheme of arrangement sanctioned by the Grand Court of the Cayman Islands and a scheme of arrangement sanctioned by the High Court of Hong Kong (collectively, the "Schemes or Arrangement"). Pursuant to the Debt Restructuring, our offshore debts, including our 2012 Notes, January 2013 Notes, March 2013 Notes, April 2013 Notes, 2014 Notes, Convertible Bonds and Original Offshore Facilities were exchanged for one of the following at the election of the holders:

- Series A-E Senior Notes, at an exchange ratio of 1.00000x, and contingent value rights (the "CVRs") with a notional value equal to 7.0% of the aggregate principal amount of the such notes issued to such holders. The holders of the 2012 Notes, January 2013 Notes, March 2013 Notes, April 2013 Notes, 2014 Notes and/or the Original Offshore Facilities who failed to submit a value election were deemed to have elected this option. Our Company and U.S. Bank National Association, as the CVR trustee, entered into a contingent value rights agreement (the "Contingent Value Rights Agreement") on July 21, 2016;
- Series A-E Senior Notes only, at an exchange ratio of 1.02598x; or

- Mandatorily Exchangeable Bonds, at an exchange ratio of 1.00000x, subject to a cut-back mechanism stipulated in the Schemes or Arrangement. Our Company, the Subsidiary Guarantors, U.S. Bank National Association, as the trustee of the Mandatorily Exchangeable Bonds and Citicorp International Limited, as the common security trustee, entered into a trust deed, pursuant to which we issued the Mandatorily Exchangeable Bonds on July 21, 2016. The holders of the Convertible Bonds who failed to submit a value election were deemed to have elected this option.

On June 30, 2017, the Company completed an exchange offer pursuant to which the Senior Notes Series A-E were exchanged for the 2020 Notes, the 2021 Noes, the 2022 Notes and the 2024 Notes. All remaining Senior Notes Series A-E have been redeemed on August 3, 2017.

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

2020 Notes

On June 30, 2017, we entered into an indenture (as amended or supplemented from time to time, the "2020 Indenture"). Pursuant to the 2020 Indenture, we issued an aggregate principal amount of US$285 million of the 2020 Notes on June 30, 2017 and have issued an aggregate principal amount of US$330 million of additional 2020 Notes on May 4, 2018. As of the date of this offering memorandum, we had an aggregate principal amount of US$540 million of the 2020 Notes outstanding.

Guarantee

The obligations pursuant to the 2020 Notes are guaranteed by our existing subsidiaries (the "2020 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the 2020 Indenture. Each of the 2020 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the 2020 Notes.

Interest

The 2020 Notes bear interests at 7.25% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2020 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing preferred stock;
- making investments or other restricted payments;
- paying dividends or making other distributions;
- repurchasing or redeeming capital stock;
- guaranteeing indebtedness;
- entering into certain transactions with affiliates;
- creating liens;
- entering into sale and leaseback transactions;
- selling assets;
- entering into agreements that restrict restricted subsidiaries' ability to pay dividends;
- issue and sell capital stock of restricted Subsidiaries;
- effect a consolidation or merger; and
- engaging in different business activities.

Events of Default

The 2020 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the 2020 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the 2020 Indenture or the holders of at least 25% of the outstanding 2020 Notes may declare the principal of the 2020 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding 2020 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2020 Notes is June 30, 2020.

At any time prior to June 30, 2020, we may at its option redeem the 2020 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2020 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to, the redemption date. Notice of such redemption must be mailed by first-class mail to each Holder's registered address, not less than 30 nor more than 60 days prior to the redemption date. Neither the Trustee nor any of the Agents shall be responsible for verifying or calculating the Applicable Premium.

At any time prior to June 30, 2020, we may redeem up to 35% of the aggregate principal amount of the 2020 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 107.25% of the principal amount of the 2020 Notes, plus accrued and unpaid interest, if any, to the redemption date; provided that at least 65% of the aggregate principal amount of the 2020 Notes issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Intercreditor Agreement

On June 30, 2017, the trustee for the 2020 Notes executed a supplement to the Intercreditor Agreement dated December 20, 2010 to become a secured party under the Intercreditor Agreement and to share the collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

2021 Notes

On June 30, 2017, we entered into an indenture (as amended or supplemented from time to time, the "2021 Indenture"). Pursuant to the 2021 Indenture, we issued an aggregate principal amount of US$225 million of the 2021 Notes on June 30, 2017 and have completed two tap issues since then. As of the date of this offering memorandum, we had an aggregate principal amount of US$575 million of the 2021 Notes outstanding.

Guarantee

The obligations pursuant to the 2021 Notes are guaranteed by our existing subsidiaries (the "2021 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the 2021 Indenture. Each of the 2021 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the 2021 Notes.

Interest

The 2021 Notes bear interests at 7.875% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2021 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing preferred stock;
- making investments or other restricted payments;

- paying dividends or making other distributions;
- repurchasing or redeeming capital stock;
- guaranteeing indebtedness;
- entering into certain transactions with affiliates;
- creating liens;
- entering into sale and leaseback transactions;
- selling assets;
- entering into agreements that restrict restricted subsidiaries' ability to pay dividends;
- issue and sell capital stock of restricted Subsidiaries;
- effect a consolidation or merger; and
- engaging in different business activities.

Events of Default

The 2021 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the 2021 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the 2021 Indenture or the holders of at least 25% of the outstanding 2021 Notes may declare the principal of the 2021 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding 2021 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2021 Notes is June 30, 2021.

At any time prior to June 30, 2021, we may at its option redeem the 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2021 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to, the redemption date. Notice of such redemption must be mailed by first-class mail to each Holder's registered address, not less than 30 nor more than 60 days prior to the redemption date. Neither the Trustee nor any of the Agents shall be responsible for verifying or calculating the Applicable Premium.

At any time prior to June 30, 2021, we may redeem up to 35% of the aggregate principal amount of the 2021 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 107.875% of the principal amount of the 2021 Notes, plus accrued and unpaid interest, if any, to the redemption date; provided that at least 65% of the aggregate principal amount of the 2021 Notes issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Intercreditor Agreement

On June 30, 2017, the trustee for the 2021 Notes executed a supplement to the Intercreditor Agreement dated December 20, 2010 to become a secured party under the Intercreditor Agreement and to share the collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

2022 Notes

On June 30, 2017, we entered into an indenture (as amended or supplemented from time to time, the ''2022 Indenture''). Pursuant to the 2022 Indenture, we issued an aggregate principal amount of US$820 million of the 2022 Notes on June 30, 2017 and have completed a tap issue since then. In May and June 2018, we made on-market repurchases of a principal amount of

US$85.0 million and US$23.0 million, respectively, of the 2022 Notes. As of the date of this offering memorandum, we had an aggregate principal amount of US$1,147.0 million of the 2022 Notes outstanding.

Guarantee

The obligations pursuant to the 2022 Notes are guaranteed by our existing subsidiaries (the ''2022 Subsidiary Guarantors'') other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the 2022 Indenture. Each of the 2022 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the 2022 Notes.

Interest

The 2022 Notes bear interests at 8.50% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2022 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing preferred stock;
- making investments or other restricted payments;
- paying dividends or making other distributions;
- repurchasing or redeeming capital stock;
- guaranteeing indebtedness;
- entering into certain transactions with affiliates;
- creating liens;
- entering into sale and leaseback transactions;
- selling assets;
- entering into agreements that restrict restricted subsidiaries' ability to pay dividends;
- issue and sell capital stock of restricted Subsidiaries;
- effect a consolidation or merger; and
- engaging in different business activities.

Events of Default

The 2022 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the 2022 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the 2022 Indenture or the holders of at least 25% of the outstanding 2022 Notes may declare the principal of the 2022 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding 2022 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2022 Notes is June 30, 2022.

At any time on or after June 30, 2021, we may redeem the 2022 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below, plus accrued and unpaid interest, if any, to the redemption date, if redeemed during the 12-month period commencing on June 30 of any year set forth below:

Period	Redemption Price
2020	104.250%
2021	102.125%

At any time prior to June 30, 2021, we may at its option redeem the 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2022 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to, the redemption date. Notice of such redemption must be mailed by first-class mail to each Holder's registered address, not less than 30 nor more than 60 days prior to the redemption date. Neither the Trustee nor any of the Agents shall be responsible for verifying or calculating the Applicable Premium.

At any time prior to June 30, 2021, we may redeem up to 35% of the aggregate principal amount of the 2022 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 108.50% of the principal amount of the 2022 Notes, plus accrued and unpaid interest, if any, to the redemption date; provided that at least 65% of the aggregate principal amount of the 2022 Notes issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Intercreditor Agreement

On June 30, 2017, the trustee for the 2022 Notes executed a supplement to the Intercreditor Agreement dated December 20, 2010 to become a secured party under the Intercreditor Agreement and to share the collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

2024 Notes

On June 30, 2017, we entered into an indenture (as amended or supplemented from time to time, the "2024 Indenture"). Pursuant to the 2024 Indenture, we issued an aggregate principal amount of US$2,120 million of the 2024 Notes on June 30, 2017 and have completed a tap issue since then. In May and June 2018, we made on-market repurchases of a principal amount of US$25.0 million and US$42.5 million, respectively, of the 2024 Notes. As of the date of this offering memorandum, we had an aggregate principal amount of US$3,051.5 million of the 2024 Notes outstanding.

Guarantee

The obligations pursuant to the 2024 Notes are guaranteed by our existing subsidiaries (the "2024 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the 2024 Indenture. Each of the 2024 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the 2024 Notes.

Interest

The 2024 Notes bear interests at 9.375% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2024 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing preferred stock;
- making investments or other restricted payments;
- paying dividends or making other distributions;
- repurchasing or redeeming capital stock;
- guaranteeing indebtedness;
- entering into certain transactions with affiliates;
- creating liens;
- entering into sale and leaseback transactions;
- selling assets;

- entering into agreements that restrict restricted subsidiaries' ability to pay dividends;
- issue and sell capital stock of restricted Subsidiaries;
- effect a consolidation or merger; and
- engaging in different business activities.

Events of Default

The 2024 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the 2024 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the 2024 Indenture or the holders of at least 25% of the outstanding 2024 Notes may declare the principal of the 2024 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding 2024 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2024 Notes is June 30, 2024.

At any time on or after June 30, 2021, we may redeem the 2024 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below, plus accrued and unpaid interest, if any, to the redemption date, if redeemed during the 12-month period commencing on June 30 of any year set forth below:

Period	Redemption Price
2021	104.688%
2022	102.344%
2023	101.172%

At any time prior to June 30, 2021, we may at its option redeem the 2024 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2024 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to, the redemption date. Notice of such redemption must be mailed by first-class mail to each Holder's registered address, not less than 30 nor more than 60 days prior to the redemption date. Neither the Trustee nor any of the Agents shall be responsible for verifying or calculating the Applicable Premium.

At any time prior to June 30, 2021, we may redeem up to 35% of the aggregate principal amount of the 2024 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 109.375% of the principal amount of the 2024 Notes, plus accrued and unpaid interest, if any, to the redemption date; provided that at least 65% of the aggregate principal amount of the 2024 Notes issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Intercreditor Agreement

On June 30, 2017, the trustee for the 2024 Notes executed a supplement to the Intercreditor Agreement dated December 20, 2010 to become a secured party under the Intercreditor Agreement and to share the collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

December 2019 Notes

On December 14, 2018, we entered into an indenture (as amended or supplemented from time to time, the "December 2019 Indenture"). Pursuant to the December 2019 Indenture, we issued an aggregate principal amount of US$300 million of the December 2019 Notes on December 14, 2018. As of the date of this offering memorandum, US$138,700,000 in aggregate principal amount of the December 2019 Notes is outstanding.

Guarantee

The obligations pursuant to the December 2019 Notes are guaranteed by our existing subsidiaries (the "December 2019 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the December 2019 Indenture. Each of the December 2019 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the December 2019 Notes.

Interest

The December 2019 Notes bear interests at 12.0% per annum, payable semi-annually in arrears on June 14, 2019 and December 14, 2019.

Covenants

Subject to certain conditions and exceptions, the December 2019 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing preferred stock;
- making investments or other restricted payments;
- paying dividends or making other distributions;
- repurchasing or redeeming capital stock;
- guaranteeing indebtedness;
- entering into certain transactions with affiliates;
- creating liens;
- entering into sale and leaseback transactions;
- selling assets;
- entering into agreements that restrict restricted subsidiaries' ability to pay dividends;
- issue and sell capital stock of restricted Subsidiaries;
- effect a consolidation or merger; and
- engaging in different business activities.

Events of Default

The December 2019 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the December 2019 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the December 2019 Indenture or the holders of at least 25% of the outstanding December 2019 Notes may declare the principal of the December 2019 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding December 2019 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the December 2019 Notes is December 14, 2019.

At any time prior to December 14, 2019, we may at our option redeem the December 2019 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes, plus the applicable premium as of, and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to December 14, 2019, we may redeem up to 35% of the aggregate principal amount of the December 2019 Notes with the Net Cash Proceeds of one or more sales of our Common Stock in an Equity Offering at a redemption price of 112% of the principal amount of the December 2019 Notes, plus accrued and unpaid interest, if any, to the redemption date.

Intercreditor Agreement

On December 14, 2018, the trustee for the December 2019 Notes executed a supplement to the Intercreditor Agreement dated July 21, 2016 to become a secured party under the Intercreditor Agreement and to share the collateral on a pari passu basis with the other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

2021 CB

On January 14, 2019, we entered into a trust deed (as amended or supplemented from time to time, the "2021 CB Trust Deed"). Pursuant to the 2021 CB Trust Deed, we issued an aggregate principal amount of US$100 million 2021 CB. As of the date of this offering memorandum, the entire principal amount of the 2021 CB remain outstanding.

Guarantee

The obligations pursuant to the 2021 CB are guaranteed by our existing subsidiaries (the "2021 CB Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries. Each of the 2021 CB Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the 2021 CB.

Interest

The 2021 CB bear interest at 10.50% per annum, payable semi-annually in arrears.

Covenants

We have agreed, among other things, that we will not (and save for certain exceptions or permitted cases), create or agree to create or permit to arise or subsist any encumbrance on our present or future undertaking, properties, assets, rights or revenues. We are also required to comply with covenants under other Senior Notes.

Events of Default

The 2021 CB Trust Deed contains customary events of default, including default in the payment of principal of (or any premium on) the 2021 CB when such payments become due and default in payment of interest.

Maturity and Redemption

The maturity date of the 2021 CB is July 14, 2021.

At any time prior to the maturity date, we may redeem, in whole but not in part, the outstanding 2021 CB at their principal amount, together with any accrued but unpaid interest to the date of redemption, provided that more than 90% in principal amount of the 2021 CB originally issued (including any further 2021 CB issued) has already been converted, redeemed or purchased and cancelled.

Intercreditor Agreement

On January 14, 2019, the trustee for the 2021 CB executed a supplement to the Intercreditor Agreement dated as of July 21, 2016 to become a secured party under the Intercreditor Agreement and to share the collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

February 2021 Notes

On February 26, 2019, we entered into an indenture (as amended or supplemented from time to time, the "February 2021 Indenture"). Pursuant to the February 2021 Indenture, we issued an aggregate principal amount of US$400 million of the February 2021 Notes on February 26, 2019. As of the date of this offering memorandum, the entire principal amount of the February 2021 Notes is outstanding.

Guarantee

The obligations pursuant to the February 2021 Notes are guaranteed by our existing subsidiaries (the "February 2021 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the February 2021 Indenture. Each of the February 2021 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the February 2021 Notes.

Interest

The February 2021 Notes bear interests at 11.75% per annum, payable semi-annually in arrears on February 26 and August 26, commencing August 26, 2019.

Covenants

Subject to certain conditions and exceptions, the February 2021 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing preferred stock;
- making investments or other restricted payments;
- paying dividends or making other distributions;
- repurchasing or redeeming capital stock;
- guaranteeing indebtedness;
- entering into certain transactions with affiliates;
- crating liens;
- entering into sale and leaseback transactions;
- selling assets;
- entering into agreements that restrict restricted subsidiaries' ability to pay dividends;
- issue and sell capital stock of restricted subsidiaries;
- effect a consolidation or merger; and
- engaging in different business activities.

Events of Default

The February 2021 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the February 2021 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the February 2021 Indenture or the holders of at least 25% of the outstanding February 2021 Notes may declare the principal of the February 2021 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding February 2021 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the February 2021 Notes is February 26, 2021. At any time prior to February 26, 2021, we may at our option redeem the February 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the February 2021 Notes, plus the applicable premium as of, and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to February 26, 2021, we may redeem up to 35% of the aggregate principal amount of the February 2021 Notes with the Net Cash Proceeds of one or more sales of our Common Stock at a redemption price of 111.75% of the principal amount of the February 2021 Notes, plus accrued and unpaid interest, if any, to the redemption date.

Intercreditor Agreement

On February 26, 2019, the trustee for the February 2021 Notes executed a supplement to the Intercreditor Agreement dated July 21, 2016 to become a secured party under the Intercreditor Agreement and to share the collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

April 2022 Notes

On April 9, 2019, we entered into an indenture (as amended or supplemented from time to time, the "April 2022 Indenture"). Pursuant to the April 2022 Indenture, we issued an aggregate principal amount of US$350 million of the April 2022 Notes on April 9, 2019 and have completed a tap since then. As of the date of this offering memorandum, an aggregate principal amount of US$550.0 million of the April 2022 Notes is outstanding.

Guarantee

The obligations pursuant to the April 2022 Notes are guaranteed by our existing subsidiaries (the "April 2022 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the April 2022 Indenture. Each of the April 2022 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the April 2022 Notes.

Interest

The April 2022 Notes bear interests at 11.25% per annum, payable semi-annually in arrears on April 9 and October 9, commencing October 9, 2019.

Covenants

Subject to certain conditions and exceptions, the April 2022 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing preferred stock;
- making investments or other restricted payments;
- paying dividends or making other distributions;
- repurchasing or redeeming capital stock;
- guaranteeing indebtedness;
- entering into certain transactions with affiliates;
- creating liens;
- entering into sale and leaseback transactions;
- selling assets;
- entering into agreements that restrict restricted subsidiaries' ability to pay dividends;
- issue and sell capital stock of restricted subsidiaries;
- effect a consolidation or merger; and
- engaging in different business activities.

Events of Default

The April 2022 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the April 2022 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the April 2022 Indenture or the holders of at least 25% of the outstanding April 2022 Notes may declare the principal of the April 2022 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding April 2022 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the April 2022 Notes is April 9, 2022. At any time and from time to time on or after April 9, 2021, we may at our option redeem the April 2022 Notes, in whole or in part, at a redemption price of 103% of the principal amount of the April 2022 Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time prior to April 9, 2021, we may at our option redeem the April 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the April 2022 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to April 9, 2021, we may redeem up to 35% of the aggregate principal amount of the April 2022 Notes with the net cash proceeds of one or more sales of our common stock in an equity offering at a redemption price of 111.25% of the principal amount of the April 2022 Notes, plus accrued and unpaid interest, if any, to the redemption date.

Intercreditor Agreement

On April 9, 2019, the trustee for the April 2022 Notes executed a supplement to the Intercreditor Agreement dated July 21, 2016 to become a secured party under the Intercreditor Agreement and to share the collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

January 2023 Notes

On May 30, 2019, we entered into an indenture (as amended or supplemented from time to time, the "January 2023 Indenture"). Pursuant to the January 2023 Indenture, we issued an aggregate principal amount of US$400 million of the January 2023 Notes on May 30, 2019 have completed a tap since then. As of the date of this offering memorandum, an aggregate principal amount of US$700.0 million of the January 2023 Notes is outstanding.

Guarantee

The obligations pursuant to the January 2023 Notes are guaranteed by our existing subsidiaries (the "January 2023 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the January 2023 Indenture. Each of the January 2023 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium and interest on, and all other amounts payable under, the January 2023 Notes.

Interest

The January 2023 Notes bear interests at 11.5% per annum, payable semi-annually in arrears on January 30 and July 30, commencing January 30, 2020 except that the first payment of interest, to be made on January 30, 2020, will be in respect of the period from and including May 30, 2019 to but excluding January 30, 2020.

Covenants

Subject to certain conditions and exceptions, the January 2023 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing preferred stock;
- making investments or other restricted payments;
- paying dividends or making other distributions;
- repurchasing or redeeming capital stock;
- guaranteeing indebtedness;
- entering into certain transactions with affiliates;
- creating liens;
- entering into sale and leaseback transactions;
- selling assets;
- entering into agreements that restrict restricted subsidiaries' ability to pay dividends;
- issue and sell capital stock of restricted subsidiaries;
- effect a consolidation or merger; and
- engaging in different business activities.

Events of Default

The January 2023 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the January 2023 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the January 2023 Indenture or the holders of at least 25% of the outstanding January 2023 Notes may declare the principal of the January 2023 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding January 2023 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the January 2023 Notes is January 30, 2023. At any time and from time to time on or after May 30, 2021, we may at our option redeem the January 2023 Notes, in whole or in part, at redemption price of 103% of the principal amount of the January 2023 Notes plus accrued and unpaid interest, if any to (but not including) the redemption date. At any time prior to May 30, 2021, we may at our option redeem the January 2023 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the January 2023 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to May 30, 2021, we may redeem up to 35% of the aggregate principal amount of the January 2023 Notes with the net cash proceeds of one or more sales of our common stock in an equity offering at a redemption price of 111.5% of the principal amount of the January 2023 Notes, plus accrued and unpaid interest, if any, to the redemption date.

Intercreditor Agreement

On May 30, 2019, the trustee for the January 2023 Notes executed a supplement to the Intercreditor Agreement dated July 21, 2016 to become a secured party under the Intercreditor Areement and to share the collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

July 2023 Notes Or the Original Notes

On July 23, 2019, we entered into an indenture (as amended or supplemented from time to time, the "July 2023 Indenture"). Pursuant to the July 2023 Indenture, we issued an aggregate principal amount of US$300 million of the July 2023 Notes on July 23, 2019. As of the date of this offering memorandum, the entire principal amount of the July 2023 Notes remain outstanding. See "Description of the Notes."

October 2022 Notes

On October 22, 2019, we entered into an indenture (as amended or supplemented from time to time, the "October 2022 Indenture"). Pursuant to the October 2022 Indenture, we issued an aggregate principal amount of US$400 million of the October 2022 Notes on October 22, 2019 and an aggregate principal amount of US$200 million of the Additional October 2022 Notes on November 1, 2019. As of the date of this offering memorandum, an aggregate principal amount of US$600 million of the October 2022 Notes is outstanding.

Guarantee

The obligations pursuant to the October 2022 Notes are guaranteed by our existing subsidiaries (the "October 2022 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the October 2022 Indenture. Each of the October 2022 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the October 2022 Notes.

Interest

The October 2022 Notes bear interest at 11.95% per annum, payable semi-annually in arrears on April 22 and October 22, commencing April 22, 2020.

Covenants

Subject to certain conditions and exceptions, the October 2022 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing preferred stock;
- making investments or other restricted payments;
- paying dividends or making other distributions;
- repurchasing or redeeming capital stock;
- guaranteeing indebtedness;
- entering into certain transactions with affiliates;
- creating liens;
- entering into sale and leaseback transactions;
- selling assets;
- entering into agreements that restrict restricted subsidiaries' ability to pay dividends;
- issue and sell capital stock of restricted subsidiaries;
- effect a consolidation or merger; and
- engaging in different business activities.

Events of Default

The October 2022 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the October 2022 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the October 2022 Indenture or the holders of at least 25% of the outstanding October 2022 Notes may declare the principal of the October 2022 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding October 2022 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the October 2022 Notes is October 22, 2022. At any time and from time to time on or after October 22, 2021, we may at our option redeem the October 2022 Notes, in whole or in part, at a redemption price of 103% of the principal amount of the October 2022 Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time prior to October 22, 2021, we may at our option redeem the October 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the October 2022 Notes plus the applicable premium, as of, and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to October 22, 2021, we may redeem up to 35% of the aggregate principal amount of the October 2022 Notes with the net cash proceeds of one or more sales of our common stock in an equity offering at a redemption price of 111.95% of the principal amount of the October 2022 Notes, plus accrued and unpaid interest, if any, to the redemption date.

Intercreditor Agreement

On October 22, 2019, the trustee for the October 2022 Notes executed a supplement to the Intercreditor Agreement dated July 21, 2016 to become a secured party under the Intercreditor Agreement and to share the collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes", the term "Company" refers only to Kaisa Group Holdings Ltd., a company incorporated with limited liability under the laws of the Cayman Islands, and any successor obligor on the Notes, and not to any of its Subsidiaries. Each Subsidiary of the Company which guarantees the Notes is referred to as a "Subsidiary Guarantor", and each such guarantee is referred to as a "Subsidiary Guarantee". Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee (as defined below) is referred to as a "JV Subsidiary Guarantor".

The New Notes are to be issued under the indenture (the "Indenture"), dated as of July 23, 2019, among the Company, the initial Subsidiary Guarantors, as guarantors, and Citicorp International Limited, as trustee (the "Trustee").

The additional notes issued pursuant to this offering memorandum (the "New Notes") shall constitute a further issuance of, and be fungible with and be consolidated and form a single series with, the US$300,000,000 10.875% Senior Notes due 2023 issued by the Company on July 23, 2019 (the "Original Notes", and together with the New Notes, the "Notes"). The New Notes have the same terms and conditions as the Original Notes in all respects except for issue date and issue price.

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Security Documents and the Intercreditor Agreement. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Security Documents and the Intercreditor Agreement. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture are available for inspection during normal office hours at the corporate trust office of the Trustee at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

Brief Description of the Notes

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described below under the caption "— The Subsidiary Guarantees and JV Subsidiary Guarantees" and in "Risk Factors— Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral";
- effectively subordinated to the secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the collateral serving as security therefor (other than the Collateral); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (defined below).

In addition, on the Original Issue Date, subject to the limitations described in "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral", the Notes will be secured by a pledge of the Collateral as described below under the caption "— Security" and will:

- be entitled to a lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement); and
- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Notes will mature on July 23, 2023, unless earlier redeemed pursuant to the terms thereof and the Indenture (the "Maturity Date").

The Indenture allows additional Notes to be issued from time to time (the "Additional Notes"), subject to certain limitations described under "— Further Issues". Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of the Notes" include any Additional Notes that are actually issued. The Notes will bear interest at 10.875% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on January 23 and July 23, commencing January 23, 2020 (each an "Interest Payment Date").

Interest on the Notes will be paid to Holders of record at the close of business on January 8 and July 8 immediately preceding an Interest Payment Date (each, a "Record Date"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. So long as the Notes are held in global form, each payment in respect of the Global Note will be made to the person shown as the holder of the Notes in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except December, 25 and January, 1. In any case in which the date of the payment of principal of or premium (if any) or interest on the Notes is not a Business Day in the relevant place of payment, then payment of principal or premium (if any) or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date. Interest on the Notes will be calculated on the basis of a 360 day year comprised of twelve 30-day months.

The Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the specified office of the Paying Agent), and the Notes may be presented for registration of transfer or exchange at such office or agency; provided that, if the Notes are in definitive form and the Company acts as its own paying agent, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register or by wire transfer. Interest payable on the Notes held through Euroclear and Clearstream will be available to Euroclear and Clearstream participants (as defined herein) on the Business Day following payment thereof.

The Subsidiary Guarantees and JV Subsidiary Guarantees

As of the date of the Indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries" other than Kaisa Property Holdings Limited, Kaisa Ventures Limited, Dragon Range Holdings Limited and Star Joy Holdings Limited. However, under the circumstances described below under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries", the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries". The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture and will not guarantee the Notes.

On the Original Issue Date, the initial Subsidiary Guarantors will be Chang Ye Investment Company Limited (昌業投資有限公司), Da Hua Investment Company Limited (大華投資有限公司), Dong Chang Investment Company Limited (東昌投資有限公司), Dong Sheng Investment Company Limited (東升投資有限公司), Guang Feng Investment Company Limited (廣豐投資有限公司), Heng Chang Investment Company Limited (恒昌投資有限公司), Jie Feng Investment Company Limited (捷豐投資有限公司), Jin Chang Investment Company Limited (進昌投資有限公司), Rong Hui Investment Company Limited (榮輝投資有限公司), Rui Jing Investment Company Limited (瑞景投資有限公司), Tai He Xiang Investment Company Limited (泰和詳投資有限公司), Ye Chang Investment Company Limited (葉昌投資有限公司), Zheng Zhong Tian Investment Company Limited (正中天投資有限公司), Tai He Sheng Investment Company Limited (泰和盛投資有限公司), Tai An Da Investment Company Limited (泰安達投資有限公司), Tai Chang Jian Investment Company Limited (泰昌建投資有限公司), Tai Chong Fa Investment Company

Limited (泰昌發投資有限公司), Tai Chong Li Investment Company Limited (泰昌利投資有限公司), Bakai Investments Limited (八凱投資有限公司), Yifa Trading Limited (益發貿易有限公司), Advance Guard Investments Limited (先驅投資有限公司), Victor Select Limited (凱擇有限公司), Central Broad Limited (中博有限公司), Guo Cheng Investments Limited (國承投資有限公司), Ri Xiang Investments Limited (日翔投資有限公司), Yin Jia Investments Limited (銀佳投資有限公司), Jet Smart Global Development Limited (捷利環球發展有限公司), Apex Walk Limited (崴行有限公司), Vast Wave Limited (廣濤有限公司), Fulbright Financial Group (Enterprise) Limited (富昌金融集團(企業)有限公司), Fulbright Financial Group (Development) Limited (富昌金融集團(發展)有限公司), Kaisa Investment Consulting Limited, Cornwell Holdings (Hong Kong) Limited, Goldenform Company Limited, Hong Kong Jililong Industry Co., Limited, Kaisa Holdings Limited, Leisure Land Hotel Management (China) Limited, Regal Silver Manufacturing Limited, Success Take International Limited, Woodland Height Holdings Limited, Yi Qing Investment Company Limited, Yong Rui Xiang Investment Company Limited, Zhan Zheng Consulting Company Limited, Kaisa Investment (China) Limited, Wan Rui Fa Investment Company Limited, Wan Rui Chang Investment Company Limited, Wan Tai Chang Investment Company Limited, Wan Jin Chang Investment Company Limited, Multi-Shiner Limited, Hong Kong Kaisa Industry Co., Limited, Bakai Investments (Hong Kong) Limited, Topway Asia Group Limited, Kaisa Financial Group (China) Company Limited, Hong Kong Kaisa Trading Limited, Hong Kong Wanyuchang Trading Limited, Hong Kong Zhaoruijing Trading Limited, Central Broad (Hong Kong) Investment Limited, Guo Cheng (Hong Kong) Investment Limited, Ri Xiang (Hong Kong) Investment Limited, Yin Jia (Hong Kong) Investment Limited, Rich Tech Hong Kong Investment Limited, Apex Walk (Hong Kong) Limited, Vast Wave (Hong Kong) Limited and Fulbright Financial Group (Hong Kong) Limited. Other than the initial Subsidiary Guarantors, none of the Company's other Restricted Subsidiaries organized outside of the PRC (the "Other Non-Guarantor Subsidiaries") and the Restricted Subsidiaries organized under the laws of the PRC (the "PRC Non-Guarantor Subsidiaries," and together with the Other Non-Guarantor Subsidiaries, the "Existing Non-Guarantor Subsidiaries") will be a Subsidiary Guarantor on the Original Issue Date. The initial Subsidiary Guarantors do not have significant operations or assets.

None of the existing or future Restricted Subsidiaries organized under the laws of the PRC or any Exempted Subsidiaries will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee on the Original Issue Date or at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that the Restricted Subsidiaries organized under the laws of the PRC may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company. See "Risk Factors — Risks Relating to the Notes — We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries".

As of June 30, 2019,

- the Company and its consolidated subsidiaries had approximately RMB115,538.2 million (US$16,830.0 million) of consolidated indebtedness outstanding, of which approximately RMB107,375.4 million (US$15,641.0 million) was secured;
- the Company and the Subsidiary Guarantors (excluding Zhan Zheng Consulting Company Limited, Cornwell Holdings (Hong Kong) Limited and Central Broad (Hong Kong) Investment Limited) had approximately RMB67,769.1 million (US$9,871.7 million) of secured indebtedness outstanding; and
- the Non-Guarantor Subsidiaries (plus Zhan Zheng Consulting Company Limited, Cornwell Holdings (Hong Kong) Limited and Central Broad (Hong Kong) Investment Limited) had approximately RMB47,769.1 million (US$6,958.3 million) of consolidated indebtedness and other liabilities outstanding owed to third parties.

In addition, as of June 30, 2019, the Non-Guarantor Subsidiaries (plus Zhan Zheng Consulting Company Limited, Cornwell Holdings (Hong Kong) Limited and Central Broad (Hong Kong) Investment Limited) had approximately RMB50,837.3 million (US$7,405.3 million) of capital commitments and RMB33,077.1 million (US$4,818.2 million) of financial guarantees.

In addition, the Company is in the process of designating Zhan Zheng Consulting Company Limited, Cornwell Holdings (Hong Kong) Limited and Central Broad (Hong Kong) Investment Limited (together, the "Target Subsidiaries"), which are guarantors under the Original Notes and the Existing Notes other than the October 2022 Notes and the November 2023 Notes (such existing notes, the "Target Notes"), as Unrestricted Subsidiaries under and pursuant to the respective provisions under the indentures (the "Target Indentures") governing the Target Notes. Upon the designation of the Target Subsidiaries as Unrestricted Subsidiaries under the Target Indentures, (i) the Target Subsidiaries will no longer guarantee the Target Notes, including the Original Notes, and (ii) the security created in respect of the Capital Stock of the Target Subsidiaries will be released under the Target Indentures, including the Indenture. The Company expects to complete such designation and release on or before the settlement date. The Target Subsidiaries will not provide guarantee for the Additional Notes. Also See "Risk Factors — Risks relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The pledge of certain Collateral may be released under certain circumstances".

The Company will cause each of its future Subsidiaries (other than Subsidiaries organized under the laws of the PRC or Exempted Subsidiaries), as soon as practicable after such Subsidiary becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary (and its Restricted Subsidiaries) organized outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary (the "New Non-Guarantor Subsidiary" and, together with the Existing Non-Guarantor Subsidiaries, the "Non-Guarantor Subsidiaries"); provided that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 20% of Total Assets. Each Subsidiary of the Company that guarantees the Notes after the Original Issue Date other than through a JV Subsidiary Guarantee is referred to as a "Future Subsidiary Guarantor" and, upon execution of the applicable supplemental indenture to the Indenture, will be a "Subsidiary Guarantor".

In the case of a Restricted Subsidiary that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date or any entity (1) that is incorporated in any jurisdiction other than the PRC and (2) in respect of which the Company or any Restricted Subsidiary (x) in the case of a Restricted Subsidiary, is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Restricted Subsidiary or (y) in the case of any other entity, is proposing to purchase the Capital Stock of such entity such that it becomes a Subsidiary and designate such entity as a Restricted Subsidiary, the Company may, concurrently with or as soon as practicable after the consummation of such sale or purchase, provide a JV Subsidiary Guarantee instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC (other than Exempted Subsidiaries), if the following conditions are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee, no document exists that is binding on the Company or any such Restricted Subsidiary that would have the effect of (1) prohibiting the Company or any such Restricted Subsidiary from providing such JV Subsidiary Guarantee or (2) requiring the Company or any Restricted Subsidiary to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is made from, an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock;
- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee and, if applicable, the Common Security Trustee (as defined below):

  (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor (the "JV Subsidiary Guarantee") and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC (other than Exempted Subsidiaries) and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the

Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

(ii) a duly executed Security Document that pledges in favor of the Common Security Trustee on behalf of the Trustee and the holders of the Notes the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;

(iii) an Officers' Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

(iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is legal, valid, binding and enforceable against the JV Subsidiary Guarantor providing the JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

The JV Subsidiary Guarantee of any JV Subsidiary Guarantor:

- is a general obligation of such JV Subsidiary Guarantor;
- is enforceable only up to the JV Entitlement Amount;
- is effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is limited to the JV Entitlement Amount, and senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee;
- is limited to the JV Entitlement Amount, and ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

In addition, subject to the limitations described in "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral", the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor:

- will be entitled to a security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption "— Security"; and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The JV Subsidiary Guarantee of any JV Subsidiary Guarantor will not be secured.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantors will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; provided that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture and any supplemental indenture to the Indenture, as applicable, each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. Each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantee and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee could be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees".

Release of the Subsidiary Guarantees and JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under "— Defeasance — Defeasance and Discharge";
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, disposition or merger of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants described under the captions "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries", "— Certain Covenants — Limitation on Asset Sales", and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, disposition or merger are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or

- in the case of a Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary, in compliance with the terms of the Indenture.

In the case of a Subsidiary Guarantor with respect to which the Company or any Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with or as soon as practicable after the consummation of such sale or issuance of Capital Stock, (a) instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC will become "New Non-Guarantor Subsidiaries" (such that each New Non-Guarantor Subsidiary will no longer guarantee the Notes) and (b) instruct the Common Security Trustee to (i) discharge the pledge of the Capital Stock granted by each such New Non-Guarantor Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in such New Non-Guarantor Subsidiary (in each case, without any requirement to seek the consent or approval of the Holders of the Notes), provided that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including the New Non-Guarantor Subsidiaries) do not account for more than 20% of Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if as of the date of such proposed release, no document exists that is binding on the Company or any Restricted Subsidiary that would have the effect of (a) prohibiting the Company or any Restricted Subsidiary from releasing such Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale or issuance by the Company or any Restricted Subsidiary of Capital Stock in (x) such Subsidiary Guarantor or (y) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20% of the issued Capital Stock of the relevant Subsidiary Guarantor, provided that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or any such Restricted Subsidiary that would have the effect of (1) prohibiting the Company or any such Restricted Subsidiary from releasing such Subsidiary Guarantee or (2) requiring the Company or any such Restricted Subsidiary to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock;
- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee and, if applicable, the Common Security Trustee:
  - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
  - (ii) a duly executed Security Document that pledges in favor of the Common Security Trustee on behalf of the Trustee and the holders of the Notes the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;

(iii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantees have been approved by a majority of the disinterested members of the Board of Directors; and

(iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is legal, valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including the "Limitation on Asset Sales" and "Limitation on Restricted Payments" covenants.

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officers' Certificate stating that all requirements relating to such release have been complied with and that such release is authorized and permitted by the terms of the Indenture.

Security

Each of the Company and the initial Subsidiary Guarantor Pledgors has pledged the Capital Stock of the initial Subsidiary Guarantors (the "Collateral") owned by it (subject to Permitted Liens and the Intercreditor Agreement) in order to secure the obligations of the Company and such Subsidiary Guarantor Pledgor under the Existing Notes. On the Original Issue Date, the Trustee executed a supplement to and became a party to the Intercreditor Agreement, at which time the Trustee became a Secured Party (as defined below) under the Intercreditor Agreement, and the Holders of the Notes issued on the Original Issue Date was entitled to share in the benefit of the pledge of such Capital Stock on a *pari passu* basis with the holders of the Existing Notes and the holders of any other Permitted Pari Passu Secured Indebtedness. See "— *Intercreditor Agreement*". Notwithstanding the above, the Capital Stock of the Target Subsidiaries has not been pledged to secure the obligations of the Company and the subsidiary guarantors under the October 2022 Notes.

The initial Subsidiary Guarantor Pledgors are Chang Ye Investment Company Limited (昌業投資有限公司), Da Hua Investment Company Limited (大華投資有限公司), Dong Chang Investment Company Limited (東昌投資有限公司), Dong Sheng Investment Company Limited (東升投資有限公司), Guang Feng Investment Company Limited (廣豐投資有限公司), Heng Chang Investment Company Limited (恒昌投資有限公司), Jie Feng Investment Company Limited (捷豐投資有限公司), Jin Chang Investment Company Limited (進昌投資有限公司), Rong Hui Investment Company Limited (榮輝投資有限公司), Rui Jing Investment Company Limited (瑞景投資有限公司), Tai An Da Investment Company Limited (泰安達投資有限公司), Tai Chang Jian Investment Company Limited (泰昌建投資有限公司), Tai Chong Fa Investment Company Limited (泰昌發投資有限公司), Tai Chong Li Investment Company Limited (泰昌利投資有限公司), Tai He Sheng Investment Company Limited (泰和盛投資有限公司), Tai He Xiang Investment Company Limited (泰和詳投資有限公司), Zheng Zhong Tian Investment Company Limited (正中天投資有限公司), Bakai Investments Limited (八凱投資有限公司), Yifa Trading Limited (益發貿易有限公司), Kaisa Holdings Limited, Central Broad Limited (中博有限公司), Guo Cheng Investments Limited (國承投資有限公司), Ri Xiang Investments Limited (日翔投資有限公司), Yin Jia Investments Limited (銀佳投資有限公司), Jet Smart Global Development Limited (捷利環球發展有限公司), Apex Walk Limited (崴行有限公司), Vast Wave Limited (廣濤有限公司), Fulbright Financial Group (Enterprise) Limited (富昌金融集團(企業)有限公司) and Fulbright Financial Group (Development) Limited (富昌金融集團(發展)有限公司).

None of the Capital Stock of the Non-Guarantor Subsidiaries was pledged on the Original Issue Date or will be pledged at any time thereafter (unless they cease to be Non-Guarantor Subsidiaries). In addition, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future. If any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned by the Company or any Subsidiary Guarantor will be pledged to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, none of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Restricted Subsidiaries as security in favor of the Common Security Trustee.

The Company has also agreed, for the benefit of the holders of the Notes, to pledge, or cause each Subsidiary Guarantor to pledge, the Capital Stock owned directly by the Company or such Subsidiary Guarantor of any Person that becomes a Subsidiary Guarantor or JV Subsidiary Guarantor after the Original Issue Date, as soon as practicable after such Person becomes a Subsidiary Guarantor or JV Subsidiary Guarantor, to secure (subject to Permitted Liens) the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above.

Each Subsidiary Guarantor that pledges Capital Stock of a Restricted Subsidiary after the Original Issue Date is referred to as a "Future Subsidiary Guarantor Pledgor" and, upon giving such pledge, will be a "Subsidiary Guarantor Pledgor".

The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the Company's and the Subsidiary Guarantor Pledgors' obligations under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and other Permitted Pari Passu Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture, the Security Documents and the Intercreditor Agreement. See "Security — Release of Security" and "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the Notes and other pari passu secured indebtedness".

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture, the Intercreditor Agreement and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the Notes or the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

Permitted Pari Passu Secured Indebtedness

On or after the Original Issue Date, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor and any Pari Passu Guarantee with respect to such Indebtedness (such Indebtedness of the Company or any Subsidiary Guarantor and any such Pari Passu Guarantee, "Permitted Pari Passu Secured Indebtedness"); provided that (i) the Company or such Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant under the caption "Limitation on Indebtedness and Preferred Stock", (ii) the holders (or their representative) of such Indebtedness (other than Additional Notes) become party to the Intercreditor Agreement referred to below, (iii) the agreement in respect of such Indebtedness contains provisions with respect to releases of Collateral and such Pari Passu Guarantee substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor than the provisions of the Indenture and the Security Documents, and (iv) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee and/or the Common Security Trustee (defined below) an Opinion of Counsel and an Officers' Certificate, each with respect to corporate and collateral matters in connection with the Security Documents, stating that either (x) all necessary actions have been taken with respect to the recording, registering and filing of the Security Documents or (y) no such action is necessary to make such Lien effective. The Trustee and/or the Common Security Trustee, as the case may be, will be permitted and authorized, without the consent of any Holder, to enter into any amendments to the Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this paragraph (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the Holders and the holders of Permitted Pari Passu Secured Indebtedness).

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

Intercreditor Agreement

The Company, the Subsidiary Guarantor Pledgors, Citicorp International Limited, as the shared security agent (the "Common Security Trustee") and other secured parties thereto, have entered into an amended and restated intercreditor agreement dated July 21, 2016 (such intercreditor agreement, as so supplemented and amended from time to time, the "Intercreditor Agreement"), to which the Trustee acceded on the Original Issue Date. Pursuant to the Intercreditor Agreement, the Existing Notes Trustee and the Trustee agree to (1) share the Collateral on an equal and ratable basis, (2) the conditions that are applicable to the release of or granting of any Lien on such Collateral, and (3) the conditions under which their rights with respect to such Collateral and the Indebtedness secured thereby will be enforced. Notwithstanding the above, the Capital Stock of the Target Subsidiaries has not been pledged to secure the obligations of the Company and the subsidiary guarantors under the October 2022 Notes.

In connection with any future Permitted Pari Passu Secured Indebtedness (other than Additional Notes), the holders of such Permitted Pari Passu Secured Indebtedness (or their representative) will accede to the Intercreditor Agreement and become parties to it. The Common Security Trustee, the Trustee, the Existing Notes Trustee and the holders of future Permitted Pari Passu Secured Indebtedness (or their representative) are collectively referred to as the "Secured Parties".

By accepting the Notes, each Holder shall be deemed to have consented to the execution of the Intercreditor Agreement, any supplements, amendments or modifications thereto, and any future intercreditor agreement required and permitted under the Indenture.

Enforcement of Security

The lien securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors will be granted to the Common Security Trustee. The Common Security Trustee, subject to the Intercreditor Agreement, will hold such Liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by the Trustee (acting in accordance with written instruction of the Holders) and subject to receiving indemnity and/or security to its satisfaction to exercise remedies under the Security Documents. The Common Security Trustee has agreed to act as secured party on behalf of the Holders and the Trustee under the applicable Security Documents, to follow the instructions provided to it under the Indenture, the Security Documents and the Intercreditor Agreement and to carry out certain other duties.

The Indenture and/or the Security Documents principally provide that, at any time while the Notes are outstanding, the Common Security Trustee has the right to manage, perform and enforce the terms of the Security Documents relating to the Collateral and to exercise and enforce all privileges, rights and remedies thereunder according to its direction, including to take or retake control or possession of such Collateral and to hold, prepare for sale, process, lease, dispose of or liquidate such Collateral, including, without limitation, following the occurrence of an Event of Default under the Indenture.

The Intercreditor Agreement will provide, among other things, that any Secured Party may instruct the Common Security Trustee to enforce the Collateral and to deliver a notice of enforcement to the Company and the applicable Subsidiary Guarantor Pledgor (such instructions, the "Enforcement Instructions"). Upon receipt of an Enforcement Instruction from any Secured Party, the Common Security Trustee will provide a copy of such Enforcement Instruction and notice of enforcement to the Company and the other Secured Parties. If (a) the Common Security Trustee identifies a conflict (i) between Secured Parties' interests in connection with any Enforcement Instruction or (ii) in the event that each of the Secured Parties issues Enforcement Instructions, between those Enforcement Instructions, and (b) the Common Security Trustee believes in its sole discretion that the interests of the Secured Parties would be in conflict upon the exercise of those Enforcement Instructions, or that compliance with an Enforcement Instruction would cause the Common Security Trustee to contravene another Enforcement Instruction, the Common Security Trustee shall notify each Secured Party in writing not more than five Business

Days after it becomes aware of such conflict. In such circumstances, the Common Security Trustee is not obligated to take any action if it identifies such conflict.

The Intercreditor Agreement provides that any proceeds from any sale, collection, liquidation or enforcement of the Collateral shall be distributed by the Common Security Trustee in accordance with the terms of the Intercreditor Agreement and subject to the conditions of the relevant Security Document. Such proceeds shall be applied as follows:

first, to the Common Security Trustee for any unpaid fees, costs and expenses (including any indemnity expenses) reasonably incurred thereunder;

second, pro rata to each of the Trustee, the Existing Notes Trustee and any agent, trustee or representative as a secured party for any series of Permitted Pari Passu Secured Indebtedness for any unpaid fees, costs and expenses (including any indemnity expenses) reasonably incurred under the applicable secured party document;

third, pro rata to each of the Trustee for the benefit of the Holders, the Existing Notes Trustee for the benefit of holders of the Existing Notes and, to the extent applicable, to holders of Permitted Pari Passu Secured Indebtedness (or their representative for the benefit of such holders) in accordance with the terms of the applicable secured party document; and

fourth, any surplus remaining after such payments will be paid to the Company, the Subsidiary Guarantor Pledgors or to whomever may be lawfully entitled thereto.

The Trustee and/or the Common Security Trustee may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security to its satisfaction. In addition, the Common Security Trustee's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Trustee's Liens on the Collateral. Neither the Trustee, the Common Security Trustee nor any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value, title or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness, adequacy or sufficiency of the Security Documents or the Intercreditor Agreement, for the creation, perfection, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

The Security Documents provide that the Company and the Subsidiary Guarantor Pledgors will indemnify the Common Security Trustee for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Common Security Trustee arising out of the Security Documents except to the extent that any of the foregoing are finally judicially determined to have resulted from the gross negligence or willful misconduct of the Common Security Trustee.

This section, "— Enforcement of Security", shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with "— Permitted Pari Passu Secured Indebtedness" above.

Release of Security

Subject to the provisions of the Indenture, the Security Documents and Intercreditor Agreement, the security created in respect of the Collateral granted under the Security Documents may be released in relation to the Notes and the Subsidiary Guarantees in certain circumstances, including:

- upon repayment in full of the Notes;
- upon defeasance and discharge of the Notes as provided below under the caption "— Defeasance — Defeasance and Discharge";
- upon certain dispositions of the Collateral in compliance with the covenants under the captions "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" or "— Certain Covenants — Limitation on Asset Sales" or in accordance with the provision under the caption "— Consolidation, Merger and Sale of Assets";
- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture;

- in whole or in part, with the requisite consent of the Holders in accordance with the provisions described under "— Amendments and Waiver";
- with respect to a Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary, the release of the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in such New Non-Guarantor Subsidiary;
- in connection with and upon execution of a JV Subsidiary Guarantee to replace a Subsidiary Guarantee with respect to all pledges of Capital Stock granted by such JV Subsidiary Guarantor or its Subsidiaries in its direct and indirect Subsidiaries, in accordance with the terms of the Indenture; and
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the designation by the Company of such Subsidiary Guarantor or JV Subsidiary Guarantor as an Unrestricted Subsidiary in accordance with the terms of the Indenture.

No release of the Collateral shall be effective against the Common Security Trustee, the Trustee or the Holders until the Company and the relevant Subsidiary Guarantor Pledgor have delivered to the Common Security Trustee and the Trustee an Officer's Certificate and an Opinion of Counsel stating that all requirements relating to such release have been complied with and that such release has been authorized by, permitted by and made in accordance with the provisions of the Indenture, the Security Documents and the Intercreditor Agreement.

Further Issues

Subject to the covenants described below, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; provided that the issuance of any such Additional Notes shall then be permitted under the "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" covenant described below.

Optional Redemption

At any time and from time to time on or after July 23, 2021, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve-month period beginning on July 23 of the year indicated below.

Period	Redemption Price
2021	104%
2022	102%

At any time prior to July 23 , 2021, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to, the redemption date. Neither the Trustee nor any of the Agents shall be responsible for verifying or calculating the Applicable Premium.

In addition, at any time prior to July 23, 2021, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 110.875% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date; provided that at least 65% of the aggregate principal amount of the Notes issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed, the Notes will be selected for redemption as follows:

- if the Notes are listed on any securities exchange and/or being held through the clearing systems, in compliance with the requirements of the principal securities exchange on which the Notes are then listed and/or the requirements of the clearing systems; or
- if the Notes are not listed on any securities exchange and/or held through the clearing systems, on a pro rata basis or by lot or such other method as the Trustee may determine in its sole and absolute discretion, unless otherwise required by law.

However, no Note of US$200,000 in principal amount or less shall be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. With respect to any Certificated Note, a new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the failure by the Company to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain other debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (i) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event, (ii) provide that a Change of Control Triggering Event is a default or (iii) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The ability of the Company to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors — Risks Relating to the Notes — We may not be able to repurchase or repay the Notes upon a Change of Control Triggering Event".

The definition of Change of Control includes a phrase "all or substantially all" as used with respect to the assets of the Company. No precise definition of the phrase has been established under applicable law, and the phrase will likely be interpreted under applicable law of the relevant jurisdictions based on particular facts and circumstances. Accordingly, there may be a degree of uncertainty as to the ability of a Holder of Notes to require the Company to repurchase such Holder's Notes as a result of a sale of less than all the assets of the Company to another person or group.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner, at the same times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

Neither the Trustee nor the Agents shall be required to monitor or to take any steps to ascertain whether a Change of Control Triggering Event, or any event which could lead to the occurrence of a Change of Control Triggering Event, has occurred or may occur.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium (if any) and interest on, the Notes or under the Subsidiary Guarantees or the JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the caption "— Consolidation, Merger and Sale of Assets") or an applicable Subsidiary Guarantor or an applicable JV Subsidiary Guarantor is organized or resident for tax purposes or any jurisdiction from or through which payment is made (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a "Relevant Jurisdiction"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person, the applicable Subsidiary Guarantor or the applicable JV Subsidiary Guarantor, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(a) for or on account of:

(i) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(A) the existence of any present or former connection between the Holder or beneficial owner of such Note, Subsidiary Guarantee or Security Document, as the case may be, and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(B) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30 day period;

(C) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person or any Subsidiary Guarantor or JV Subsidiary Guarantor addressed to the Holder to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder or beneficial owner; or

(D) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(ii) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(iii) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction pursuant to the implementation of FATCA, or any other agreement pursuant to the implementation of FATCA; or

(iv) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (i), (ii) and (iii); or

(b) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment, to the extent that such payment would be required to be included for tax purposes in the income under the laws of a Relevant Jurisdiction of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

As a result of these provisions, there are circumstances in which taxes could be withheld or deducted but Additional Amounts would not be payable to some or all beneficial owners of Notes.

Whenever there is mentioned in any context the payment of principal, premium or interest in respect of any Note, any Subsidiary Guarantee or any JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for Tax Reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person (as defined under the caption "— Consolidation, Merger and Sale of Assets"), as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or

(2) any change in the existing official position, or the stating of an official position, regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective on or after (i) with respect to the Company or any initial Subsidiary Guarantor, the Original Issue Date or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, as the case may be, with respect to any payment due or to become due under the Notes or the Indenture, the Company, such Subsidiary Guarantor, JV Subsidiary Guarantor or such Surviving Person, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, such Subsidiary Guarantor, JV Subsidiary Guarantor or such Surviving Person, as the case may be; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, such Subsidiary Guarantor, such JV Subsidiary Guarantor or such Surviving Person, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the giving of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Subsidiary Guarantor, a JV Subsidiary Guarantor or a Surviving Person, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before the Tax Redemption Date:

(1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, such Surviving Person, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, by taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case, of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the

requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall be entitled to and shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

(a) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness) and the Company will not permit any Restricted Subsidiary to issue any Preferred Stock; provided that the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.25 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).

(b) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary, may Incur each and all of the following ("Permitted Indebtedness"):

(1) Indebtedness under the Notes (excluding any Additional Notes), each Subsidiary Guarantee and each JV Subsidiary Guarantee;

(2) any Pari Passu Guarantees;

(3) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (b)(4) of this covenant; provided that such Indebtedness of Non-Guarantor Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness;

(4) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; provided that (x) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (b)(4), and (y) if the Company is the obligor on such Indebtedness, such Indebtedness must be expressly subordinated in right of payment to the Notes, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor is not the obligee, such Indebtedness must be expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be;

(5) Indebtedness ("Permitted Refinancing Indebtedness") issued in exchange for, or the net proceeds of which are used to refinance or refund, then outstanding Indebtedness Incurred under clause (a) or clause (b)(1), (b)(2), (b)(3), (b)(7), (b)(16), (b)(17), (b)(19), (b)(20), (b)(22) or (b)(23) of this covenant and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); provided that (A) Indebtedness the proceeds of which are used to refinance or refund the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes, a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (b)(5) if (x) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes, a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by

the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes, such Subsidiary Guarantee or such JV Subsidiary Guarantee or (y) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes, a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes, such Subsidiary Guarantee or such JV Subsidiary Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes, such Subsidiary Guarantee or such JV Subsidiary Guarantee, (B) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded and (C) in no event may Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause (b)(5) by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor;

(6) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any Restricted Subsidiary from fluctuations in interest rates, currencies or the price of commodities and not for speculation;

(7) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (i) all or any part of the purchase price of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in the Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon such acquisition, become a Restricted Subsidiary (other than as provided for in the second proviso of this clause (b)(7)) or (ii) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in the Permitted Business; provided, however, that in each case (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement, and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (b)(7) (together with the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clauses (b)(16), (b)(19), (b)(20), (b)(21), (b)(22) and (b)(23) below and the refinancings of all such Indebtedness Incurred hereunder and thereunder, but excluding any Contractor Guarantee Incurred under this clause (b)(7) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35.0% of Total Assets; provided further that, without prejudice to the first proviso in this clause (b)(7), the Company and any Restricted Subsidiary may Incur Indebtedness for the purpose of financing all or any part of the purchase price of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in the Permitted Business through the acquisition of Capital Stock of any Person which will not, upon such acquisition, become a Restricted Subsidiary if on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all Indebtedness Incurred in reliance on this second proviso of this clause (b)(7) (together with refinancings of all such Indebtedness) does not exceed an amount equal to 10.0% of Total Assets;

(8) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or

self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);

(9) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary, as applicable, of a demand for reimbursement;

(10) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary (other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition); provided that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Company or any Restricted Subsidiary from the disposition of such business, assets or Restricted Subsidiary;

(11) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within five Business Days of Incurrence;

(12) (i) guarantees by the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, (ii) guarantees by any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary that was permitted to be Incurred under clause (b)(7) above or clauses (b)(14) and (b)(16) below; or (iii) guarantees by any JV Subsidiary Guarantor of Indebtedness of any other JV Subsidiary Guarantor that is a direct or indirect Subsidiary or parent of such JV Subsidiary Guarantor, which Indebtedness was permitted to be Incurred by another provision of this covenant;

(13) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;

(14) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; provided that the aggregate principal amount of Indebtedness permitted by this clause (b)(14) at any time outstanding does not exceed US$35.0 million (or the Dollar Equivalent thereof);

(15) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price in the form of installment payments pursuant to a Staged Acquisition Agreement;

(16) Preferred Stock or Disqualified Stock issued by a Restricted Subsidiary or Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a guarantee by, or grant of a Lien on assets of, the Company or such Restricted Subsidiary in favor of any Insurance Company Investor in respect of the obligation of any Subsidiary of such Restricted Subsidiary to pay a guaranteed or preferred dividend or return on any shares of Capital Stock of such Subsidiary held by such Insurance Company Investor (including any shares of Preferred Stock or Disqualified Stock which may be issued by such Subsidiary pursuant to this clause (b)(16) to such Insurance Company Investor); provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (b)(16) (together with the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clause (b)(7) above and clauses (b)(19), (b)(20), (b)(21), (b)(22) and (b)(23) below and the refinancings of all such

Indebtedness Incurred hereunder and thereunder, but excluding any Contractor Guarantee Incurred under clause (b)(7) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35.0% of Total Assets;

(17) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US$25.0 million (or the Dollar Equivalent thereof);

(18) Indebtedness constituting a Subordinated Shareholder Loan;

(19) Indebtedness Incurred by any Restricted Subsidiary which is secured by Investment Properties, and guarantees thereof by the Company or any such Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (b)(19) (together with the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clauses (b)(7) and (b)(16) above and clauses (b)(20), (b)(21), (b)(22) and (b)(23) below and the refinancings of all such Indebtedness Incurred hereunder and thereunder, but excluding any Contractor Guarantee Incurred under clause (b)(7) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35.0% of Total Assets;

(20) Bank Deposit Secured Indebtedness Incurred by the Company or any Restricted Subsidiary, provided that on the date of Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of such Indebtedness permitted by this clause (b)(20) (together with the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clauses (b)(7), (b)(16) and (b)(19) above and clauses (b)(21), (b)(22) and (b)(23) below and the refinancings of all such Indebtedness Incurred hereunder and thereunder, but excluding any Contractor Guarantee Incurred under clause (b)(7) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35.0% of Total Assets;

(21) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a guarantee of Indebtedness of any Person (other than the Company or a Restricted Subsidiary) by the Company or such Restricted Subsidiary, if the aggregate of all Indebtedness Incurred under this clause (b)(21) (together with the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clauses (b)(7), (b)(16), (b)(19) and (b)(20) above and clauses (b)(22) and (b)(23) below and the refinancings of all such Indebtedness Incurred hereunder and thereunder, but excluding any Contractor Guarantee Incurred under clause (b)(7) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35.0% of Total Assets;

(22) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (b)(22) (together with the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clauses (b)(7), (b)(16), (b)(19), (b)(20) and (b)(21) above and clause (b)(23) below and the refinancings of all such Indebtedness Incurred hereunder and thereunder, but excluding any Contractor Guarantee Incurred under clause (b)(7) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35.0% of Total Assets; and

(23) Indebtedness Incurred by the Company or any Restricted Subsidiary under Credit Facilities; provided that on the date of the Incurrence of such Indebtedness and

after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (b)(23) (together with the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clauses (b)(7), (b)(16), (b)(19), (b)(20), (b)(21) and (b)(22) above and the refinancings of all such Indebtedness Incurred hereunder and thereunder, but excluding any Contractor Guarantee Incurred under clause (b)(7) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35.0% of Total Assets.

(c) For purposes of determining compliance with this "Limitation on Indebtedness and Preferred Stock" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first sentence of clause (a) of this covenant, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above.

(d) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred or Preferred Stock that may be issued pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (a) through (d) below being collectively referred to as "Restricted Payments"):

(a) declare or pay any dividend or make any distribution on or with respect to the Company's or any Restricted Subsidiary's Capital Stock (other than dividends or distributions payable or paid in shares of the Company's, or payable or paid solely in shares of any Restricted Subsidiary's, Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Restricted Subsidiary;

(b) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock (including options, warrants or other rights to acquire such shares of Capital Stock) of the Company, any Restricted Subsidiary or any direct or indirect parent of the Company held by any Persons other than the Company or any Restricted Subsidiary (excluding (i) the purchase of any shares of Capital Stock of any Person pursuant to a Staged Acquisition Agreement and (ii) the purchase of any shares of Capital Stock of any Restricted Subsidiary held by any Insurance Company Investor);

(c) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee (excluding any intercompany Indebtedness between or among the Company and any Restricted Subsidiary); or

(d) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

(A) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(B) the Company could not Incur at least US$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock"; or

(C) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Measurement Date, shall exceed the sum (without duplication) of:

(i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the semi-annual fiscal period in which the Measurement Date occurred and ending on the last day of the Company's most recently ended fiscal quarter period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Restricted Subsidiary of the Company, including any such Net Cash Proceeds received upon (x) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (y) the exercise by a Person who is not a Restricted Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock), in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus

(iii) the amount by which Indebtedness of the Company or any Restricted Subsidiary is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Restricted Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (w) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case, to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income), (x) the unconditional release of a guarantee provided by the Company or any Restricted Subsidiary after the Measurement Date of an obligation of another Person, (y) the net cash proceeds from the sale of any such Investment (except to the extent such proceeds are included in the calculation of Consolidated Net Income) or (z) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person; plus

(v) US$25.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (C)(ii) of the preceding paragraph;

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (C)(ii) of the preceding paragraph;

(5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary that is not, directly or indirectly, Wholly Owned by the Company payable on a pro rata basis or on a basis more favorable to the Company to all holders of any class of Capital Stock of such Restricted Subsidiary;

(6) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between/among the Company or any Restricted Subsidiary and such Independent Third Party solely for the purpose of acquiring real property or land use rights, provided that (x) such purchase occurs within 12 months after such Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (y) the Company delivers to the Trustee a Board Resolution set forth in an Officers' Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock;

(7) (A) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan, and any corresponding Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, or (B) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing); provided that the aggregate consideration paid for all such repurchased, redeemed, acquired or retired Capital Stock shall not exceed US$25.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination);

(8) cash payments in lieu of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company, provided, however, that any such cash payment shall not be for the purpose of evading the limitation of this "— Limitation on Restricted Payments" covenant (as determined in good faith by the Board of Directors of the Company);

(9) repurchases of Capital Stock deemed to occur upon the surrender by the holder of a stock option of shares of Capital Stock otherwise issuable upon exercise of such stock options as payment of a portion of the exercise price thereof;

(10) dividends paid to any Insurance Company Investor in respect of any Preferred Stock or Disqualified Stock issued by or any Indebtedness Incurred by any Restricted Subsidiary under paragraph (b)(16) of the "— Limitation on Indebtedness and Preferred Stock" covenant;

(11) any payments made pursuant to the CVR Agreement;

(12) the payment of any dividend or distribution payable or paid solely in Capital Stock (other than Disqualified Stock or Preferred Stock) of any Unrestricted Subsidiary or in options, warrants or other rights to acquire shares of such Capital Stock;

(13) the declaration and payment of dividends on the Common Stock of the Company by the Company in an aggregate amount not to exceed 20.0% of profit for the year on the Company's consolidated financial statements in any fiscal year ending after the Original Issue Date; or

(14) the distributions or payments of Securitization Fees in connection with Receivable Financings;

provided that, in the case of clause (2), (3), (4) or (13) above, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clauses (1) and (13) of the preceding paragraph made after the Measurement Date shall be included in calculating whether the conditions of clause (C) of the first paragraph of this "— Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash and any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group in connection with the Restructuring upon designation of such Subsidiaries as Unrestricted Subsidiaries (to the extent such Investment does not constitute a Permitted Investment pursuant to clause (18) of the definition thereof)) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment (other than any Restricted Payment set forth in clauses (5) through (14) above and any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group in connection with the Restructuring upon designation of such Subsidiaries as Unrestricted Subsidiaries (to the extent such Investment does not constitute a Permitted Investment pursuant to clause (18) of the definition thereof)) in excess of US$10.0 million (or the Dollar Equivalent thereof), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "— Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(a) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

  (1) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;

  (2) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;

  (3) make loans or advances to the Company or any other Restricted Subsidiary; or

  (4) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary;

provided that it being understood that (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis, in each case, shall not be deemed to constitute such an encumbrance or restriction.

(b) The provisions of paragraph (a) do not apply to any encumbrances or restrictions:

(1) existing in agreements as in effect on the Original Issue Date, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted Pari Passu Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or Pari Passu Guarantee, or in any extensions, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(2) existing under or by reason of applicable law, rule, regulation or order;

(3) with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, or in any extensions, refinancings, renewals or replacements thereof; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(4) that otherwise would be prohibited by the provision described in clause (a)(4) of this covenant if they arise, or are agreed to in the ordinary course of business, and that (x) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (y) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (z) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

(5) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries", "— Limitation on Indebtedness and Preferred Stock" and "— Limitation on Asset Sales" covenants;

(6) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or issuance of Preferred Stock of the type described under clause (b)(7), (b)(14), (b)(16), (b)(19), (b)(20), (b)(21), (b)(22) and (b)(23) of the "— Limitation on Indebtedness and Preferred Stock" covenant if, as determined by the Board of Directors, such encumbrances or restrictions (x) are customary for such types of agreements and (y) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make any required payment on the Notes, or in any extensions, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(7) existing in customary provisions in joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the

Company to make the required payments on the Notes or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee; or

(8) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, or in any extensions, refinancing, renewals or replacements thereof; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell, any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

(1) to the Company or a Restricted Subsidiary;

(2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary;

(3) for the issuance or sale of the Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "— Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and if the Company complies with the "— Limitation on Asset Sales" covenant; provided that, paragraph (c) of clause (16) of the definition of "Permitted Investments" shall not apply if such Restricted Payment would otherwise have been permitted under clause (16) of such definition;

(4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); provided that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "— Limitation on Asset Sales" covenant.

Notwithstanding the foregoing, a Restricted Subsidiary may issue Common Stock to its shareholders on a pro rata basis or on a basis more favorable to the Company and its Restricted Subsidiaries.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor, unless (a) (1) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (2) such Restricted Subsidiary waives and will not in any manner whatsoever claim, or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee until the Notes have been paid in full, or (b) such guarantee is permitted by clause (b)(3), (b)(4), (b)(12)(ii) (other than, in the case of clause (b)(12)(ii), (x) a guarantee by a PRC Restricted Subsidiary of the Indebtedness of a non-PRC Restricted Subsidiary that is not a Subsidiary of such PRC Subsidiary or (y) a guarantee by a non-PRC Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor of Indebtedness of a Subsidiary Guarantor or a JV Subsidiary Guarantor) or (b)(20) (in the case of clause (b)(20), with respect to the guarantee provided by any Restricted Subsidiary which is not a Subsidiary Guarantor or JV Subsidiary Guarantor through the pledge of cash deposits, bank accounts or other assets to secure (or the use of any guarantee or letter of credit or similar instrument to guarantee) any Bank

Deposit Secured Indebtedness), under the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock".

If the Guaranteed Indebtedness (A) ranks *pari passu* in right of payment with the Notes, any Subsidiary Guarantee or JV Subsidiary Guarantee, then the guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (B) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such guarantee will be limited to the JV Entitlement Amount. If any JV Subsidiary Guarantor guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such guarantee exceed the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (a) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (b) with any Affiliate of the Company (each an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm's-length transaction by the Company or the relevant Restricted Subsidiary with a Person that is not such a holder or an Affiliate of the Company or such Restricted Subsidiary; and

(2) the Company delivers to the Trustee:

    (A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

    (B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(A) above, an opinion issued by an accounting, appraisal or investment banking firm of recognized international standing as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees and other compensation to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;

(2) transactions between or among the Company and any Subsidiary Guarantor or between or among Subsidiary Guarantors;

(3) transactions between or among the Company and any Wholly Owned Restricted Subsidiary or between or among Wholly Owned Restricted Subsidiaries;

(4) any Restricted Payment of the type described in clause (a), (b) or (c) of the first paragraph of the covenant described under the caption "— Limitation on Restricted Payments" if permitted by that covenant;

(5) any sale of Capital Stock (other than Disqualified Stock) of the Company;

(6) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme;

(7) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into in connection with the Restructuring, including, without limitation, transactions entered into for purposes of any reorganization in connection with the Restructuring and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with the Restructuring; and

(8) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into in the ordinary course of business, on fair and reasonable terms and disclosed in the offering document issued in connection with the Restructuring, or any amendment or modification or extension or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original transaction described in the offering document issued in connection with the Restructuring and in compliance with the rules of the relevant Qualified Exchange.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the "— Limitation on Restricted Payments" covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in the offering memorandum of the Original Notes, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) any transaction between or among (A) any of the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or (B) the Company or a Restricted Subsidiary on the one hand and a Minority Joint Venture or an Unrestricted Subsidiary on the other hand; provided that in the case of this clause (iii), (a) such transaction is entered into in the ordinary course of business and (b) none of the shareholders or partners (other than the Company or any Restricted Subsidiary) of or in such Minority Joint Venture, Unrestricted Subsidiary or Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary is a Person described in clause (a) or (b) of the first paragraph of this covenant (other than by reason of such shareholder or partner being an officer or director of such Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary, as the case may be) and (iv) any Investment by the Company or any Restricted Subsidiary in accordance with the requirements under clause (16) of the definition of "Permitted Investment" on a pro rata basis based on its percentage ownership at the time of such Investment.

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are secured equally and ratably with (or, if the obligation or liability to be secured by such Lien is subordinated in right of payment to the Notes, prior to) the obligation or liability secured by such Lien, for so long as such obligation or liability is secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; provided that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(a) the Company or any Restricted Subsidiary could have (1) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under clause (a) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock" and (2) incurred a Lien to secure such

Indebtedness pursuant to the covenant described under the caption "— Limitation on Liens", in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;

(b) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(c) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or any Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described under the caption "— Limitation on Asset Sales".

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

(a) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(b) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of;

(c) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; provided that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US$35.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing. For purposes of this provision, each of the following will be deemed to be cash:

(A) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and

(B) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Cash Proceeds to:

(1) permanently repay Senior Indebtedness of the Company or any Restricted Subsidiary (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or

(2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or in properties or assets that will be used in the Permitted Business (including any shares of Capital Stock in a Person holding such properties or assets that is primarily engaged in a Permitted Business) ("Replacement Assets").

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds". Excess Proceeds of less than US$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds equals to or exceeds US$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

(i) accumulated Excess Proceeds, multiplied by

(ii) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use such Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and any other *pari passu* Indebtedness tendered into (or required to be prepaid or redeemed in connection with) such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes and such other *pari passu* Indebtedness will be purchased on a pro rata basis based on the principal amount of Notes and such other *pari passu* Indebtedness tendered (or required to be prepaid or redeemed). Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Company's Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than a Permitted Business; provided, however, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than a Permitted Business as long as any Investment therein was not prohibited when made by the covenant under the caption "— Limitation on Restricted Payments".

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (a) in the approximate amounts and for the purposes specified under the caption "Use of Proceeds" in this offering memorandum and (b) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; provided that (a) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (b) neither the Company nor any Restricted Subsidiary guarantees or provides credit support for the Indebtedness of such Restricted Subsidiary; (c) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company or any other Restricted Subsidiary; (d) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness, or any Lien on any property, of the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock" or such Lien would violate the covenant described under the caption "— Limitation on Liens"; (e) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated as Unrestricted Subsidiaries in accordance with this paragraph; and (f) the Investment deemed to have been made thereby in such newly designated Unrestricted Subsidiary and each other newly designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under the caption "Limitation on Restricted Payments" (other than any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Subsidiaries in the Restructuring Group in connection with the Restructuring upon designation of such Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries, provided that (i) the Board of Directors of the Company has determined in good faith that the designation of such Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for the Restructuring, (ii) at the time of such designation, the members of the Restructuring Group remain Subsidiaries of the Company, and (iii) at the time of such designation, the members of the Restructuring Group remain primarily engaged in the Permitted Businesses).

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that (a) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (b) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock"; (c) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption "— Limitation on Liens"; (d) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (e) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor to the extent required under "— The Subsidiary Guarantees and JV Subsidiary Guarantees"; and (f) if such Restricted Subsidiary is not organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary shall be pledged to the extent required under "— Security".

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (a) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Business, (b) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens and (c) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (1) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (2) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee or JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to, Incur any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have an Investment Grade Rating from two of the three Rating Agencies and no Default or Event of Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have an Investment Grade rating from at least two of the three Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

(1) "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(2) "— Certain Covenants — Limitation on Restricted Payments";

(3) "— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";

(4) "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries";

(5) "— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries";

(6) "— Certain Covenants— Limitation on Sale and Leaseback Transactions";

(7) "— Certain Covenants — Limitation on Asset Sales";

(8) "— Certain Covenants — Limitation on the Company's Business Activities"; and

(9) clauses (3) and (4) of the first and second paragraphs of "— Consolidation, Merger and Sale of Assets".

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any Restricted Subsidiary as an Unrestricted Subsidiary pursuant to the covenant described under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries" or the definition of "Unrestricted Subsidiary".

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event and, following reinstatement, the calculations under the covenant described under the caption "— Certain Covenants — Limitation on Restricted Payments" will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. There can be no assurance that the Notes will ever achieve an Investment Grade rating or that, if achieved, any such rating will be maintained.

Provision of Financial Statements and Reports

(a) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other securities exchange on which the Company's ordinary shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; provided that, if at any time the ordinary shares of the Company cease to be listed for trading on a recognized securities exchange, the Company will file with the Trustee and furnish to the Holders:

    (1) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis and in the English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally recognized firm of independent accountants;

    (2) as soon as they are available, but in any event within 45 calendar days after the end of the first semi-annual fiscal period of the Company, copies of its financial statements (on a consolidated basis and in the English language) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally recognized firm of independent accountants; and

    (3) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third fiscal quarters of the Company, copies of its unaudited financial statements (on a consolidated basis and in the English language), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

(b) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (1) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the four most recent fiscal quarter periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, together with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation, provided that the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (2) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of such Default, and the action which the Company proposes to take with respect thereto.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

(a) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(b) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(c) default in the performance or breach of the provisions of the covenants described under the caption "— Consolidation, Merger and Sale of Assets", the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "— Repurchase of Notes upon a Change of Control Triggering Event" or "— Certain Covenants — Limitation on Asset Sales", or the failure by the Company to create, or cause its Restricted Subsidiaries to create, a lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement) in accordance with the covenant described under the caption "— Security";

(d) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (a), (b) or (c) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes (with a copy to the Trustee if given by the Holders);

(e) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary (other than a Subordinated Shareholder Loan) having an outstanding principal amount of US$20.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (1) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (2) a failure to make a principal payment when due;

(f) one or more final judgments or orders for the payment of money are rendered against the Company or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$20.0 million (or the Dollar Equivalent thereof, in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(g) an involuntary case or other proceeding is commenced against the Company or any Significant Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Significant Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(h) the Company or any Significant Restricted Subsidiary (1) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (2) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary, or for all or substantially all of the property and assets of the Company or any Significant Restricted Subsidiary, or (3) effects any general assignment for the benefit of creditors;

(i) any Subsidiary Guarantor or any JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;

(j) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents or the Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; and

(k) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Common Security Trustee on behalf of the Trustee and the Holders ceases to have a security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement).

If an Event of Default (other than an Event of Default specified in clause (g) or (h) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes, then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall (subject to receiving indemnity and/or security to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (g) or (h) above occurs with respect to the Company or any Significant Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of all Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(x) all existing Events of Default, other than the non-payment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived; and

(y) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, the Trustee may, and shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes (subject to receiving indemnity and/or security to its satisfaction), instruct the Common Security Trustee to foreclose on the Collateral in accordance with the terms of the Security Documents and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Trustee deems appropriate or is directed by the Holders of at least 25% in aggregate principal amount of outstanding Notes. See "— Security".

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law, the Indenture or the Security Documents that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from such Holders. A Holder may not pursue any remedy with respect to the Indenture or the Notes unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity and/or security; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Two Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and its Restricted Subsidiaries' performance under the Indenture and the Security Documents and that the Company and its Restricted Subsidiaries have fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture and the Security Documents. See "— Provision of Financial Statements and Reports".

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

(a) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, the British Virgin Islands, Hong Kong or the United States or any jurisdiction thereof and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes, or from or through which payment is made, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;

(b) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(c) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(d) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, could Incur at least US$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant described under the caption "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(e) the Company delivers to the Trustee (1) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (c) and (d)) and (2) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and such supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

(f) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under this covenant, shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and

(g) no Rating Decline shall have occurred if the Notes are rated.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with or merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

(A) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction by executing and delivering a supplemental indenture to the Indenture or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor;

(B) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(C) immediately after giving effect to such transaction on a *pro forma* basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(D) immediately after giving effect to such transaction on a *pro forma* basis, the Company could Incur at least US$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant described under the caption "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(E) the Company delivers to the Trustee (1) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (C) and (D)) and (2) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(F) no Rating Decline shall have occurred if the Notes are rated;

provided that this paragraph shall not apply to (1) any sale or other disposition that complies with the "Limitation on Asset Sales" covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under "The Subsidiary Guarantees and JV Subsidiary Guarantees — Release of Subsidiary Guarantees and JV Subsidiary Guarantees" and (2) a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

For the avoidance of doubt, for purposes of this covenant, a sale of shares of Capital Stock of a Restricted Subsidiary which holds all or substantially all properties and assets of the Company or the relevant Subsidiary Guarantor or JV Subsidiary Guarantor to Independent Third Parties in an initial public offering and listing on a stock exchange of the shares of Capital Stock of such Restricted Subsidiary where such Restricted Subsidiary (i) remains a Restricted Subsidiary immediately after such sale and (ii) the Company or the relevant Subsidiary Guarantor or JV Subsidiary Guarantor, immediately after such sale, owns at least 30.0% of the Voting Stock of such Restricted Subsidiary shall not constitute a sale of substantially all properties and assets of the Company or the relevant Subsidiary Guarantor or JV Subsidiary Guarantor.

Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions would not necessarily afford Holders protection in the event of highly leveraged or other transactions involving the Company that may adversely affect Holders.

No Payments for Consents

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with an exchange or tender offer, the Company and any Restricted Subsidiary may exclude (i) Holders or beneficial owners of the Notes that are not institutional "accredited investors" as defined in Rule 501 under the Securities Act, and (ii) Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any Restricted Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to hold monies for payment in trust and to pay compensation to the Trustee in accordance with the Indenture) if, among other things:

(a) the Company has (1) deposited with the Trustee, in trust, money in U.S. dollars and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in U.S. dollars in an amount sufficient (without consideration of investment or reinvestment) to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (2) delivered to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture;

(b) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(c) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of or constitute a default under, any other agreement or instrument to which the Company or any Restricted Subsidiary is a party or by which the Company or any Restricted Subsidiary is bound.

Defeasance of Certain Covenants

The Indenture further will provide that the provisions of the Indenture will no longer be in effect with respect to clauses (c), (d) and (e)(1) under the first paragraph and clauses (C), (D) and

(E)(1) under the second paragraph under "Consolidation, Merger and Sale of Assets" and all the covenants described herein under "Certain Covenants", other than as described under "— Certain Covenants — Government Approvals and Licenses; Compliance with Law" and "— Certain Covenants — Anti-Layering", clause (c) under "Events of Default" with respect to such clauses (c), (d) and (e)(1) under the first paragraph and clauses (C), (D) and (E)(1) under the second paragraph under "Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in such clause, clause (d) under "Events of Default" with respect to such other covenants and clauses (e) and (f) under "Events of Default" shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee, in trust, of money in U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in U.S. dollars in an amount sufficient (without consideration of investment or reinvestment) to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (b) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company and the Subsidiary Guarantors will remain liable for such payments.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture, the Notes, the Intercreditor Agreement or any Security Document may be amended, without the consent of any Holder, to:

(a) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;

(b) comply with the provisions described under "Consolidation, Merger and Sale of Assets";

(c) evidence and provide for the acceptance of appointment by a successor Trustee;

(d) add any Subsidiary Guarantor or JV Subsidiary Guarantor or any Subsidiary Guarantee or JV Subsidiary Guarantee or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee as provided or permitted by the terms of the Indenture;

(e) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(f) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor as provided or permitted by the terms of the Indenture;

(g) add additional Collateral to secure the Notes or any Subsidiary Guarantee and create or register Liens on such additional Collateral;

(h) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(i) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear and Clearstream;

(j) permit Permitted Pari Passu Secured Indebtedness in accordance with the terms of the Indenture (including, without limitation, permitting the Trustee to enter into the Intercreditor Agreement or any amendments to the Security Documents or the Indenture, the appointment of any common security trustee or collateral agent under any Intercreditor Agreement to hold the Collateral on behalf of the Holders and the holders of Permitted Pari Passu Secured Indebtedness and taking any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture);

(k) make any other change that, in the good faith opinion of the Board of Directors, does not materially and adversely affect the rights of any Holder; or

(l) conform the text of the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

Amendments With Consent of Holders

Amendments of the Indenture, the Notes, the Intercreditor Agreement or any Security Document may be made by the Company, the Subsidiary Guarantors, the Trustee and the Common Security Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the holders of a majority in aggregate principal amount of the outstanding Notes may waive future compliance by the Company with any provision of the Indenture, the Notes, the Intercreditor Agreement or any Security Document; provided, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(a) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(b) reduce the principal amount of, or premium, if any, or interest on, any Note;

(c) change the currency of payment of principal of, or premium, if any, or interest on, any Note;

(d) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;

(e) reduce the above stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(f) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(g) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or its JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;

(h) release any Collateral, except as provided in the Indenture, the Intercreditor Agreement and the Security Documents;

(i) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(j) amend, change or modify any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner that adversely affects the Holders;

(k) amend, change or modify any provision of any Security Document, the Intercreditor Agreement or any provision of the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture, such Security Document or such Intercreditor Agreement;

(l) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale;

(m) change the redemption date or the redemption price of the Notes from that stated under "— Optional Redemption" or "— Redemption for Tax Reasons";

(n) amend, change or modify the obligation of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or

(o) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which adversely affects the Holders.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when:

(1) either:

(a) all of the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust by the Company and thereafter repaid to the Company) have been delivered to the Paying Agent for cancellation; or

(b) all Notes not theretofore delivered to the Paying Agent for cancellation have become due and payable pursuant to an optional redemption notice or otherwise or will become due and payable within one year, and the Issuer has irrevocably deposited or caused to be deposited with the Paying Agent funds, in cash in U.S. dollars, non-callable U.S. Government Obligations or a combination thereof, in an amount sufficient to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit together with irrevocable written instructions from the Issuer directing the Trustee or the Paying Agent to apply such funds to the payment thereof at maturity or redemption, as the case may be;

(2) the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor has paid all other sums payable under this Indenture;

(3) such deposit will not result in a breach or violation of, or constitute a default under, any instruments to which the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor is a party or by which the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor is bound (other than the Indenture, the Notes or any Security Document).

In addition, the Company must deliver to the Trustee an Officers' Certificate stating that all conditions precedent to satisfaction and discharge have been satisfied.

Unclaimed Money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Members, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or JV Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, member, officer, director, employee or controlling person of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under any applicable law.

Concerning the Trustee, the Common Security Trustee and the Agents

Citicorp International Limited is to be appointed as Trustee under the Indenture and Citibank, N.A., London Branch is to be appointed as paying agent (the "Paying Agent"), as transfer agent (the "Transfer Agent") and as Registrar (the "Registrar" and together with the Paying Agent and the Transfer Agent, the "Agents") with regard to the Notes. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company and its Affiliates; provided, however, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

Citicorp International Limited will initially act as the Common Security Trustee under the Security Documents in respect of the security over the Collateral. The Common Security Trustee, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture and the Security Documents. Under certain circumstances, the Common Security Trustee may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the interests of the Holders. The Common Security Trustee will be under no obligation to exercise any rights or powers conferred under the Indenture, the Intercreditor Agreement or any of the Security Documents for the benefit of the Holders, unless such Holders have offered to the Common Security Trustee indemnity and/or security satisfactory to the Common Security Trustee against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Trustee and the Common Security Trustee that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Trustee and the Common Security Trustee in respect of such risks.

Book-Entry; Delivery and Form

The Notes will be represented by one or more global notes in registered form without interest coupons attached (each a "Global Note"). On the Original Issue Date, the Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.

Global Note

Ownership of beneficial interests in the Global Note (the "book-entry interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under "— Individual Definitive Notes", the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of Global Note for all purposes under the Indenture and "holders" of book-entry interests will not be considered the owners or "Holders" of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

The Notes are not issuable in bearer form.

Payments on the Global Note

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and additional amounts) will be made to the paying agent. The Paying Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Company will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "— Additional Amounts".

Under the terms of the Indenture, the Company, the Trustee and the Agents will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or

- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Note

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of US$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in immediately available funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Company within 90 days (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with "— Events of Default" and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the Trustee for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the United States mails (if intended for the Company or any Subsidiary Guarantor) addressed to the Company or such Subsidiary Guarantor at the principal office of the Company; (if intended for the Trustee) addressed to the Trustee at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

While the Notes are in global form, any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear and Clearstream. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear and Clearstream or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company and each of the Subsidiary Guarantors will irrevocably (i) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, the Indenture or any transaction contemplated thereby and (ii) designate and appoint Cogency Global Inc., currently at 10 E 40th Street 10th Floor, New York, New York 10016, for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Subsidiary Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"2019 Notes" means the 6.1% senior notes due December 15, 2019 issued by the Company.

"2020 Notes" means the 7.25% senior notes due June 30, 2020 issued by the Company.

"2021 Convertible Bonds" means the 10.50% convertible bonds due July 14, 2021 issued by the Company.

"2021 Notes" means the 7.875% senior notes due June 30, 2021 issued by the Company.

"2022 Notes" means the 8.5% senior notes due June 30, 2022 issued by the Company.

"2024 Notes" means the 9.375% senior notes due June 30, 2024 issued by the Company.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary, whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"Adjusted Treasury Rate" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)"or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after July 23, 2021, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

"Affiliate" means, with respect to any Person, any other Person (i) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, (ii) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (i) of this definition or (iii) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (i) or (ii). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"April 2022 Notes" means the 11.25% senior notes due April 9, 2022 issued by the Company.

"Applicable Premium" means with respect to a Note at any redemption date, the greater of (i) 1.00% of the principal amount of such Note and (ii) the excess of (A) the present value at such redemption date of the redemption price of such Note on July 23, 2021, plus all required remaining scheduled interest payments due on such Note through July 23, 2021 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note.

"Asset Acquisition" means (1) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

"Asset Disposition" means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary which accounts for all or substantially all of the assets of such Restricted Subsidiary).

"Asset Sale" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction and including any sale or issuance of the Capital Stock of any Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person; provided that "Asset Sale" shall not include:

(a) sales, transfers or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;

(b) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the covenant described under the caption "— Certain Covenants — Limitation on Restricted Payments";

(c) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US$1.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(d) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;

(e) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;

(f) a transaction covered by the covenant under the caption "— Consolidation, Merger and Sale of Assets"; and

(g) any sale, transfer or other disposition by the Company or any Restricted Subsidiary, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary to the Company or any Restricted Subsidiary.

"Attributable Indebtedness" means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate implicit in such Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in such Sale and Leaseback Transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended.

"Average Life" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"Bank Deposit Secured Indebtedness" means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by cash deposits, bank accounts or other assets of the Company or a Restricted Subsidiary and/or (ii) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to effect exchange of foreign currencies or remit money onshore or offshore.

"Board of Directors" means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

"Board Resolution" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"Business Day" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

"Capitalized Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

"Capitalized Lease Obligations" means the discounted present value of the rental obligations under a Capitalized Lease.

"Change of Control" means the occurrence of one or more of the following events:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any "person" (within the meaning of Section 13(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than one or more Permitted Holders;

(2) the Company consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;

(3) the Permitted Holders are the beneficial owners of less than 35.0% of the total voting power of the Voting Stock of the Company;

(4) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of the total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

(5) individuals who on the Original Issue Date constituted the Board of Directors (together with any new directors whose election was approved by a vote of at least a majority of the members of the Board of Directors then in office who were members of the Board of Directors on the Original Issue Date or whose election was previously so approved) cease for any reason to constitute a majority of the members of the Board of Directors then in office; or

(6) the adoption of a plan relating to the liquidation or dissolution of the Company.

For the avoidance of doubt, for purposes of this "Change of Control" definition, a sale of shares of Capital Stock of a Restricted Subsidiary which holds all or substantially all properties and assets of the Company, and its Restricted Subsidiaries, taken as a whole, to Independent Third Parties in an initial public offering and listing on a stock exchange of the shares of Capital Stock of such Restricted Subsidiary where such Restricted Subsidiary (i) remains a Restricted Subsidiary immediately after such sale and (ii) the Company, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, immediately after such sale, owns, directly or indirectly, at least 30.0% of the Voting Stock of such Restricted Subsidiary shall not constitute a sale of substantially all properties and assets of the Company and its Restricted Subsidiaries.

"Change of Control Triggering Event" means (i) the occurrence of both a Change of Control and a Rating Decline if the Notes are rated by at least one Rating Agency or (ii) the occurrence of a Change of Control if the Notes are not rated.

"Clearstream" means Clearstream Banking S.A.

"Collateral" means all collateral securing, or purported to be securing, directly or indirectly, the Notes or any Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors.

"Commodity Agreement" means any spot, forward, swap or option commodity price protection agreements or other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding on the Original Issue Date, and include, without limitation, all series and classes of such common stock or ordinary shares.

"Comparable Treasury Issue" means the U.S. Treasury security having a maturity comparable to July 23, 2021 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to July 23, 2021.

"Comparable Treasury Price" means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three (or such lesser number as is received by the Trustee) Reference Treasury Dealer Quotations for such redemption date.

"Consolidated Assets" means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries' proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile on a timely manner) are available (which may include internal consolidated financial statements).

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains or losses or sales of assets); and

(3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income,

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; provided that (i) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any Restricted Subsidiary and (ii) in the case of any PRC CJV consolidated in accordance with GAAP, Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

"Consolidated Fixed Charges" means, for any period, the sum (without duplication) of (i) Consolidated Interest Expense for such period and (ii) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company's Capital Stock (other than Disqualified Stock) or dividends paid to the Company or to a Wholly Owned Restricted Subsidiary.

"Consolidated Interest Expense" means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (i) interest expense attributable to Capitalized Lease Obligations and imputed interest with respect to Attributable Indebtedness, (ii) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (iii) the interest portion of any deferred payment obligation, (iv) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (v) the net costs associated with Hedging Obligations (including the amortization of fees), (vi) interest on Indebtedness of any other Person that is guaranteed by the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees), only to the extent such interest is actually paid by the Company or any Restricted Subsidiary and (vii) any capitalized interest; provided that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

"Consolidated Net Income" means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; provided that the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting, except to the extent of the amount of net income actually paid in cash to, or the amount of loss actually funded in cash by, the specified Person or a Restricted Subsidiary of the Person during such period;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any Restricted Subsidiary or all or substantially all of the property and assets of such Person are acquired by the Company or any Restricted Subsidiary;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after-tax gains realized on the sale or other disposition of (A) any property or assets of the Company or any Restricted Subsidiary or (B) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or any Restricted Subsidiary), in each case, which is not sold in the ordinary course of business of the Company or any Restricted Subsidiary;

(6) any translation gains or losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains,

provided that any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income.

"Consolidated Net Worth" means, at any date of determination, stockholders' equity as set forth on the most recently available fiscal quarter, semi-annual or annual consolidated balance sheet of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any Restricted Subsidiary, each item to be determined in conformity with GAAP.

"Contractor Guarantees" means any guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

"Credit Facilities" means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder (provided that such increase is permitted under the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock") or (4) otherwise altering the terms and conditions thereof.

"Currency Agreement" means any foreign exchange forward contract, currency swap agreement, currency hedge agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

"CVR" means the contingent value rights issued by the Company on July 21, 2016 pursuant to the CVR Agreement.

"CVR Agreement" means the Contingent Value Rights Agreement, dated as of July 21, 2016, between the Company and U.S. Bank National Association, as trustee.

"December 2019 Notes" means the 12.0% senior notes due December 14, 2019 issued by the Company.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Disqualified Stock" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; provided that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in "— Certain Covenants — Limitation on Asset Sales" and "Repurchase of Notes upon a Change of Control Triggering Event" covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company's repurchase of the Notes as are required to be repurchased pursuant to the "— Certain Covenants — Limitation on Asset Sales" and "Repurchase of Notes upon a Change of Control Triggering Event" covenants.

"Dollar Equivalent" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

"Entrusted Loans" means borrowings by a Restricted Subsidiary from a bank that are secured by a pledge of deposits or bank accounts made by another Restricted Subsidiary to the lending bank as security for such borrowings, provided that such borrowings are not reflected on the consolidated balance sheet of the Company.

"Equity Offering" means any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date to any Person other than a Wholly Owned Restricted Subsidiary or any Permitted Holder; provided that the aggregate gross cash proceeds received by the Company from such transaction shall be no less than US$20.0 million (or the Dollar Equivalent thereof).

"Euroclear" means Euroclear Bank SA/NV.

"Exempted Subsidiary" means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee or a JV Subsidiary Guarantee or create any Lien over its Capital Stock to secure any of the secured obligations subject to the Intercreditor Agreement; provided that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee, JV Subsidiary Guarantee or Lien over its Capital Stock, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

"Existing Notes" means the 2019 Notes, the December 2019 Notes, the 2020 Notes, the 2021 Convertible Bonds, the February 2021 Notes, the April 2022 Notes, the 2021 Notes, the 2022 Notes, the 2024 Notes, the January 2023 Notes and the October 2022 Notes.

"Existing Notes Trustee" means Citicorp International Limited as the trustee with respect to each series of the Existing Notes.

"Fair Market Value" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized international standing appointed by the Company.

"February 2021 Notes" means the 11.75% senior notes due February 26, 2021 issued by the Company.

"Fitch" means Fitch Ratings, Ltd. and its affiliates.

"Fixed Charge Coverage Ratio" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarter periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements) (the "Four Fiscal-Quarter Period") to (2) theaggregate Consolidated Fixed Charges during such Four Fiscal-Quarter Period. In making the foregoing calculation:

(A) *pro forma* effect shall be given to any Indebtedness or Preferred Stock Incurred, repaid or redeemed during the period (the "Reference Period") commencing on and including the first day of the Four Fiscal-Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Fiscal-Quarter Period), in each case as if such Indebtedness or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; provided that in the event of any such repayment or redemption, Consolidated EBITDA for such Four Fiscal-Quarter Period shall not include any interest income actually earned by the Company or such Restricted Subsidiary during such Four Fiscal-Quarter Period in respect of the funds used to repay or redeem such Indebtedness or Preferred Stock;

(B) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(C) *pro forma* effect shall be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period;

(D) *pro forma* effect shall be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period; and

(E) *pro forma* effect shall be given to the creation, designation or re-designation of Restricted Subsidiaries and Unrestricted Subsidiaries as if such creation, designation or re-designation had occurred on the first day of such Reference Period;

provided that to the extent that clause (C) or (D) of this paragraph requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation shall be based upon the four full fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"GAAP" means Hong Kong Financial Reporting Standards as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

"guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term "guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"Hedging Obligation" of any Person means the obligations of such Person pursuant to any Commodity Agreement, Currency Agreement or Interest Rate Agreement.

"Holder" means the Person in whose name a Note is registered in the Note register.

"Incur" means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; provided that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms "Incurrence", "Incurred" and "Incurring" have meanings correlative with the foregoing.

"Indebtedness" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided that the amount of such Indebtedness shall be the lesser of (A) the Fair Market Value of such asset at such date of determination and (B) the amount of such Indebtedness;

(7) all Indebtedness of other Persons guaranteed by such Person to the extent such Indebtedness is guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations; and

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include (1) any capital commitments, deferred payment obligation, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business, (2) any Entrusted Loan; provided that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet) or (3) any obligations in respect of the CVRs.

The amount of Indebtedness of any Person at any time shall be the outstanding balance at such time of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; provided that:

(A) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP;

(B) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest;

(C) that the amount of Indebtedness with respect to any Hedging Obligation shall be (i) zero if Incurred pursuant to paragraph (b)(6) under the "Limitation on Indebtedness and

Preferred Stock" covenant or (ii) equal to the net amount payable by such Person if the Commodity Agreement, Currency Agreement or Interest Rate Agreement giving rise to such Hedging Obligation were terminated at that time due to default by such Person if not Incurred pursuant to such paragraph, and

(D) that the contingent obligations arising from letters of credit, bankers' acceptances or other similar instruments of a Restricted Subsidiary to secure Indebtedness of another Restricted Subsidiary shall not be deemed to be Indebtedness so long as such contingent obligations are used to secure the payment of Indebtedness of another Restricted Subsidiary permitted to be Incurred under the Indenture.

"Independent Third Party" means any Person that is not an Affiliate of the Company.

"Insurance Company Investor" means an Independent Third Party that is a financial institution or an insurance company or an Affiliate thereof that invests in any Capital Stock of a Restricted Subsidiary.

"Intercreditor Agreement" has the meaning set forth under "— Security".

"Interest Rate Agreement" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

"Investment" means:

(i) any direct or indirect advance, loan or other extension of credit to another Person,

(ii) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others),

(iii) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person, or

(iv) any guarantee of any obligation of another Person to the extent such obligation is outstanding and to the extent guaranteed by such Person.

For the purposes of the provisions of the "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries" and "— Certain Covenants — Limitation on Restricted Payments" covenants: (i) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Company's proportionate interest in the assets (net of the Company's proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation and (ii) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"Investment Property" means any property that is owned and held by any Restricted Subsidiary for long-term rental yields or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

"Investment Grade" means (i) a rating of "AAA", "AA", "A" or "BBB", as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest Rating Categories, by S&P or any of its successors or assigns, (ii) a rating of "Aaa", "Aa", "A" or "Baa", as modified by a "1", "2" or "3" indication, or an equivalent rating representing one of the four highest Rating Categories, by Moody's or any of its successors or assigns, or (iii) a rating of "AAA", "AA", "A" or "BBB", as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest Rating Categories, by Fitch or any of its successors or assigns, or (iv) the equivalent ratings of any internationally recognised rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody's or Fitch or two or three of them, as the case may be.

"January 2023 Notes" means the 11.5% senior notes due January 30, 2023 issued by the Company.

"JV Entitlement Amount" means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its Subsidiaries) as of the date of the last fiscal quarter end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

"JV Subsidiary Guarantee" has the meaning set forth under the caption"— The Subsidiary Guarantees and JV Subsidiary Guarantees".

"JV Subsidiary Guarantor" means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"Measurement Date" means April 28, 2010.

"Minority Joint Venture" means any corporation, association or other business entity that is accounted for by the equity method of accounting in accordance with GAAP by the Company or a Restricted Subsidiary and primarily engaged in the Permitted Businesses, and such Minority Joint Venture's Subsidiaries.

"Moody's" means Moody's Investors Service, Inc., its affiliates, successors or assigns.

"Net Cash Proceeds" means:

(a) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of

  (1) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;

  (2) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;

  (3) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale; and

  (4) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

(b) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Non-Guarantor Subsidiary" means any Restricted Subsidiary not providing a Subsidiary Guarantee or JV Subsidiary Guarantee.

"October 2022 Notes" means the 11.95% senior notes due October 22, 2022 issued by the Company.

"Offer to Purchase" means an offer to purchase the Notes by the Company from the Holders commenced by sending a notice to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

(1) the provision of the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is sent) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note pursuant to the applicable procedures of Euroclear and Clearstream, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the order of the Company's agent appointed for the purpose of the Offer to Purchase (the "Tender Agent") with a copy to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Tender Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of the Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000.

One Business Day prior to the Offer to Purchase Payment Date, the Company will deposit with the Tender Agent money sufficient to pay the purchase price of all Notes or portions thereof to be accepted by the Company for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Paying Agent all Notes or portions thereof so accepted together with an Officers' Certificate (with a copy to the Trustee) specifying the Notes or portions thereof accepted for payment by the Company. The Tender Agent shall promptly send to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or the Registrar shall promptly authenticate and deliver to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; provided that each such Note purchased and each such new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with all applicable securities laws and regulations, in the event that the Company is required to repurchase the Notes pursuant to an Offer to Purchase.

The materials used in connection with an Offer to Purchase are required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Officer" means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or a JV Subsidiary Guarantor, one of the directors or executive officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

"Officers' Certificate" means a certificate signed by two Officers; provided, however, with respect to the Officers' Certificate required to be delivered by any Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor or JV Subsidiary Guarantor at the time such certificate is required to be delivered.

"Opinion of Counsel" means a written opinion from legal counsel which is reasonably acceptable to the Trustee.

"Original Issue Date" means the date on which the Notes are originally issued under the Indenture.

"Pari Passu Guarantee" means a guarantee by the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes), any Subsidiary Guarantor or any JV Subsidiary Guarantor; provided that (i) the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor is permitted to Incur such Indebtedness under the covenant described under the caption "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" and (ii) such guarantee ranks *pari passu* with the Subsidiary Guarantee of such Subsidiary Guarantor or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

"Payment Default" means (i) any default in the payment of interest on any Note when the same becomes due and payable, (ii) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (iii) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption "— Repurchase of Notes upon a Change of Control Triggering Event", or an Offer to Purchase in the manner described under the caption "— Certain Covenants — Limitation on Asset Sales" or (iv) any Event of Default specified in clause (e) of the definition of Events of Default.

"Permitted Business" means any business conducted by the Company and its Restricted Subsidiaries on the Original Issue Date and other businesses reasonably related, ancillary or complementary thereto, or any business in the financial services, internet, logistics, medical or agricultural industries or any business reasonably related, ancillary or complementary thereto.

"Permitted Holders" means any or all of the following:

(1) Mr. Kwok Ying Shing, Mr. Kwok Chun Wai and Mr. Kwok Ying Chi;

(2) any Affiliate (other than an Affiliate as defined in clause (ii) or (iii) of the definition of "Affiliate") of any of the Persons specified in clause (1) of this definition;

(3) the estate, trust and any immediate family member of the Persons listed in (1) or the legal representative of any of the foregoing; and

(4) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are at least 80% owned by Persons specified in clauses (1), (2) and (3) of this definition.

"Permitted Investment" means:

(1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged, directly or indirectly through one or more other Restricted Subsidiaries, in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged, directly or indirectly through one or more other Restricted Subsidiaries, in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;

(2) Temporary Cash Investments;

(3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates and not for speculation;

(7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) any securities or other Investments received as consideration in, or retained in connection with, sales or other dispositions of property or assets, including Asset Dispositions made in compliance with the covenant described under the caption "— Certain Covenants — Limitation on Asset Sales";

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under the caption "— Certain Covenants — Limitation on Liens";

(10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be incurred under the Indenture;

(11) Investments in securities of trade creditors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditors or customers;

(12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of a Permitted Business that are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet;

(13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of a Permitted Business;

(14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers, compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of a Permitted Business;

(15) (i) deposits made in order to secure the performance of the Company or any Restricted Subsidiary, (ii) prepayments made in connection with the acquisition of real property or land use rights by the Company or any Restricted Subsidiary, in each case, in the ordinary course of a Permitted Business; and (iii) advances to government authorities or government affiliated entities in the PRC in connection with the financing of redevelopment of old urban areas or primary land development, in each case, in the ordinary course of business that are recorded as assets on the Company's consolidated balance sheet; and

(16) any Investment (including any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person; provided that:

 (a) the Person into which such Investment is made is primarily engaged in the Permitted Businesses;

 (b) none of the other shareholders of or partners in such Person is a Person described in clause (a) or (b) of the first paragraph of the covenant described under the caption "— Limitation on Transactions with Shareholders and Affiliates" (other than by reason of such shareholder or partner being an officer or director of the Company, a Restricted Subsidiary, a Minority Joint Venture or an Unrestricted Subsidiary or by reason of being a Restricted Subsidiary, a Minority Joint Venture or an Unrestricted Subsidiary);

 (c) in the case of any Investment by the Company or any Restricted Subsidiary in a Person of which less than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by the Company or its Restricted Subsidiaries, at the time of such Investment, the Company could Incur at least US$1.00 of Indebtedness under the proviso in paragraph (a) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock"; provided that this paragraph (c) shall not apply if such Investment would otherwise have been permitted under this clause (16) and such Investment, together with the aggregate amount of all other Investments made in reliance on this proviso since the Original Issue Date, shall not exceed in aggregate an amount equal to 15% of Total Assets (such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made in reliance on this proviso since the Original Issue Date resulting from the events set forth in paragraphs (e)(i) through (e)(iii) below, where references in such paragraphs to "under this clause (16)" shall be substituted with "in reliance on the proviso in paragraph (c)");

(d) no Default has occurred and is continuing or would occur as a result of such Investment; and

(e) such Investment, together with the aggregate of all other Investments made under this clause (16) since the Original Issue Date shall not exceed in aggregate an amount equal to 25% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (16) since the Original Issue Date resulting from:

(i) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (16), in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),

(ii) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause (16) of an obligation of any such Person, or

(iii) to the extent that an Investment made after the Original Issue Date under this clause (16) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person under this clause (16);

provided, further that for the avoidance of doubt, the value of each Investment made pursuant to this clause (16) shall be valued at the time such Investment is made;

(17) guarantees permitted under clause (b)(21) of the covenant entitled "— Limitation on Indebtedness and Preferred Stock"; and

(18) any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Subsidiaries in the Restructuring Group in connection with the Restructuring upon designation of such Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries, provided that (A) (i) the Board of Directors of the Company has determined in good faith that the designation of such Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for the Restructuring, (ii) at the time of such designation, the members of the Restructuring Group remain Subsidiaries of the Company, and (iii) at the time of such designation, the members of the Restructuring Group remain primarily engaged in the Permitted Businesses; and (B) the aggregate of all Investments made under this clause (18) since the Original Issue Date shall not exceed an amount equal to 15% of Total Assets (for the avoidance of doubt, any portion of such Investments exceeding 15% of Total Assets shall not constitute a Permitted Investment pursuant to this clause (18) but may be made, characterized and accounted for in accordance with the other provisions of the Indenture; and

(19) any Investment in a subordinated tranche of interests in a Receivable Financing Incurred pursuant to clause (ii) of the definition thereof with multiple tranches offered and sold to investors that, in the good faith determination of the Board of Directors, is necessary or advisable to effect such Receivable Financing.

"Permitted Liens" means:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;

(5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;

(6) any interest or title of a lessor in the property subject to any operating lease;

(7) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; provided further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(8) Liens in favor of the Company or any Restricted Subsidiary;

(9) Liens arising from attachment or the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;

(10) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(11) Liens existing on the Original Issue Date;

(12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (b)(5) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock"; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(13) Liens (including extensions and renewals thereof) upon real or personal property; provided that (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (b)(7) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock", (b) such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (c) the principal amount of Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (d) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; provided that, such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is Incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated statements)) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets subject to

Liens Incurred pursuant to this clause (13) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;

(14) Liens under the Security Documents;

(15) Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under "Security — Permitted Pari Passu Secured Indebtedness";

(16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (b)(13) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock";

(17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;

(18) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (b)(6) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock";

(19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(20) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers' compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(21) Liens on deposits made in order to secure the performance of the Company or any Restricted Subsidiary in connection with the acquisition of real property or land use rights or personal property (including, without limitation, Capital Stock) by the Company or any Restricted Subsidiary (including, without limitation, by way of acquisition of Capital Stock of a Person) in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(22) Liens granted by the Company or any Restricted Subsidiary in favor of any Insurance Company Investor to secure the obligations of a Subsidiary of such Restricted Subsidiary to pay a guaranteed or preferred dividend or return on Capital Stock of such Subsidiary held by such Insurance Company Investor permitted to be Incurred under clause (b)(16) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock";

(23) Liens on Investment Properties securing Indebtedness of the Company or any Restricted Subsidiary permitted to be Incurred under clause (b)(19) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(24) Liens Incurred on cash deposits, bank accounts or other assets of the Company or any Restricted Subsidiary to secure Bank Deposit Secured Indebtedness of the type described under clause (b)(20) of the covenant under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(25) Liens on current assets securing Indebtedness permitted to be Incurred under clause (b)(14) of the "— Limitation on Indebtedness and Preferred Stock" covenant;

(26) Liens to secure Entrusted Loans;

(27) Liens securing Indebtedness permitted to be Incurred under clause (b)(17) of the covenant entitled "— Limitation on Indebtedness and Preferred Stock" covenant;

(28) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (b)(15) of the "— Limitation on Indebtedness and Preferred Stock" covenant;

(29) Liens securing Indebtedness Incurred under clause (b)(21) of the "— Limitation on Indebtedness and Preferred Stock" covenant;

(30) Liens on assets of a Non-Guarantor Subsidiary securing any Permitted Subsidiary Indebtedness of any Non-Guarantor Subsidiary permitted to be Incurred under the proviso in paragraph (a) of the covenant described under "— Limitation on Indebtedness and Preferred Stock"; and

(31) Liens securing Indebtedness Incurred under clause (b)(23) of the covenant described under "— Limitation on Indebtedness and Preferred Stock".

"Permitted Pari Passu Secured Indebtedness" has the meaning set forth under "Security— Permitted Pari Passu Secured Indebtedness".

"Permitted Subsidiary Indebtedness" means Indebtedness of, and all Preferred Stock issued by, the Non-Guarantor Subsidiaries, taken as a whole; provided that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding Public Indebtedness and the amount of any Indebtedness of any Non-Guarantor Subsidiary permitted under clauses (b)(1), (b)(2), (b)(4), (b)(6) and (b)(13) of the covenant described under the caption "— Certain Covenants — Limitation on Indebtedness and Preferred Stock") does not exceed an amount equal to 15% of Total Assets.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PRC" means the People's Republic of China, excluding Hong Kong Special Administrative Region, Macau and Taiwan.

"PRC CJV" means any future Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on September 3, 2016) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995 (as most recently amended on February 19, 2014), as such laws may be amended.

"PRC CJV Partner" means with respect to a PRC CJV, the other party or parties to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

"PRC Restricted Subsidiary" means a Restricted Subsidiary organized under the laws of the PRC.

"Preferred Stock" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over any other class of Capital Stock of such Person.

"Pre-Registration Mortgage Guarantees" means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; provided that any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

"Public Indebtedness" means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

"Qualified Exchange" means either (1) the New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock Market, Singapore Exchange Securities Trading Limited, The Shanghai Stock Exchange or The Shenzhen Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

"Qualified IPO" means an initial public offering, and a listing of, Capital Stock of a company on a Qualified Exchange, provided that in the case that such listing is on a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), such listing shall result in a public float of not less than the percentage required by the applicable listing rules.

"Rating Agencies" means (1) S&P, (2) Moody's and (3) Fitch; provided that if S&P, Moody's or Fitch, two of the three or all three of them shall not make a rating of the Notes publicly available, one or more "nationally recognized statistical rating organizations", as the case may be, within the meaning of Section 3(a)(62) of the Exchange Act, selected by the Company, which shall be substituted for S&P, Moody's, Fitch, two of the three or all three of them, as the case may be.

"Rating Category" means (1) with respect to S&P, any of the following categories: "BB", "B", "CCC", "CC", "C" and "D" (or equivalent successor categories); (2) with respect to Moody's, any of the following categories: "Ba", "B", "Caa", "Ca", "C" and "D" (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: "BB", "B", "CCC", "CC", "C" and "D" (or equivalent successor categories); and (4) the equivalent of any such category of S&P, Moody's or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "–" for S&P; "1", "2" and "3" for Moody's and "+" and "–" for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB", as well as from "BB-" to "B+", will constitute a decrease of one gradation).

"Rating Date" means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the caption "— Consolidation, Merger and Sale of Assets," that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"Rating Decline" means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under the caption "— Consolidation, Merger and Sale of Assets," the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(a) in the event the Notes are rated by all three of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three Rating Agencies shall be below Investment Grade;

(b) in the event the Notes are rated by any two, but not all three, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any of such two Rating Agencies shall be below Investment Grade;

(c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(d) in the event the Notes are rated by three or less than three Rating Agencies and rated below Investment Grade by all such Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"Receivable Financing" means any financing transaction or series of financing transactions that have been or may be entered into by the Company or any Restricted Subsidiary pursuant to which the Company or any Restricted Subsidiary may sell, convey or otherwise transfer to another Person, or may grant a security interest in, any of its receivables, mortgages, royalty, other revenue streams or interests therein (including without limitation, all security interests in goods financed thereby (including equipment and property), the proceeds of such receivables, and other assets which are customarily sold or in respect of which security interests are customarily granted in connection with securitization or factoring transactions involving such assets) for credit or liquidity management purposes (including discounting, securitization or factoring transactions) either (i) in the ordinary course of business or (ii) by way of selling by such other Person securities that are, or are capable of being, listed on any stock exchange or in any securities market and are offered using an offering memorandum or similar offering document.

"Receivable Financing Assets" means assets that are underlying and are sold, conveyed or otherwise transferred or pledged in a Receivable Financing.

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m. on the fifth Business Day preceding such redemption date.

"Renminbi" or "RMB" means the lawful currency of the People's Republic of China, excluding Hong Kong, Macau and Taiwan for the purposes of the Indenture.

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"Restructuring" means the restructuring and Qualified IPO of the common shares of a Subsidiary of the Company in the Restructuring Group.

"Restructuring Group" means the group of Subsidiaries of the Company which are engaged in the Permitted Business that the Company may spin off and separately listed on a Qualified Exchange as part of the Restructuring.

"S&P" means Standard & Poor's Ratings Services and its affiliates.

"Sale and Leaseback Transaction" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

"Securitization Fees" means distributions or payments made directly or by means of discounts with respect to any Receivable Financing Asset or participation interest therein issued or sold in connection with and other fees paid to a Person that is not a Restricted Subsidiary in connection with any Receivable Financing.

"Security Documents" means, collectively, the pledge or charge agreements and any other agreements or instruments that may evidence or create any security interest in favor of the Common Security Trustee on behalf of the Secured Parties, the Trustee and/or any Holders in any or all of the Collateral.

"Senior Indebtedness" of the Company or any Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or such Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee; or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; provided that Senior Indebtedness does not include (i) any obligation to the Company or any Restricted Subsidiary, (ii) trade payables or (iii) Indebtedness Incurred in violation of the Indenture.

"Significant Restricted Subsidiary" means a Restricted Subsidiary, or a group of Restricted Subsidiaries, that would, when taken together, be a "significant subsidiary" within the meaning of the definition of "significant subsidiary" in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Original Issue Date; provided that in each instance in such definition in which the term "10 percent" is used, the term "5 percent" shall be substituted therefor.

"Staged Acquisition Agreement" means an agreement between the Company or any Restricted Subsidiary and an Independent Third Party pursuant to which the Company or such Restricted Subsidiary agrees to (x) acquire not less than a majority of the Capital Stock of a Person (which owns land use rights in respect of parcels of land suitable for Permitted Business) (the "Minimum Initial Purchase") from such Independent Third Party and pay for the Minimum Initial Purchase in full or in installments at a purchase price that is not more than the Fair Market Value of such Capital Stock on the date of such agreement and/or (y) on or after the payment in full of the purchase price for the Minimum Initial Purchase and such Person becomes a Restricted Subsidiary, (i) acquire additional shares of Capital Stock of such Restricted Subsidiary from such Independent Third Party and pay for such additional shares in full or in installments after the date of such agreement at a purchase price that is not more than the Fair Market Value of such Capital Stock on the date of such agreement or (ii) acquire additional shares of Capital Stock of such Restricted Subsidiary from such Independent Third Party in accordance with a "right of first refusal" or "right of first offer" type of provision in such agreement at a purchase price that is not more than the Fair Market Value of such Capital Stock on or about the date of such purchase.

"Stated Maturity" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"Subordinated Shareholder Loan" means any unsecured loan to the Company or any Restricted Subsidiary from Permitted Holders which (i) is expressly subordinated in right of payment to the Notes, (ii) by its terms (and by the terms of any security into which it is convertible or for which it is exchangeable) does not mature and is not required to be repaid, pursuant to a sinking fund obligation event of default or otherwise, in whole or in part, on or prior to the date that is one year after the Stated Maturity of the Notes and (iii) by its terms does not provide any cash payment of interest.

"Subordinated Indebtedness" means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the outstanding Voting Stock is owned, directly or indirectly, by such Person and which is "controlled" and consolidated by such Person in accordance with GAAP.

"Subsidiary Guarantee" means any guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

"Subsidiary Guarantor" means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; provided that Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

"Subsidiary Guarantor Pledgor" means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; provided that a Subsidiary Guarantor Pledgor will not include any Person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

"Temporary Cash Investment" means any of the following:

(1) direct obligations of the United States of America, any state of the European Economic Area, the United Kingdom, the People's Republic of China and Hong Kong or any agency of the foregoing or obligations fully and unconditionally guaranteed by the United States of America, any state of the European Economic Area, the United Kingdom, the People's Republic of China and Hong Kong or any agency of the foregoing, in each case maturing within one year;

(2) time deposit accounts, certificates of deposit, demand notes and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America or any state thereof, any state of the European Economic Area, the United Kingdom or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing within 180 days of the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's, "A-1" (or higher) according to S&P or "F1 (or higher according to Fitch)";

(5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof and rated at least "A" by S&P, Moody's or Fitch;

(6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;

(7) time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any bank or financial institution organized under the laws of the PRC, Hong Kong or anywhere the Company or any Restricted Subsidiary conducts business operations; and

(8) structured deposit products that are principal protected with any bank or financial institution organized under the laws of the PRC, Hong Kong or anywhere the Company or any Restricted Subsidiary conducts business operations if held to maturity (which shall not be more than one year) and can be withdrawn at any time with no more than six months' notice.

"Total Assets" means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile on a timely manner) are available (which may include internal consolidated financial statements); provided that only with respect to clause (b)(7) of "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" covenant and the definition of "Permitted Subsidiary Indebtedness", Total Assets shall be calculated after giving *pro forma* effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any Restricted Subsidiary to the bank or other similar financial institutional lender providing such Indebtedness.

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"Transaction Date" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"Unrestricted Subsidiary" means (1) subject to any redesignation under the section entitled "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries," each of Kaisa Property Holdings Limited (佳兆業物業集團有限公司), Kaisa Ventures Limited, Dragon Range Holdings Limited (域龍控股有限公司) and Star Joy Holdings Limited (星進集團有限公司); (2) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (3) any Subsidiary of an Unrestricted Subsidiary.

"U.S. Government Obligations" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the holder thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"Wholly Owned" means, with respect to any Subsidiary of any Person, the ownership of 100% of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; provided that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person are entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain Cayman Islands, British Virgin Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Cayman Islands

The following is a discussion of certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest and principal on the Notes will not be subject to taxation and no withholding will be required on the payment of interest, principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to any capital gains, income or corporation tax in the Cayman Islands. The Cayman Islands currently have no exchange control restrictions and are not party to any double taxation treaties. The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty.

No stamp duties or similar taxes or charges are payable under the laws of the Cayman Islands in respect of the execution and issue of the Notes unless they are executed in or brought within (for example, for the purposes of enforcement) the jurisdiction of the Cayman Islands, in which case stamp duty of 0.25% of the face amount thereof may be payable on each Note (up to a maximum of 250 Cayman Islands dollars ("CI$") (US$312.50)) unless stamp duty of CI$500 (US$625) has been paid in respect of the entire issue of Notes.

The above conversions of Cayman Islands dollars to U.S. dollars have been made on the basis of US$1.25 = CI$1.00.

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from August 14, 2007.

British Virgin Islands

There is no income or other tax of the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by the Subsidiary Guarantors pursuant to the Subsidiary Guarantees.

Hong Kong

Withholding Tax. No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) or interest in respect of the Notes.

Profits Tax. Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance"), as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty. No Hong Kong stamp duty will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside Hong Kong) of a Note.

PRC Taxation

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest. The Enterprise Income Tax Laws, effective January 1, 2008, impose a tax at the rate of 10% on interest paid to holders of the Notes that are “non-resident enterprises” so long as any such “non-resident enterprise” holder does not have an establishment or place of business in China or, despite the existence of establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China, to the extent such interest is sourced within China. Pursuant to these provisions of the Enterprise Income Tax Laws, despite many uncertainties with respect to their application, if we are considered a PRC resident enterprise, interest payable to non-resident enterprise holders on the Notes may be treated as income derived from sources within China and be subject to the PRC withholding tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified investors in the Notes.

Taxation on Capital Gains. The Enterprise Income Tax Laws impose a tax at the rate of 10% (or 20% in the case of individuals) on capital gains realized by holders of the Notes that are “non-resident enterprises” so long as any such “non-resident enterprise” holder does not have an establishment or place of business in China or, despite the existence of establishment or place of business in China, the relevant gain is not effectively connected with such establishment or place of business in China, to the extent such capital gains are sourced within China. Pursuant to these provisions of the Enterprise Income Tax Laws, despite many uncertainties with respect to their application, if we are considered a PRC resident enterprise, the capital gains realized by holders of the Notes may be treated as income derived from sources within China and be subject to the PRC tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified investors in the Notes.

Stamp duty. No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside Mainland China) of a Note.

PLAN OF DISTRIBUTION

Under the terms and conditions contained in a purchase agreement dated November 5, 2019, we have agreed to sell to BOCI Asia Limited, Credit Suisse (Hong Kong) Limited, Deutsche Bank AG, Singapore Branch and Haitong International Securities Company Limited as the Initial Purchasers, and the Initial Purchasers have serverally agreed to purchase from us, the following principal amount of the New Notes:

Initial Purchasers	Principal Amount of the New Notes to be Purchased
BOCI Asia Limited	US$37,500,000
Credit Suisse (Hong Kong) Limited	US$37,500,000
Deutsche Bank AG, Singapore Branch	US$37,500,000
Haitong International Securities Company Limited	US$37,500,000
Total	US$150,000,000

The purchase agreement provides that the obligations of the Initial Purchasers are subject to the approval of certain legal matters by their counsel and certain conditions precedent, including the completion of the designation of the Target Subsidiaries as Unrestricted Subsidiaries under the Target Indentures (including the Indenture). The purchase agreement provides that the Initial Purchasers are obligated to purchase all of the New Notes if any are purchased. If an Initial Purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting Initial Purchasers may be increased or the purchase agreement may be terminated. The Initial Purchasers propose to offer the New Notes initially at the price on the cover page of this offering memorandum (the "Offering Price") and may also offer the New Notes to selling group members at the Offering Price less a selling concession. After the initial offering, the Offering Price may be changed.

We and the Subsidiary Guarantors will pay the Initial Purchasers customary fees and commissions in connection with the offering and will reimburse the Initial Purchasers for certain expenses incurred in connection with the offering. In addition, we and the Subsidiary Guarantors have agreed with the Initial Purchasers that private banks be paid a commission in connection with the purchase of the New Notes by their private bank clients, which commission may be deducted from the purchase price for the New Notes payable by such private banks upon settlement.

No action has been taken or will be taken in any country or jurisdiction that would permit a public offering of the New Notes or the possession or distribution of the Offering Memorandum or any other offering material relating to the New Notes in any jurisdiction where action for any such purpose may be required.

The Initial Purchasers and their respective affiliates may have engaged in transactions with and performed various investment banking, commercial banking and other services for the Company and its affiliates in the past and may do so from time to time in the future. The Initial Purchasers and their respective affiliates have received customary fees and commissions for these transactions. We may enter into non-speculative hedging or other derivative transactions as part of our risk management strategy with the Initial Purchasers, which may include transactions relating to our obligations under the New Notes. Our obligations under these transactions may be secured by cash or other collateral. The Initial Purchasers or certain of their affiliates may purchase and allocate the New Notes for asset management and/or proprietary purposes but not with a view for distribution. In the ordinary course of their business, the Initial Purchasers or their respective affiliates may at any time hold long or short positions, and may trade for their own account or the accounts of customers, in our securities.

General

Purchasers of the New Notes outside the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the Offering Price on the cover page of this Offering Memorandum.

We have agreed to indemnify the Initial Purchasers against certain liabilities or to contribute to payments which the Initial Purchasers may be required to make in that respect.

We and the Subsidiary Guarantors have agreed that for a period from the date of this offering memorandum to the settlement date, other than the November 2023 Notes, neither we nor any

Subsidiary Guarantor will, directly or indirectly, take any of the following actions with respect to any United States dollar-denominated debt securities issued or guaranteed by the Company or such Subsidiary Guarantor and having a maturity of more than one year from the date of issue ("Lock-Up Securities"): (i) offer, sell, issue, contract to sell, pledge or otherwise dispose of Lock-Up Securities, (ii) offer, sell, issue, contract to sell, contract to purchase or grant any option, right or warrant to purchase Lock-Up Securities, (iii) enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership of Lock-Up Securities, (iv) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in Lock-Up Securities within the meaning of Section 16 of the Exchange Act or (v) file with the United States Securities and Exchange Commission a registration statement under the Securities Act relating to Lock-Up Securities or publicly disclose the intention to take any such action, without the prior written consent of the Initial Purchasers.

The Original Notes are listed and quoted on the SGX-ST. Application will be made to the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. However, we cannot assure you that we will ultimately obtain such listing or that we will be able to maintain such listing.

No assurance can be given as to the development or liquidity of any market for the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

We expect delivery of the New Notes will be made against payment therefor on or about the closing date specified on the cover page of this offering memorandum, which will be the fifth business day following the date of pricing (this settlement cycle being referred to as "T+5").

United States

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the U.S. Securities Act, and may not be offered or sold in the United States. The Notes, the Subsidiary Guarantees are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days following the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act unless the dealer makes the offer or sell in compliance with an exemption from registration under the U.S. Securities Act.

Prohibition of Sales to EEA Retail Investors

The Notes may not be offered, sold or otherwise made available to any retail investor in the EEA. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

i. a retail client as defined in point (11) of Article 4(1) of MiFID II; or

ii. a customer within the meaning of the Insurance Distribution Directive where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of the Notes may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to the Company or the Subsidiary Guarantors.

All applicable provisions of the FSMA must be complied with in respect to anything done by any person in relation to the Notes in, from or otherwise involving the United Kingdom.

British Virgin Islands

No invitation will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the Notes but the Notes may be acquired by British Virgin Islands persons who receive the offer outside the British Virgin Islands and in a manner which does not contravene the laws of the jurisdictions in which such offer is received.

Cayman Islands

No Notes will be offered or sold to the public in the Cayman Islands.

Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the SFO (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the SFO and any rules made thereunder.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the "FIEL"), and disclosure under the FIEL has not been made with respect to the Notes. Accordingly, the Notes may not be offered or sold, directly or indirectly, in Japan or to, or for the account of, any resident of Japan, or to others for re-offering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, "resident of Japan" means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA"). Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are initially subscribed or purchased by (i) an institutional investor under Section 274 of the SFA or (ii) a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, the Notes may only be sold or transferred: (a) at any time, to an institutional investor under Section 274 of the SFA; (b) at any time, to a relevant person defined in Section 275(2) of the SFA or to any person pursuant to an offer referred to in Section 275(1A) of the SFA; or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

*Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**") — the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

The PRC

This Offering Memorandum does not constitute a public offer of the Notes, whether by way of sale or subscription, in the PRC. Other than to qualified domestic institutional investors in the PRC, the Notes are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC. According to the laws and regulatory requirements of the PRC, with the exception of qualified domestic institutional investors in the PRC, the Notes may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

Switzerland

This offer memorandum is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations, and neither this document nor any other offering or marketing material relating to Notes may be publicly distributed or otherwise made publicly available in Switzerland.

TRANSFER RESTRICTIONS

Because of the following restrictions, prospective investors are encouraged to consult their legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.

Each purchaser of the New Notes will be deemed to:

- represent that it is purchasing the New Notes in an offshore transaction in accordance with Regulation S under the U.S. Securities Act;
- acknowledge that the New Notes and the Subsidiary Guarantees in respect thereof have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from registration under the U.S. Securities Act;
- acknowledge that the New Notes will be represented by the Global Note, and that transfers thereof are subject to and will only be effected through the records maintained by the Euroclear and Clearstream; and
- acknowledge that the Company and the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agree that if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of the New Notes are no longer accurate, it shall promptly notify us and the Initial Purchasers. If it is acquiring any New Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

RATINGS

The Original Notes were rated B2 by Moody's and B by Fitch and the rating is not expected to be affected by the issuance of the New Notes. We have been assigned a long-term corporate rating of "B" with a stable outlook by S&P, "B1" with a stable outlook by Moody's and "B" with a stable outlook by Fitch. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant. Each such rating should be evaluated independently of any other rating on the Notes, on other of our securities, or on us.

LEGAL MATTERS

Certain legal matters with respect to the offering and the New Notes will be passed upon for us by Sidley Austin as to matters of United States federal and New York law and Hong Kong law, Harneys as to matters of Cayman Islands law and British Virgin Islands law and Commerce & Finance Law Offices as to matters of PRC law. Certain legal matters will be passed upon for the Initial Purchasers by Linklaters as to matters of United States federal and New York law and Jia Yuan Law Offices as to matters of PRC law.

INDEPENDENT AUDITOR

Our audited consolidated financial statements as of and for the years ended December 31, 2016, 2017 and 2018 reproduced in this offering memorandum have been audited by Grant Thornton Hong Kong Limited, as stated in the reports therein and in our annual reports for the years ended December 31, 2017 and 2018, respectively. Our consolidated financial statements as of and for the six months ended June 30, 2019 included in this offering memorandum have been reviewed by Grant Thornton Hong Kong Limited, as stated in the reports therein.

Consents

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the offering and the issue and performance of obligations under the New Notes and the Subsidiary Guarantees. The entering into of the Indentures and the issue of the New Notes have been authorized by a resolution of our Board of Directors dated November 5, 2019.

Litigation

Except as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of the offering and this issue of the New Notes or the Subsidiary Guarantees.

No Material Adverse Change

There has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since June 30, 2019 that is material in the context of the offering and the issue of the New Notes or the Subsidiary Guarantees.

Documents Available

For so long as any of the New Notes is outstanding, copies of the Indentures may be inspected free of charge during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee.

For so long as any of the New Notes is outstanding, copies of the independent auditor's reports and/or our published financial statements, if any, including the independent auditor's report set out in the section entitled "Index to Financial Statements," may be obtained during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee.

Clearing Systems and Settlement

	ISIN	Common Code
New Notes	XS2030334192	203033419

Listing of the New Notes

The Original Notes are listed and quoted on the SGX-ST. Application will be made to the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering memorandum. Approval in-principle from, admission to the Official List of, and listing and quotation of the New Notes on, the SGX-ST are not to be taken as an indication of the merits of the offering, the Company, the New Notes, the Subsidiary Guarantees, the Subsidiary Guarantors or their respective subsidiaries or associated companies (if any).

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Note is exchanged for definitive Notes, we will appoint and maintain a paying agent in Singapore, where the definitive Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

INDEX TO FINANCIAL STATEMENTS

Note:

(1) The reviewed consolidated financial statements set out herein have been reproduced from the Company's interim report for the six months ended June 30, 2019, and page references are to pages set forth in such report. The audited consolidated financial statements set out herein have been reproduced from the Company's annual report for the years ended December 31, 2017 and 2018, and page references are to pages set forth in such report. The consolidated financial statements have not been specifically prepared for inclusion in this offering memorandum.

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

INTRODUCTION

We have reviewed the interim financial information of Kaisa Group Holdings Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 45 to 106, which comprises the condensed consolidated statement of financial position as at 30 June 2019, and the related 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-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

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

SCOPE OF REVIEW

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

CONCLUSION

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

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

27 August 2019

Lin Ching Yee Daniel
Practising Certificate No.: P02771

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Unaudited	
		Six months ended 30 June	
		2019	2018
	Note	**RMB'000**	RMB'000
Revenue	4	**20,105,995**	15,027,788
Cost of sales	5	**(13,398,448)**	(10,291,313)
Gross profit		**6,707,547**	4,736,475
Other gains and (losses), net	6	**(314,136)**	115,704
Provisional gain on deemed disposals of subsidiaries	24	**979,449**	1,994,891
Selling and marketing costs	5	**(730,644)**	(361,269)
Administrative expenses	5	**(1,323,494)**	(1,402,041)
Fair value gain on investment properties	11	**390,345**	134,806
Operating profit		**5,709,067**	5,218,566
Share of results of associates		**(63,182)**	(55,223)
Share of results of joint ventures	13(b)	**(122)**	33,234
Finance income		**224,226**	106,152
Finance costs		**(577,865)**	(730,108)
Finance costs, net	7	**(353,639)**	(623,956)
Profit before income tax		**5,292,124**	4,572,621
Income tax expenses	8	**(2,514,984)**	(2,340,530)
Profit for the period		**2,777,140**	2,232,091
Profit/(Loss) for the period attributable to:			
Owners of the Company		**2,837,222**	1,704,082
Non-controlling interests		**(60,082)**	528,009
		2,777,140	2,232,091
Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB per share)			
– Basic	9	**0.467**	0.281
– Diluted	9	**0.459**	0.276

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Profit for the period	**2,777,140**	2,232,091
Other comprehensive (loss)/income for the period, including reclassification adjustments		
Item that may be reclassified subsequently to profit or loss		
Exchange (loss)/gain on translation of foreign operations	**(31,692)**	13,516
Other comprehensive (loss)/income for the period, including reclassification adjustments	**(31,692)**	13,516
Total comprehensive income for the period	**2,745,448**	2,245,607
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	**2,822,823**	1,712,587
Non-controlling interests	**(77,375)**	533,020
	2,745,448	2,245,607

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 51 to 106 are an integral part of this condensed consolidated financial information.

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Non-current assets			
Property, plant and equipment	11	3,148,424	3,055,880
Right-of-use assets	12	1,212,966	–
Investment properties	11	35,755,000	35,930,000
Land use rights	11	673,599	669,078
Investments in associates	13(a)	12,282,319	7,072,822
Investments in joint ventures	13(b)	10,975,540	8,677,152
Financial assets at fair value through profit or loss		5,624,026	6,567,622
Debtors, deposits and other receivables	14	4,074,912	1,652,852
Goodwill and intangible assets	15	1,985,744	1,105,288
Long-term bank deposits		1,600,000	400,000
Deferred tax assets		845,886	784,310
		78,178,416	65,915,004
Current assets			
Properties under development		67,015,369	64,764,338
Completed properties held for sale		16,718,753	13,130,534
Inventories		242,824	105,305
Deposits for land acquisition		21,791,115	19,445,196
Prepayments for proposed development projects		19,563,549	19,080,815
Debtors, deposits and other receivables	14	26,083,457	22,600,171
Prepaid taxes		774,791	1,134,324
Restricted cash		6,988,334	6,792,292
Financial assets at fair value through profit or loss		265,408	328,204
Short-term bank deposits		347,341	252,718
Cash and bank balances		21,044,089	15,479,139
		180,835,030	163,113,036
Current liabilities			
Contract liabilities		45,343,569	39,154,089
Accrued construction costs		12,505,088	12,599,547
Income tax payable		8,983,485	7,773,315
Lease liabilities	16	143,533	–
Borrowings	17	22,446,501	16,965,694
Other payables	18	25,882,484	19,917,262
		115,304,660	96,409,907

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Net current assets		**65,530,370**	66,703,129
Total assets less current liabilities		**143,708,786**	132,618,133
Non-current liabilities			
Lease liabilities	16	**1,077,023**	–
Borrowings	17	**93,091,705**	91,800,258
Deferred tax liabilities		**4,661,351**	4,478,563
		98,830,079	96,278,821
Net assets		**44,848,707**	36,339,312
EQUITY			
Share capital	19	**534,314**	533,389
Share premium	19	**5,710,319**	6,168,607
Reserves	20	**17,854,951**	14,938,114
Equity attributable to owners of the Company		**24,099,584**	21,640,110
Non-controlling interests		**20,799,123**	14,699,202
Total equity		**44,878,707**	36,339,312

Kwok Ying Shing
Director

Mai Fan
Director

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 51 to 106 are an integral part of this condensed consolidated financial information.

	Unaudited					
	Attributable to owners of the Company					
	Share capital RMB'000 (note 19)	Share premium RMB'000 (note 19)	Reserves RMB'000 (note 20)	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2018 (audited)	532,865	6,913,069	11,641,988	19,087,922	10,910,228	29,998,150
Adjustment on adoption of HKFRS 9, net of tax	–	–	299,998	299,998	(7,224)	292,774
Restated balance as at 1 January 2018	532,865	6,913,069	11,941,986	19,387,920	10,903,004	30,290,924
Profit for the period	–	–	1,704,082	1,704,082	528,009	2,232,091
Other comprehensive income for the period	–	–	8,505	8,505	5,011	13,516
Total comprehensive income for the period	–	–	1,712,587	1,712,587	533,020	2,245,607
Acquisitions of subsidiaries (note 23)	–	–	–	–	51,426	51,426
Capital injection by non-controlling interests	–	–	–	–	254,377	254,377
Deemed disposals of subsidiaries (note 24)	–	–	–	–	(91,554)	(91,554)
2017 final dividends declared (note 10)	–	(603,729)	–	(603,729)	–	(603,729)
Issue of shares upon exercise of share options	414	8,780	(2,667)	6,527	–	6,527
Share-based payments	–	–	116,458	116,458	2,524	118,982
Balance as at 30 June 2018 (unaudited)	533,279	6,318,120	13,768,364	20,619,763	11,652,797	32,272,560
Balance as at 1 January 2019 (audited)	**533,389**	**6,168,607**	**14,938,114**	**21,640,110**	**14,699,202**	**36,339,312**
Profit /(Loss) for the period	**–**	**–**	**2,837,222**	**2,837,222**	**(60,082)**	**2,777,140**
Other comprehensive loss for the period	**–**	**–**	**(14,399)**	**(14,399)**	**(17,293)**	**(31,692)**
Total comprehensive income /(loss) for the period	**–**	**–**	**2,822,823**	**2,822,823**	**(77,375)**	**2,745,448**
Acquisitions of subsidiaries (note 23)	**–**	**–**	**–**	**–**	**540,680**	**540,680**
Capital injection by non-controlling interests	**–**	**–**	**–**	**–**	**5,618,233**	**5,618,233**
Deemed disposal of partial interests in a subsidiary	**–**	**–**	**(12,667)**	**(12,667)**	**43,667**	**31,000**
Deemed disposals of subsidiaries (note 24)	**–**	**–**	**–**	**–**	**(39,509)**	**(39,509)**
2018 final dividends declared (note 10)	**–**	**(478,683)**	**–**	**(478,683)**	**(5,775)**	**(484,458)**
Issue of shares upon exercise of share options	**925**	**20,395**	**(6,046)**	**15,274**	**–**	**15,274**
Share-based payments	**–**	**–**	**69,014**	**69,014**	**–**	**69,014**
Other	**–**	**–**	**43,713**	**43,713**	**–**	**43,713**
Balance as at 30 June 2019 (unaudited)	**534,314**	**5,710,319**	**17,854,951**	**24,099,584**	**20,779,123**	**44,878,707**

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 51 to 106 are an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Notes	Unaudited Six months ended 30 June 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations		(1,286,354)	15,590,782
Income tax paid		(858,104)	(2,163,048)
Interest paid		(3,949,430)	(4,562,769)
Net cash (used in)/from operating activities		(6,093,888)	8,864,965
Cash flows from investing activities			
Additions of property, plant and equipment	11	(172,545)	(90,781)
Additions to investment properties	11	(326,796)	(1,315,464)
Additions to intangible assets	15	(200,559)	(46,422)
Acquisitions of associates		(4,642,990)	(177,507)
Acquisitions of joint venture		(975,808)	–
Acquisitions of subsidiaries, net of cash acquired	23	(378,452)	(205,274)
Increase in amounts due from joint ventures		–	(162,224)
Decrease/(Increase) in amounts due from associates		329,897	(3,631,595)
Increase in other receivables		(3,699,000)	(3,038,600)
(Increase)/Decrease in short-term bank deposits		(94,623)	1,189,776
Increase in long term bank deposits		(1,200,000)	(400,000)
Increase in consideration payables related to acquisition of joint ventures		–	5,600
Increase in consideration payables related to acquisition of an associate		530,000	–
Cash outflow from deemed disposals of subsidiaries	24	(419,068)	(2,572,394)
Payment for consideration payables related to acquisition of subsidiaries		(505,855)	(1,503,087)
Payment for consideration payable related to acquisition of associate		–	(757,937)
Purchase of financial assets at fair value through profit or loss		(333,515)	(949,544)
Proceeds from disposals of financial assets at FVTPL		1,343,616	–
Cash inflow/(outflow) from other investing activities		482,017	(228,800)
Net cash used in investing activities		(10,263,681)	(13,884,253)
Cash flows from financing activities			
Increase/(Decrease) in other payables		2,080,776	(78,599)
Increase in amounts due to associates		130,512	428,011
Increase in amounts due to joint ventures		1,571,279	326,386
Decrease in restricted cash relating to borrowings		2,354,596	17,463
Capital injection from non-controlling interests		5,618,233	254,377
Decrease in amounts due to non-controlling interests of subsidiaries		(200,058)	(166,167)
Proceeds from bank and other borrowings		17,627,505	17,610,195
Net proceeds from issuance of senior notes	17(a)	7,679,319	2,075,073
Proceeds from issuance of convertible bonds	17(b)	676,913	–
Proceeds from loans from associates		2,500	428,250
Repayments of bank and other borrowings		(12,978,142)	(10,403,158)
Repayments of loans from associates		(306,650)	(721,900)
Payment for repurchase of senior notes		(1,746,852)	(960,817)
Cash outflow from other financing activities		(567,515)	(67,141)
Net cash generated from financing activities		21,942,416	8,741,973
Net increase in cash and cash equivalents		5,584,847	3,722,685
Cash and cash equivalents at beginning of period		15,479,139	11,998,423
Exchange adjustments		(19,897)	25,424
Cash and cash equivalents at end of period, represented by cash and bank balances		21,044,089	15,746,532

The notes on pages 51 to 106 are an integral part of this condensed consolidated financial information.

1. GENERAL INFORMATION

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

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

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

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

This condensed consolidated financial information is presented in Renminbi ("RMB"), the currency of the primary economic environment in which most of the group entities operate (the functional currency of the Company and most of the entities comprising the Group), and all values are rounded to the nearest thousand ('000), unless otherwise stated. The condensed consolidated financial information was authorised for issue by the Board of Directors on 27 August 2019.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of preparation

This condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

(ii) Changes in significant accounting policies

The condensed consolidated financial information for the six months ended 30 June 2019 have been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2018, except for the adoption of the following new and amended HKFRSs effective as of 1 January 2019. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ii) Changes in significant accounting policies *(continued)*

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments

Other than the impact of the adoption of HKFRS 16 as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKFRS 16 "Leases"

HKFRS 16 "Leases" replaces HKAS 17 "Leases" ("HKAS 17") along with three Interpretations (HK(IFRIC)-Int. 4 "Determining whether an Arrangement contains a Lease" ("HK(IFRIC)-Int 4"), HK(SIC) Int-15 "Operating Leases – Incentives" and HK(SIC) Int-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4. The Group has already recognised the prepaid lease payments for leasehold land where the Group is a lessee. The application of HKFRS 16 does not have impact on these assets except for the whole balance is now presented as "Land use rights" under non-current assets.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to HKFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 5.35% per annum.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

(ii) Changes in significant accounting policies *(continued)*

HKFRS 16 "Leases" (continued)

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the opening balance for lease liabilities recognised at 1 January 2019:

	RMB'000
Total operating lease commitments at 31 December 2018 (note 22(b))	1,152,467
Less: commitments relating to lease exempt from capitalisation:	
– short-term lease with remaining lease term ending on or before 31 December 2019	(11,378)
Operating leases liabilities before discounting	1,141,089
Less: discounting using incremental borrowing rate as at 1 January 2019	(341,922)
Total lease liabilities recognised at 1 January 2019	799,167
Classified as:	
Current lease liabilities	110,519
Non-current lease liabilities	688,648
	799,167

The following table summarises the impact of transition to HKFRS 16 on the Group's condensed consolidated statement of financial position at 1 January 2019:

	RMB'000
Increase in right-of-use assets (non-current assets)	799,167
Increase in lease liabilities (current liabilities)	(110,519)
Increase in lease liabilities (non-current liabilities)	(688,648)

The condensed consolidated financial information has been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2018, except for the effects of applying HKFRS 16.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ii) Changes in significant accounting policies *(continued)*

Leases

(a) The Group as a lessee

Applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contain an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability on the condensed consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

Except for those right-of-use assets meeting the definition of investment properties and those relating to a class of property, plant and equipment to which revaluation model was applied, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use assets (except for those meeting the definition of investment properties) for impairment when such indicator exists.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ii) Changes in significant accounting policies *(continued)*

Leases (continued)

(a) The Group as a lessee (continued)

Applicable from 1 January 2019 (continued)

Measurement and recognition of leases as a lessee (continued)

At the lease commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less. Low-value assets comprise IT-equipment and small items of office equipment.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ii) Changes in significant accounting policies *(continued)*

Leases (continued)

(a) The Group as a lessee (continued)

Applicable before 1 January 2019

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Operating leases

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(b) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

3.1 Financial risk factors

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

The condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

There have been no material changes in the risk management policies of the Group since year ended 31 December 2018.

3.2 Fair value estimation

The table below analyses financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair value as at 30 June 2019 and 31 December 2018.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 30 June 2019 (unaudited)				
Financial assets				
Financial assets at fair value through profit of loss ("FVTPL")	**252,968**	**62,048**	**5,574,418**	**5,889,434**
As at 31 December 2018 (audited)				
Financial assets				
Financial assets at FVTPL	259,477	–	6,646,349	6,895,826

During the six months ended 30 June 2019, there were no transfers between level 1, 2 and 3 during the period (31 December 2018: Financial assets at FVTPL related to investment in equity fund which invest in automobile business amounting to RMB199,131,000 were transferred in level 3 during the year). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the reporting date in which they occur.

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

3.3 Valuation technique used to derive level 1 fair values

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

3.4 Fair value measurements using significant unobservable inputs (level 2)

The reconciliation of the carrying amounts of the Group's financial assets at FVTPL within level 2 of the fair value hierarchy is as follows:

	Unaudited RMB'000
Fair value as at 1 January 2019 (audited)	**–**
Additions	**62,002**
Fair value changes	**(94)**
Exchange realignment	**140**
Fair value as at 30 June 2019 (unaudited)	**62,048**

Additions during the six months ended 30 June 2019 mainly represented unlisted managed fund in Hong Kong.

Fair value gain on financial assets at FVTPL of RMB94,000 (six months ended 30 June 2018: nil) was included other gains and (losses), net, in the condensed consolidated statement of profit or loss and other comprehensive income.

The fair value of unlisted managed fund of RMB62,048,000 as at 30 June 2019 (30 June 2018: nil) in Level 2 is determined by reference to the net asset value of these investments prescribed by financial institution.

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

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

	Unaudited	
	2019 RMB'000	2018 RMB'000
Fair value as at 1 January (audited)	**6,636,349**	5,086,320
Additions	**95,574**	949,544
Reclassification	**(192,546)**	–
Disposals	**(964,208)**	(12,300)
Fair value changes	**11,240**	136,937
Disposals through deemed disposals of subsidiaries (note 24)	**(11,980)**	–
Exchange realignment	**(11)**	(137)
Fair value as at 30 June (unaudited)	**5,574,418**	6,160,364

Additions during both of the six months ended 30 June 2019 and 2018 mainly represented unlisted investment fund units in properties development and other businesses in the PRC. Disposals during the six months ended 30 June 2019 represented unlisted investment fund units in properties development and other businesses in the PRC.

Fair value gain on financial assets at FVTPL of RMB11,240,000 (Six months ended 30 June 2018: RMB136,937,000) was included in "Other gains and (losses), net" in the condensed consolidated statement of profit or loss and other comprehensive income.

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

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

The fair value of financial assets at FVTPL are determined by using the market approach method and discounted cash flow model and binomial option pricing model. The valuation techniques and significant unobservable inputs of the financial assets at FVTPL are as follows:

Valuation techniques	Significant unobservable inputs	Range 30 June 2019	Range 31 December 2018	Sensitivity relationship of unobservable inputs to fair value
Market approach method	Price to earnings ratios	6.89 to 36.40	8.26 to 31.22	Increase/(decrease) in price earnings ratio would result in increase/(decrease) in fair value
	Discount for lack of marketability	20%	20%	Increase/(decrease) in discount would result in (decrease)/ increase in fair value
Discounted cash flow model and binomial option pricing model	Expected volatility	40.6% to 68.7%	50.4% to 55.5%	Increase/(decrease) in expected volatility would result in increase/(decrease) in fair value
	Discount rate	7.4% to 11.5%	8.5% to 10.5%	Increase/(decrease) in discount rate would result in (decrease)/increase in fair value

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

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2019 and 31 December 2018 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	Unaudited 30 June 2019		Audited 31 December 2018	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Borrowings:				
– Senior Notes (note 17(a))	**43,333,603**	**42,625,740**	36,781,870	27,985,607

4. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker ("CODM") has been identified as the executive directors of the Company. The executive directors reviewed the Group's internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on these reports. The executive directors assessed the performance of each single operating segment based on a measure of segment results. Net fair value (loss)/gain on financial assets at FVTPL, net (loss)/gain on repurchase of senior notes, net gain on disposal of financial assets at FVTPL, corporate and other unallocated expenses, finance income, finance costs and income tax expenses are not included in the result for each operating segment.

The CODM identified the segments based on the nature of business operations. Specifically, the CODM assessed the performance of property development, property investment, property management services, hotel and catering operations, cinema, department store and cultural centre operations and water-way passenger and cargo transportation and regarded these being the reportable segments. The Group grouped its healthcare business under others segment which was insignificant to present as a separate segment.

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

Revenue for the period consists of the following:

	Unaudited Six months ended 30 June	
	2019 **RMB'000**	2018 RMB'000
Sales of properties		
– Completed properties held for sale	**17,985,653**	13,984,832
– Properties under development	**516,086**	–
	18,501,739	13,984,832
Rental income	**194,669**	126,400
Property management services	**375,043**	201,814
Hotel and catering operations	**100,048**	105,441
Cinema, department store and cultural centre operations	**139,546**	107,184
Water-way passenger and cargo transportation	**393,230**	362,571
Others	**401,720**	139,546
	20,105,995	15,027,788

4. REVENUE AND SEGMENT INFORMATION *(continued)*

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2019 is as follows:

Unaudited

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Total RMB'000
Revenue	18,501,739	261,620	586,887	110,751	175,116	405,555	612,669	20,654,337
Less: Inter-segment revenue	–	(66,951)	(211,844)	(10,703)	(35,570)	(12,325)	(210,949)	(548,342)
Revenue from external customers	18,501,739	194,669	375,043	100,048	139,546	393,230	401,720	20,105,995
Timing of revenue recognition under HKFRS 15								
At a point in time	17,985,653	–	–	–	–	266,180	–	18,251,833
Over time	516,086	–	375,043	100,048	139,546	127,050	401,720	1,659,493
Revenue not in the scope of HKFRS 15	–	194,669	–	–	–	–	–	194,669
	18,501,739	194,669	375,043	100,048	139,546	393,230	401,720	20,105,995
Segment results before provisional gain on deemed disposals of subsidiaries, fair value gain on investment properties and share of results of associates and joint ventures	5,013,338	(216,555)	89,912	(44,516)	(396,957)	115,068	(177,996)	4,382,294
Provisional gain on deemed disposals of subsidiaries (note 24)	979,449	–	–	–	–	–	–	979,449
Share of results of associates	(54,056)	–	–	–	–	–	(9,126)	(63,182)
Share of results of joint ventures (note 13(b))	10,164	–	–	–	–	–	(10,286)	(122)
Fair value gain on investment properties (note 11)	–	390,345	–	–	–	–	–	390,345
Segment results	5,948,895	173,790	89,912	(44,516)	(396,957)	115,068	(197,408)	5,688,784
Net fair value loss on financial assets at FVTPL (note 6)								(33,809)
Net loss on repurchase of senior notes (note 6)								(63,477)
Net gain on disposal of financial assets at FVTPL (note 6)								241,915
Corporate and other unallocated expenses								(187,650)
Finance income								224,226
Finance costs								(577,865)
Finance costs – net (note 7)								(353,639)
Profit before income tax								5,292,124
Income tax expenses (note 8)								(2,514,984)
Profit for the period								2,777,140

4. REVENUE AND SEGMENT INFORMATION *(continued)*

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

	Unaudited							
	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Total RMB'000
Revenue	13,984,832	169,341	448,980	117,682	115,408	366,470	484,859	15,687,572
Less: Inter-segment revenue	–	(42,941)	(247,166)	(12,241)	(8,224)	(3,899)	(345,313)	(659,784)
Revenue from external customers	13,984,832	126,400	201,814	105,441	107,184	362,571	139,546	15,027,788
Timing of revenue recognition under HKFRS 15								
At a point in time	13,984,832	–	–	–	–	248,404	–	14,233,236
Over time	–	–	201,814	105,441	107,184	114,167	139,546	668,152
Revenue not in the scope of HKFRS 15	–	126,400	–	–	–	–	–	126,400
	13,984,832	126,400	201,814	105,441	107,184	362,571	139,546	15,027,788
Segment results before provisional gain on deemed disposals of subsidiaries, fair value gain on investment properties and share of results of associates and joint ventures	3,462,177	71,183	46,325	(38,775)	(247,885)	171,636	(299,546)	3,165,115
Provisional gain on deemed disposals of subsidiaries (note 24)	1,994,891	–	–	–	–	–	–	1,994,891
Share of results of associates	(54,659)	–	–	–	–	–	(564)	(55,223)
Share of results of joint ventures (note 13(b))	32,732	–	–	–	–	–	502	33,234
Fair value gain on investment properties (note 11)	–	134,806	–	–	–	–	–	134,806
	5,435,141	205,989	46,325	(38,775)	(247,885)	171,636	(299,608)	5,272,823
Net fair value gain on financial assets at FVTPL (note 6)								103,515
Net gain on repurchase of senior notes (note 6)								142,745
Corporate and other unallocated expenses								(322,506)
Finance income								106,152
Finance costs								(730,108)
Finance costs – net (note 7)								(623,956)
Profit before income tax								4,572,621
Income tax expenses (note 8)								(2,340,530)
Profit for the period								2,232,091

4. REVENUE AND SEGMENT INFORMATION *(continued)*

The segment assets and liabilities as at 30 June 2019 are as follows:

	Unaudited								
	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	510,040,747	43,356,948	3,971,458	4,540,677	3,041,637	27,374,244	5,050,986	(347,086,328)	250,290,369
Unallocated									8,723,077
									259,013,446
Segment liabilities	407,925,814	7,039,357	2,652,426	4,058,249	4,155,210	19,285,688	6,875,089	(318,688,503)	133,303,330
Unallocated									80,831,409
									214,134,739

The segment assets and liabilities as at 31 December 2018 are as follows:

	Audited								
	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	426,400,365	37,780,959	4,058,636	4,290,435	2,376,480	24,518,165	1,262,151	(280,473,611)	220,213,580
Unallocated									8,814,460
									229,028,040
Segment liabilities	331,132,956	6,623,833	2,426,885	3,965,223	3,274,999	17,578,090	3,348,064	(252,153,763)	116,196,287
Unallocated									76,492,441
									192,688,728

For the six months ended 30 June 2019 and 2018, none of the Group's customer accounted for more than 10% of the Group's total revenue.

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

There is no change in the basis of segmentation or basis of measurement of segment profit or loss for the six months ended 30 June 2019.

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

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

5. EXPENSES BY NATURE

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

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Auditor's remuneration	**2,500**	2,500
Advertising and other promotional costs	**275,101**	165,079
Agency fee	**246,628**	93,001
Amortisation of land use rights (note 11)	**9,079**	6,112
Amortisation of intangible assets (note 15)	**139,371**	88,773
Bank charges	**27,175**	21,197
Business taxes/value-added taxes	**111,131**	138,037
Cost of properties sold	**12,027,806**	9,527,356
Depreciation		
– Property, plant and equipment (note 11)	**130,202**	84,907
– Right-of-use assets	**72,097**	–
Direct operating expenses arising from		
– Property investment	**128,637**	18,310
– Property management services	**227,953**	100,854
– Hotel and catering operations	**24,098**	32,674
– Cinema, department store and cultural centre operations	**96,233**	143,224
– Water-way passenger and cargo transportation	**280,746**	223,730
Donations	**154,960**	45,358
Entertainment	**43,118**	32,843
Legal and professional fees	**141,572**	88,057
Office expenses	**67,413**	71,154
Operating lease rental	**–**	31,250
Others	**375,693**	270,581
Staff costs – including directors' emoluments	**852,470**	848,583
Travelling	**18,603**	21,043
	15,452,586	12,054,623

6. OTHER GAINS AND (LOSSES), NET

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Dividend income from		
– financial assets at FVTPL	**23,257**	21,162
Forfeited customer deposits	**887**	3,484
Government subsidy income (note)	**18,565**	357,581
Loss on disposal of investment properties	**(221,000)**	–
Loss on disposal of deposits for land acquisitions	**(52,038)**	–
Net (loss)/gain on repurchase of senior notes (note 17(a))	**(63,477)**	142,745
Net gain on disposal of financial assets at FVTPL	**241,915**	–
Provision for expected credit loss (note 14(d))	**(157,661)**	(129,679)
Net fair value (loss)/gain on financial assets at FVTPL	**(33,809)**	103,515
Net gain/(loss) on disposal of property, plant and equipment	**8,272**	(261)
Others	**6,663**	8,616
Write-down of completed properties held for sale and properties under development	**(85,710)**	(390,962)
Write off of intangible assets (note 15)	**–**	(497)
	(314,136)	115,704

Note: The amount represented the subsidies received from the local government bureau in the PRC. There was no unfulfilled conditions and other contingencies attached to the receipts of subsidies.

7. FINANCE COSTS – NET

	Unaudited Six months ended 30 June 2019 RMB'000	2018 RMB'000
Finance income		
Interest income on bank deposits	100,943	69,822
Interest income from associates	3,337	36,330
Interest income from loans to third parties	119,946	–
	224,226	106,152
Finance costs		
Interest expense:		
– Bank and other borrowings	2,591,497	2,922,589
– Senior Notes (note 17(a))	2,273,703	1,436,760
– Convertible bonds (note 17(b))	39,608	–
– Lease liabilities	33,824	–
Total interest expenses	4,938,632	4,359,349
Less: interests capitalised (note)	(4,472,214)	(4,048,415)
	466,418	310,934
Net exchange losses	111,447	419,174
	577,865	730,108
Finance costs – net	(353,639)	(623,956)

Note: The capitalisation rate of borrowings is 9.05% (Six months ended 30 June 2018: 12.82%) for the period.

8. INCOME TAX EXPENSES

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Current income tax		
– PRC enterprise income tax	**1,219,125**	1,373,948
– PRC land appreciation tax	**1,344,731**	914,620
Deferred tax	**(48,872)**	51,962
	2,514,984	2,340,530

Income tax expense for the six months ended 30 June 2019 and 2018 is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

Overseas income tax

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

Hong Kong profits tax

No Hong Kong profits tax was provided for the six months ended 30 June 2019 and 2018 as the Group has no assessable profits arising in or derived from Hong Kong for the periods.

PRC withholding income tax

According to the Corporate Income Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be received on the immediate holding companies outside the PRC where their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

PRC enterprise income tax

PRC enterprise income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (Six months ended 30 June 2018: 25%).

PRC land appreciation tax

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

9. EARNINGS PER SHARE

(a) Basic

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

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Profit attributable to owners of the Company (RMB'000)	**2,837,222**	1,704,082
Weighted average number of ordinary shares in issue	**6,074,558,089**	6,064,446,329
Basic earnings per share (RMB)	**0.467**	0.281

The calculation of basic earnings per share is based on the Group's profit attributable to owners of the Company of RMB2,837,222,000 (unaudited) (Six months ended 30 June 2018: RMB1,704,082,000 (unaudited)) and the weighted average number of 6,074,558,089 (Six months ended 30 June 2018: 6,064,446,329) ordinary shares, after adjusting for the issue of shares on exercise of share options during the period.

(b) Diluted

	Unaudited Six months ended 30 June	
	2019	2018
Profit attributable to owners of the Company (RMB'000)	**2,837,222**	1,704,082
Effect of dilutive potential ordinary shares:		
– Interest on convertible bonds (RMB'000)	**39,650**	–
	2,876,872	1,704,082
Weighted average number of ordinary shares in issue	**6,074,558,089**	6,064,446,329
Effect of issue of shares under:		
– Adjustment for share options scheme	**34,001,363**	107,993,528
– Adjustment for convertible bonds	**156,600,000**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**6,265,159,452**	6,172,439,857
Diluted earnings per share (RMB)	**0.459**	0.276

Diluted earnings per share for the six months ended 30 June 2019 is calculated based on the weighted average number of ordinary shares outstanding adjusted to assume conversion or exercise of all dilutive potential ordinary shares.

9. EARNINGS PER SHARE *(continued)*

(b) Diluted *(continued)*

The Company's dilutive potential ordinary shares consist of share options and convertible bonds. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average semi-annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise in full of the share options and conversion of convertible bonds.

10. DIVIDENDS

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
(i) Dividends attributable to the period		
2019 interim dividends declared of HK$0.03 (2018: HK$0.03) per share	**165,961**	153,530
(ii) Dividends attributable to the previous financial year, approved during the period		
Final dividend in respect of the previous financial year, approved during the following interim period, of HK$0.09 per share (Six months ended 30 June 2018: HK$0.118 per share)	**478,683**	603,729

A final dividend in respect of the year ended 31 December 2018 of HK9 cents (equivalent to RMB7.89 cents) per share was approved at the annual general meeting on 14 June 2019 (Six months ended 30 June 2018: A final dividend in respect of the year ended 31 December 2017 of HK11.8 cents (equivalent to RMB9.95 cents) per share with a scrip dividend alternative was approved at the annual general meeting on 11 June 2018). The aggregate amount of final dividend declared from share premium of the Company amounted to HK$546,317,000 (equivalent to approximately RMB478,683,000). (Six months ended 30 June 2018: HK$716,082,000 (equivalent to approximately RMB603,729,000).

The Board recommended to declare an interim dividend of HK3.0 cents (equivalent to RMB2.53 cents) per share for the six months ended 30 June 2019. The aggregate amount of interim dividend proposed to be declared from share premium of the Company amounted to HK$182,495,000 (equivalent to approximately RMB165,961,000) (Six months ended 30 June 2018: HK$182,102,000 (equivalent to approximately RMB153,530,000)). Such dividend is to be approved by the shareholders at the forthcoming extraordinary general meeting. The condensed consolidated financial information does not reflect this dividend payable.

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

	Unaudited		
	Property, plant and equipment RMB'000	Investment properties RMB'000 (note)	Land use rights RMB'000
Six months ended 30 June 2019			
Opening net carrying amount as at 1 January 2019 (audited)	3,055,880	35,930,000	669,078
Acquisitions of subsidiaries (note 23)	93,644	–	13,600
Additions	172,545	326,796	–
Amortisation (note 5)	–	–	(9,079)
Depreciation (note 5)	(130,202)	–	–
Deemed disposals of subsidiaries (note 24)	(2,539)	(560,000)	–
Disposals	(41,371)	(332,141)	–
Increase in fair value	–	390,345	–
Exchange realignment	467	–	–
Closing net carrying amount as at 30 June 2019 (unaudited)	3,148,424	35,755,000	673,599

	Unaudited		
	Property, plant and equipment RMB'000	Investment properties RMB'000 (note)	Land use rights RMB'000
Six months ended 30 June 2018			
Opening net carrying amount as at 1 January 2018 (audited)	2,551,580	32,025,830	395,815
Acquisitions of subsidiaries (note 23(b))	346	–	–
Additions	90,781	1,315,464	–
Transfer from completed properties held for sale	263,565	–	10,018
Amortisation (note 5)	–	–	(6,112)
Depreciation (note 5)	(84,907)	–	–
Deemed disposal of subsidiaries (note 24)	(1,089)	–	–
Disposals	(261)	–	–
Increase in fair value	–	134,806	–
Exchange realignment	1,388	–	–
Closing net carrying amount as at 30 June 2018 (unaudited)	2,821,403	33,476,100	399,721

Notes:

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

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

Valuation techniques

Fair value measurements using significant unobservable inputs

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

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

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

Significant inputs used to determine fair value

Completed commercial properties:

	Unaudited 30 June 2019		Audited 31 December 2018	
	Commercial	**Carpark**	Commercial	Carpark
Capitalisation rate	**2.5% – 6.5%**	**6.5%**	3.0% – 6.5%	6.5%
Expected vacancy rate	**0% – 5%**	**N/A**	0% – 5%	N/A
Monthly rental	**RMB26-606 per sq.m.**	**RMB2,300 per number**	RMB26-590 per sq.m.	RMB2,500 per number

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

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

Valuation techniques *(continued)*

Significant inputs used to determine fair value (continued)

Commercial properties under development:

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Term yield and revisionary yield	**4.35% – 4.75%**	4.35% – 4.75%
Budgeted construction cost (RMB/sq. m.)	**320 – 6,152**	197 – 6,152
Anticipated developer's profit margin	**10% – 20%**	5% – 20%

The higher the term yield and revisionary yield, the lower the fair value.

Estimated costs to complete per square meter and developer's profit margin required are estimated by the valuer based on market conditions at the reporting dates. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the costs, the lower the fair value.

As at 30 June 2019 and 31 December 2018, the fair value measurement of the Group's investment properties is categorised at level 3. During the six months ended 30 June 2019 and 2018, there were no transfer into or out of level 3.

12. RIGHT-OF-USE ASSETS

Upon initial application of HKFRS 16, the right-of-use assets represented leases of staff quarters, offices and items of office equipment in Hong Kong and PRC.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

(a) investments in associates

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Cost of investments in associates, less accumulated impairment		
– Listed	**4,194,260**	2,020,256
– Unlisted	**7,942,627**	4,843,875
Share of post-acquisition profit and other comprehensive income, net of dividend received	**145,432**	208,691
	12,282,319	7,072,822

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD *(continued)*

(a) investments in associates *(continued)*

Movements of investments in associates during the six months ended 30 June 2019 are as follows:

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
At 1 January	**7,072,822**	5,284,835
Additions (note)	**5,134,006**	49,877
Transfer from subsidiaries (note 24)	**–**	20,004
Capital injection to associates	**138,750**	127,630
Share of results of associates	**(63,259)**	(55,223)
At 30 June	**12,282,319**	5,427,123

Note: On 28 November 2017, the Group had entered into an agreement with an independent third party to acquire 50,621,064 shares in Zhenxing Biopharmaceutical & Chemical Co., Ltd. ("Zhenxing Biopharmaceutical") at the consideration of RMB2,186,830,000. Zhenxing Biopharmaceutical is listed in Shenzhen Stock Exchange. Zhenxing Biopharmaceutical is engaged in research, development, production and sales of blood products.

During the six months ended 30 June 2019, the transfer of shares had been completed and the directors considered the Group can exercise significant influence over Zhenxing Biopharmaceutical and recognised Zhenxing Biopharmaceutical as an associate.

The Group further acquired 343,111 shares at the consideration of RMB10,022,000. As at 30 June 2019, the Group had 18.70% equity interest in Zhenxing Biopharmaceutical.

In addition, the Group entered into a cooperation agreement with an independent third party to set up a company, namely Fuzhou Jinpeng Property Development Co., Ltd. ("Fuzhou Jinpeng") to obtain development projects for redevelopment. The Group and the independent third party contributed RMB2,499,000,000 and RMB2,601,000,000 to Fuzhou Jinpeng, respectively. The Group had 49% equity interest in Fuzhou.

The remaining additions represented investments in a number of property development companies together with certain third parties.

(b) investments in joint ventures

Movements of investments in joint ventures during the six months ended 30 June 2019 are as follows:

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Unlisted investments		
At 1 January	**8,677,152**	6,818,118
Additions	**–**	30,600
Transfer from subsidiaries (note 24)	**1,322,702**	631,270
Capital injection to joint venture (note)	**975,808**	500
Share of results of joint ventures	**(122)**	33,234
At 30 June	**10,975,540**	7,513,722

Note: The Group entered into an agreement with the other investor to inject capital into a joint venture, Guangdong Jiasheng Property Development Co., Ltd. The Group contributed RMB975,808,000 to the joint venture during the six months ended 30 June 2019.

14. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Trade debtors – net (note a)	1,243,314	1,009,283
Other receivables (note b)	8,023,303	7,021,735
Other deposits (note b)	6,656,768	2,973,288
Prepayments (note c)	4,582,888	3,542,639
Prepaid other taxes	3,396,733	2,514,359
Restricted deposit for borrowings from non-financial institution (note b)	1,960,293	1,969,293
Amounts due from associates (note b)	2,057,577	4,045,190
Amounts due from joint ventures (note b)	2,478,202	891,612
Amount due from non-controlling interest of a subsidiary (note b)	681,237	1,045,318
	29,837,001	24,003,434
Less: allowance for impairment (note d)	(921,946)	(759,694)
Deposits, prepayments and other receivables – net	28,915,055	23,243,740
Total debtors, deposits and other receivables – net	30,158,369	24,253,023
Less: non-current portion		
Other receivables (note b(i))	(553,500)	(744,046)
Other deposits (note b(ii))	(3,521,412)	(908,806)
Non-current portion	(4,074,912)	(1,652,852)
Current portion	26,083,457	22,600,171

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

Notes:

(a) Trade debtors mainly arise from sales of properties and properties under development. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade debtors based on contractual terms as at the respective reporting dates is as follows:

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Within 90 days	**683,073**	730,411
Over 90 days but within 180 days	**102,553**	24,598
Over 180 days but within 270 days	**301,778**	50,376
Over 270 days but within 365 days	**5,935**	5,841
Over 365 days	**168,854**	221,527
	1,262,193	1,032,753
Less: allowance for impairment (note d)	**(18,879)**	(23,470)
	1,243,314	1,009,283

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2019, a provision of RMB18,879,000 (unaudited) was made against the gross amount of trade debtors (31 December 2018: RMB23,470,000 (audited)).

Generally, no credit terms were granted to the customers of residential properties. There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers.

Included in the Group's trade debtors of RMB270,264,000 (unaudited) (31 December 2018: RMB408,243,000 (audited)) were not yet due.

The balances mainly represented receivables from sales of commercial and residential properties and properties under development to independent third parties. These receivables were repayable within six to nine months after completion of certain legal documents, which were expected to be settled during the year.

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

Notes: *(continued)*

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

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Other receivables (note (i))	8,023,303	7,021,735
Other deposits (note (ii))	6,656,768	2,973,288
Restricted deposit for borrowings from non-financial institution (note (iii))	1,960,293	1,969,293
Amounts due from associates (note (iv))	2,057,577	4,045,190
Amounts due from joint ventures (note (iv))	2,478,202	891,612
Amount due from non-controlling interest of a subsidiary (note (iv))	681,237	1,045,318
	21,857,380	17,946,436
Less: allowance for impairment (note d)	(921,946)	(759,694)
Deposits and other receivables – net	20,935,434	17,186,742

(i) Deposits and other receivables mainly included deposits, bills receivables, amounts to be refunded by the government in relation to the land acquisition in the PRC, and advances to third parties. As at 30 June 2019, there are other receivables amounting to RMB973,512,000 (unaudited) (31 December 2018: RMB1,370,176,000 (audited)) are unsecured, carry at interest rates ranging from 3.8% to 12% (unaudited) (31 December 2018: 3.8% to 12% (audited)) per annum. Included in other receivables, those which are repayable over 1 year amounting to RMB553,500,000 (unaudited) (31 December 2018: RMB744,046,000 (audited)) are classified as non-current assets.

(ii) Other deposits represented deposits for acquisitions of subsidiaries amounted to RMB3,438,844,000 (unaudited) (31 December 2018: RMB279,040,000 (audited)), acquisition of an associate: nil (unaudited) (31 December 2018: RMB629,766,000 (audited)), acquisition of property, plant and equipment amounted to RMB82,568,000 (unaudited) (31 December 2018: nil (audited)), refundable deposit to redevelopment project partner for the purpose of the project amounted to RMB800,932,000 (unaudited) (31 December 2018: RMB936,826,000 (audited)) and other deposits amounted to RMB2,334,424,000 (unaudited) (31 December 2018: RMB1,127,656,000 (audited)).

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

(iv) The amounts are unsecured, interest free and repayable on demand, and expected to be recovered within 12 months from the reporting date and is therefore classified as current asset.

(v) The carrying amounts of the Group's receivables are mainly denominated in RMB and USD.

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

Notes: *(continued)*

(c) Prepayments mainly represented prepayments of purchase of construction of materials and services.

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

	Trade debtors RMB'000 (note a)	**Deposits and other receivables (excluding prepayments and prepaid other taxes)** RMB'000 (note b)	**Total** RMB'000
Six months ended 30 June 2019			
Opening loss allowance as at 1 January 2019 (audited)	23,470	759,694	783,164
(Reversal)/Provision for loss allowance recognised in profit or loss during the period (note 6)	(4,591)	162,252	157,661
Closing loss allowance as at 30 June 2019 (unaudited)	18,879	921,946	940,825
Six months ended 30 June 2018			
Opening loss allowance as at 1 January 2018 (audited)	27,915	225,917	253,832
(Reversal)/Provision for loss allowance recognised in profit or loss during the period (note 6)	(20,466)	150,145	129,679
Closing loss allowance as at 30 June 2018 (unaudited)	7,449	376,062	383,511

(e) As at 30 June 2019, the gross carrying amount of debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) was RMB23,119,573,000 (unaudited) (31 December 2018: RMB18,979,189,000 (audited)) and thus the maximum exposure to loss was RMB23,119,573,000 (unaudited) (31 December 2018: RMB18,979,189,000 (audited)). The Group made no write-off of debtors, deposits and other receivables (excluding prepayments) during the period.

15. GOODWILL AND INTANGIBLE ASSETS

	Unaudited							
	Goodwill RMB'000 (note a)	Contracts with sports players RMB'000 (note b)	Trademarks and patent RMB'000 (note c)	Customer relationship RMB'000 (note c)	Technology RMB'000 (note c)	Distribution network RMB'000 (note c)	Others RMB'000	Total RMB'000
Six months ended 30 June 2019								
Net carrying amount as at 1 January 2019 (audited)	332,379	234,870	21,483	51,292	6,096	452,589	6,579	1,105,288
Acquisitions of subsidiaries (note 23(b))	224,454	–	444,824	149,990	–	–	–	819,268
Additions	–	200,559	–	–	–	–	–	200,559
Amortisation-expensed in administrative expenses (note 5)	–	(103,437)	(1,063)	(11,090)	(1,172)	(22,405)	(204)	(139,371)
Net carrying amount as at 30 June 2019 (unaudited)	556,833	331,992	465,244	190,192	4,924	430,184	6,375	1,985,744

	Unaudited							
	Goodwill RMB'000 (note a)	Contracts with sports players RMB'000 (note b)	Trademarks and patent RMB'000 (note c)	Customer relationship RMB'000 (note c)	Technology RMB'000 (note c)	Distribution network RMB'000 (note c)	Others RMB'000	Total RMB'000
Six months ended 30 June 2018								
Net carrying amount as at 1 January 2018 (audited)	332,379	276,823	23,600	59,700	8,440	497,400	7,895	1,206,237
Additions	–	46,422	–	–	–	–	–	46,422
Written off (note 6)	–	(497)	–	–	–	–	–	(497)
Amortisation-expensed in administrative expenses (note 5)	–	(58,964)	(1,073)	(4,264)	(1,206)	(22,609)	(657)	(88,773)
Net carrying amount as at 30 June 2018 (unaudited)	332,379	263,784	22,527	55,436	7,234	474,791	7,238	1,163,389

15. GOODWILL AND INTANGIBLE ASSETS *(continued)*

Notes:

(a) The Group's goodwill arose from business combinations in connection with the acquisitions of (i) Kaisa Health Group Holdings Limited, (ii) Fujian Jianke Insurance Brokers Co. Ltd.*; (iii) Shenzhen Qijia Internet Technology Co. Ltd.*; (iv) Shanghai Yitao Sports Culture Communication Co. Ltd.* and its subsidiary; (v) Shenzhen Football Club Co. Ltd, (vi) Qinghai Pharmaceutical Co., Ltd.* ("Qinghai Pharmaceutical") (note 23(b)) and (vii) Jiaxing Dashu Property Management Company Limited* ("Jiaxing Dashu") and its subsidiaries ("Jiaxing Dashu Group") (note 23(b)).

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

(b) The amounts represent the costs to acquire sports players' contracts or to extend their contracts, including the related agent's fees. The amortisation period ranged from 1 to 4 years.

(c) During the six months ended 30 June 2019, the trademarks and patent, customer relationship arising from the acquisitions of Qinghai Pharmaceutical and Jiaxing Dashu Group were measured at their fair values at their date of acquisitions of Qinghai Pharmaceutical and Jiaxing Dashu Group, i.e. March 2019 and April 2019 respectively. The valuation of the intangible assets of Qinghai Pharmaceutical and Jiaxing Dashu Group are performed by Hong Kong Appraisal Advisory Limited and Jones Lang LaSalle Cooperate Appraisal and Advisory Limited respectively, independent professional valuers not related to the Group. The fair values of these intangible assets at the acquisitions were determined based on income approach by estimating the future income arising from these intangible assets and cost approach by reference to the financial information provided by the Group.

16. LEASE LIABILITIES

	Unaudited 30 June 2019 RMB'000
Total minimum lease payments:	
Due within one year	206,057
Due in the second to fifth years	567,495
Due after the fifth years	924,238
	1,697,790
Future finance charges on leases liabilities	(477,234)
Present value of leases liabilities	1,220,556
Present value of minimum lease payments:	
Due within one year	147,057
Due in the second to fifth years	373,434
Due after the fifth years	700,065
	1,220,556
Less:	
Portion due within one year included under current liabilities	(143,533)
Portion due after one year included under non-current liabilities	1,077,023

17. BORROWINGS

	Notes	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Borrowings included in current liabilities:			
Senior Notes	(a)	**6,535,462**	2,963,540
Bank borrowings – secured	(c)	**3,112,441**	2,893,985
Bank borrowings – unsecured	(c)	**1,670,485**	1,629,373
Other borrowings – secured	(c)	**8,178,808**	4,490,557
Other borrowings – unsecured	(c)	**2,367,024**	3,638,908
Loan from a related company	(d)	**108,781**	108,781
Loans from associates	(e)	**473,500**	1,240,550
		22,446,501	16,965,694
Borrowings included in non-current liabilities:			
Senior Notes	(a)	**39,821,854**	36,763,326
Convertible Bonds	(b)	**672,849**	–
Bank borrowings – secured	(c)	**38,810,752**	34,902,751
Bank borrowings – unsecured	(c)	**2,215,000**	6,510,020
Other borrowings – secured	(c)	**10,243,250**	12,407,961
Other borrowings – unsecured	(c)	**1,328,000**	1,216,200
		93,091,705	91,800,258
Total borrowings		**115,538,206**	108,765,952

17. BORROWINGS *(continued)*

Notes:

(a) Senior Notes

	Audited 31 December 2018	New issuance	Repurchase	Unaudited 30 June 2019
Par value				
2019 12% Notes (US$'000)	300,000	–	–	**300,000**
2020 7.25% Notes (US$'000)	790,000	–	(250,000)	**540,000**
2021 7.875% Notes (US$'000)	575,000	–	–	**575,000**
2021 11.75% Notes (US$'000)	–	400,000	–	**400,000**
2022 8.5% Notes (US$'000)	1,147,000	–	–	**1,147,000**
2022 11.25% Notes (US$'000)	–	350,000	–	**350,000**
2023 11.5% Notes (US$'000)	–	400,000	–	**400,000**
2024 9.375% Notes (US$'000)	3,051,500	–	–	**3,051,500**
Total (US$'000)	5,863,500	1,150,000	(250,000)	**6,763,500**
Amortised cost (US$'000)	5,640,069	–	–	**6,594,335**
Par value				
2019 6.1% Private Notes (HK$'000)	1,162,000	–	–	**1,162,000**
Amortised cost (HK$'000)	1,161,773	–	–	**1,163,168**
Total amortised cost (RMB'000)	39,726,866	–	–	**46,357,316**

The Company issued 11.75% senior notes due 2021 with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,733,393,000) at 99.567% of the face value ("2021 11.75% Notes") in February 2019, 11.25% senior notes due 2022 with an aggregate principal amount of US$350,000,000 (equivalent to approximately RMB2,349,419,000) at 99.69% of the face value ("2022 11.25% Notes") in April 2019, and 11.5% senior notes due 2023 with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,681,738,000) at 99.567% of the face value ("2023 11.5% Notes") in May 2019. The effective interest rate of the 2021 11.75% Notes, 2022 11.25% Notes and 2023 11.5% Notes are 12.31%, 11.54% and 11.7% per annum after the adjustment for transactions costs of RMB29,713,000, RMB25,788,000 and RMB29,730,000 respectively.

17. BORROWINGS *(continued)*

Notes: *(Continued)*

(a) Senior Notes *(Continued)*

The major terms and conditions of the senior notes include redemption at the option of the Company and the repurchase of the senior notes upon a change of control. The estimated fair value of the embedded derivative of the early redemption and repurchase rights are insignificant to recognise at initial recognition.

The weighted average effective interest rate of the above senior notes is 10.85% (unaudited) (31 December 2018: 10.15% (audited)) per annum.

Except for the 2019 6.1% Private Notes, all of above senior notes are listed on the Singapore Exchange Securities Trading Limited.

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

The movement of the senior notes is as follow:

	Unaudited RMB'000
Six months ended 30 June 2019	
Carrying amount as at 1 January 2019 (audited)	39,726,866
Accrued interests (note 7)	2,273,703
Interests paid	(1,825,920)
Senior notes recognised	7,764,550
Transaction costs	(85,231)
Repurchase of senior notes	(1,683,375)
Exchange differences	186,723
Carrying amount as at 30 June 2019 (unaudited)	46,357,316

During the six-month period ended 30 June 2019, the Company repurchased US$250,000,000 of the 2020 7.25% Notes (equivalent to approximately RMB1,683,375,000), resulted a loss on repurchase of senior notes of approximately RMB63,477,000 (note 6).

17. BORROWINGS *(continued)*

Notes: *(Continued)*

(b) Convertible Bonds

On 14 January 2019, the Company issued 10.5% convertible bonds at an aggregate principal amount of US$100,000,000 (equivalent to approximately RMB687,920,000) (the "Convertible Bonds") which will be matured on 14 July 2021 (the "Maturity Date"). The Convertible Bonds are denominated in United States dollars and are secured by the shares of the Company and certain subsidiaries of the Group. The Convertible Bonds entitle the holders to convert them into ordinary shares of the Company at any time starting from 41 days after the date of issue of the Convertible Bonds to 10 days before the Maturity Date at a conversion price of HK$5 per share (translated into HK$ at a fixed rate of exchange equal to US$1.00: HK$7.83) subject to antidilutive adjustments. Neither the Company nor the holders of the Convertible Bonds may demand early redemption. The Convertible Bonds bears interest at 10.5% per annum on the outstanding principal amount and would be payable semi-annually in arrears until the Convertible Bonds are converted or matured. No Convertible Bonds had ever been converted prior to the Maturity Date.

The fair value of the liability component on initial recognition was derived from present value of future cash flows discounted at the effective interest rate of 13.5% per annum.

The movement of the Convertible Bonds for the period is set out below:

	Unaudited RMB'000
At the date of issuance	687,920
Transaction costs	(11,007)
Interest expense (note 7)	39,608
Exchange difference	(43,672)
As at 30 June 2019 (unaudited)	672,849

17. BORROWINGS *(continued)*

Notes: *(Continued)*

(c) Bank and other borrowings

The Group's bank and other borrowings of RMB60,345,251,000 (unaudited) (31 December 2018: RMB54,695,254,000 (audited)) were jointly secured by certain properties, investment properties, land use rights, properties under development, completed properties held for sales of the Group and certain shares of Group's subsidiaries and associates.

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

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Property, plant and equipment	**801,751**	830,432
Investment properties	**19,578,596**	19,365,268
Land use rights	**49,800**	268,675
Properties under development	**41,859,788**	43,079,449
Completed properties held for sale	**7,140,622**	7,267,213
Short-term bank deposits	**200,000**	200,000
Restricted cash	**561,736**	2,916,332
	70,192,293	73,927,369

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

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Group companies		
– guaranteed and secured by the Group's assets	**56,364,801**	50,973,305
– guaranteed by the Company	**5,030,160**	10,192,532
	61,394,961	61,165,837

(d) Loan from a related company

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

(e) Loans from associates

The amounts due to associates are unsecured, carry interest rates ranging from 9.5% to 14.0% (unaudited) (31 December 2018: 4.35% to 12.5% (audited)) per annum and repayable within one year.

18. OTHER PAYABLES

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Other payables and accruals (note a)	9,690,988	8,731,821
Accrued interest	1,141,025	966,236
Accrued staff costs	84,514	299,257
Bills payables	727,078	795,197
Consideration payables related to acquisitions of subsidiaries	662,844	1,749,902
Consideration payables related to acquisitions of associate and joint ventures	1,708,500	1,178,500
Consideration payables related to acquisitions of financial assets at FVTPL	1,230,377	1,441,772
Deed tax and other taxes payables	1,139,126	877,287
Deposits received	404,039	295,861
Dividend payable	484,458	–
Amounts due to associates (note b)	2,600,505	1,018,000
Amounts due to joint ventures (note b)	5,892,157	2,246,498
Amounts due to non-controlling interests of subsidiaries (note b)	116,873	316,931
	25,882,484	19,917,262

Notes:

(a) Other payables and accruals mainly included deposits received from construction companies, accrued operating expenses and advance from third parties for operations and amounts due to former shareholders in relation to newly acquired subsidiaries which are interest-free, unsecured and repayable on demand.

Included in other payables and accruals, there were payables amounting to RMB1,200,000,000 (unaudited) (31 December 2018: RMB1,200,000,000 (audited)) secured by non-interest bearing deposit of USD289,355,000 (approximately RMB1,960,293,000 (unaudited) (31 December 2018: RMB1,969,293,000 (audited))). The remaining balances are interest-free, unsecured and repayable on demand.

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

(c) The carrying amounts of other payables are denominated in RMB and approximate to their fair value.

19. SHARE CAPITAL AND SHARE PREMIUM

	Unaudited				
	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Six months ended 30 June 2019					
Balance as at 1 January 2019 (audited)	6,070,193,697	607,019	533,389	6,168,607	6,701,996
Issue of shares upon exercise of share options	10,714,000	1,071	925	20,395	21,320
2018 final dividends declared (note 10)	–	–	–	(478,683)	(478,683)
Balance as at 30 June 2019 (unaudited)	6,080,907,697	608,090	534,314	5,710,319	6,244,633
Six months ended 30 June 2018					
Balance as at 1 January 2018 (audited)	6,063,730,329	606,373	532,865	6,913,069	7,445,934
Issue of shares upon exercise of share options	5,163,000	516	414	8,780	9,194
2017 final dividends declared (note 10)	–	–	–	(603,729)	(603,729)
Balance as at 30 June 2018 (unaudited)	6,068,893,329	606,889	533,279	6,318,120	6,851,399

Note: During the six months ended 30 June 2019, 10,714,000 (unaudited) (Six months ended 30 June 2018: 5,163,000 (unaudited)) shares were issued upon exercise of share options. Total proceeds were HK$17,710,000 (equivalent to RMB15,274,000) (unaudited) (Six months ended 30 June 2018: HK$8,144,500 (equivalent to RMB6,527,000) (unaudited)). The weighted average share price at the time of exercise was HK$1.653 (Six months ended 30 June 2018: HK$1.577 (unaudited) per share). The related transactions costs were deducted from the proceeds received.

20. RESERVES

	Unaudited							
	Merger reserve RMB'000 (note a)	Exchange reserve RMB'000	Statutory reserves RMB'000 (note b)	Share option reserve RMB'000 (note c)	Capital reserve RMB'000 (note d)	Other RMB'000	Retained earnings RMB'000	Total RMB'000
Balance as at 1 January 2019 (audited)	382	7,431	965,546	417,491	(478,917)	–	14,026,181	14,938,114
Profit for the period	–	–	–	–	–	–	2,837,222	2,837,222
Other comprehensive loss for the period	–	(14,399)	–	–	–	–	–	(14,399)
Total comprehensive (loss)/income for the period	–	(14,399)	–	–	–	–	2,837,222	2,822,823
Deemed disposal of partial interest in a subsidiary	–	–	–	–	(12,667)	–	–	(12,667)
Issue of shares upon exercise of share options	–	–	–	(6,046)		–	–	(6,046)
Share-based payments (note 25)	–	–	–	69,014	–	–	–	69,014
Share options lapsed	–	–	–	(55,077)	–	–	55,077	–
Other	–	–	–	–	–	43,713	–	43,713
Balance as at 30 June 2019 (unaudited)	382	(6,968)	965,546	425,382	(491,584)	43,713	16,918,480	17,854,951
Balance as at 1 January 2018 (audited)	382	23,243	959,537	167,972	(482,766)	–	11,273,618	11,941,986
Profit for the period	–	–	–	–	–	–	1,704,082	1,704,082
Other comprehensive income for the period	–	8,505	–	–	–	–	–	8,505
Total comprehensive income for the period	–	8,505	–	–	–	–	1,704,082	1,712,587
Issue of shares upon exercise of share options	–	–	–	(2,667)	–	–	–	(2,667)
Share-based payments (note 25)	–	–	–	116,458	–	–	–	116,458
Share options lapsed	–	–	–	(8,366)	–	–	8,366	–
Balance as at 30 June 2018 (unaudited)	382	31,748	959,537	273,397	(482,766)	–	12,986,066	13,768,364

20. RESERVES *(continued)*

Note:

(a) The merger reserve of the Group represents the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the group reorganisation in December 2007 and the nominal value of the share capital of the Company issued in exchange thereof. The reorganisation qualifies as common control combinations and has been accounted for using merger accounting.

(b) In accordance with the relevant rules and regulations in the PRC and the provision of the articles of association of the PRC companies comprising the Group, before 1 January 2006, the local investment enterprises were required to appropriate at each year end 5% to 10% of the profit for the year after setting off the accumulated losses brought forward (based on figures reported in the statutory financial statements) to the statutory surplus reserve and the statutory public welfare fund (collectively the "Statutory Reserves"), respectively. After 1 January 2006, the local investment enterprises are allowed to appropriate 10% of the net profit to the Statutory Reserves until the accumulated appropriation exceeds 50% of the register capital.

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

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

(c) Share option reserve represents value of employee services in respect of share options granted under the Share Option Scheme (note 25).

(d) Capital reserve arose from the difference between the amount by which the non-controlling interests are adjusted and the consideration paid for the acquisition of additional equity interest in subsidiaries.

21. FINANCIAL GUARANTEES CONTRACTS

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

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the property units sold by the Group	33,077,116	30,587,387

The guarantees in respect of mortgage facilities granted by certain banks related to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees expire or terminate upon the earlier of (i) issuance of the property ownership certificates which are generally be available within six months to one year after the purchasers take possession of the relevant properties; and (ii) the mortgage loans obtained by the purchasers of properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the condensed consolidated financial information for the guarantees.

22. COMMITMENTS

(a) Commitments for acquisitions/construction of property, plant and equipment, property development expenditures and acquisitions of subsidiaries and an associate

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Contracted but not provided for		
– Acquisitions/construction of property, plant and equipment	787,808	100,178
– Acquisition of land use rights and property development activities	45,929,662	35,376,964
– Acquisitions of subsidiaries	4,119,834	1,423,328
– Acquisition of an associate	–	1,318,239
	50,837,304	38,218,709

22. COMMITMENTS *(continued)*

(b) Operating lease commitments

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

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Not later than one year	11,378	167,967
Later than one year and not later than five years	–	398,140
Later than five years	–	586,360
	11,378	1,152,467

As at 30 June 2019, the Group leases staff quarters, offices and items of office equipment with a lease period of twelve months, which are qualified to be accounted for under short-term lease exemption under HKFRS 16.

As at 30 June 2019, the Group leases a number of properties and items of office equipment under operating leases. The leases run for an initial period of one (unaudited) (31 December 2018: one to nineteen (audited)) year, with an option to renew the lease and renegotiate the terms at the expiry date or at the dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

(c) Operating lease rentals receivable

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

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Not later than one year	195,877	174,899
Later than one year and not later than five years	488,451	532,408
Later than five years	193,148	227,787
	877,476	935,094

The Group leases its investment properties (note 11) under operating lease arrangements which run for an initial period of one to twenty-two (unaudited) (31 December 2018: one to fifty-three (audited)) years, with an option to renew the lease and renegotiated the terms at the expiry date or at the dates as mutually agreed between the Group and the respective tenants. The terms of the leases generally also require the tenants to pay security deposits.

23. ACQUISITIONS OF SUBSIDIARIES

(a) Acquisitions of assets

During the six months ended 30 June 2019, the Group entered into agreements with independent third parties to acquire certain property development companies at total consideration of RMB175,534,000. These companies did not operate any business prior to the acquisitions and only had prepayment for proposed development projects. Therefore, the Group considered this would be an acquisition of assets in substance and as a result the difference between the purchase consideration paid and the net assets acquired would be recognised as adjustments to the carrying value of prepayment for proposed development projects.

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

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

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

	2019 RMB'000
Property, plant and equipment (note 11)	7
Prepayment for proposed development projects	195,342
Debtors, deposits and other receivables	21,197
Cash and bank balances	684
Other payables	(34,036)
Total identifiable net assets	183,194
Less: non-controlling interests	(7,660)
Identifiable net assets acquired	175,534
Total purchase consideration	
– Settled in cash during the period	154,534
– Payable	21,000
	175,534
Purchase consideration settled in cash	154,534
Cash and bank balances in subsidiaries acquired	(684)
Cash outflow on acquisition of subsidiaries	153,850

23. ACQUISITIONS OF SUBSIDIARIES *(continued)*

(a) Acquisitions of assets *(continued)*

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

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

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

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

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

23. ACQUISITIONS OF SUBSIDIARIES *(continued)*

(b) Acquisitions of businesses

During the six months ended 30 June 2019, the Group entered into agreement with an independent third party to acquire 54.84% equity interests in Qinghai Pharmaceutical which is engaged in manufacturing and trading of pharmaceutical products to diversify their healthcare business. The directors of the Group were of the view that the acquisition constitutes acquisition of business.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The following table summarises the consideration paid for the acquisition, the aggregate provisioned amounts of fair value of the assets acquired and liabilities assumed of Qinghai Pharmaceutical at the acquisition date.

	2019 RMB'000
Property, plant and equipment (note 11)	88,030
Intangible assets (note 15)	582,527
Land use right (note 11)	13,600
Deferred tax assets	260
Inventories	121,011
Debtors, deposits and other receivables	83,076
Cash and bank balances	23,037
Income tax payable	(16,517)
Other payables	(56,889)
Deferred tax liabilities	(152,169)
Total identifiable net assets	685,966
Less: non-controlling interests	(309,782)
Identifiable net assets acquired	376,184
Goodwill (note 15)	205,474
Total purchase consideration	581,658
Purchase consideration settled in cash	581,658
Cash and bank balances in the subsidiary acquired	(23,037)
Cash outflow on acquisition of the subsidiary	558,621

The acquired company contributed revenue of RMB51,754,000 and net profit of RMB8,780,000 to the Group for the period from the acquisition date. If the acquisitions had occurred on 1 January 2019, the Group's consolidated revenue and consolidated profit for the period would have been increased by RMB70,247,000 and RMB12,994,000 respectively.

* As at 30 June 2019, the fair value of underlying assets has been determined on a provisional basis, awaiting the professional valuation.

23. ACQUISITIONS OF SUBSIDIARIES *(continued)*

(b) Acquisitions of businesses *(continued)*

During the six months ended 30 June 2019, the Group entered into agreement to acquire 60% equity interests in Jiaxing Dashu and its subsidiaries, which are engaged in the business of property management including residential communities, offices and commercial buildings, government facilities and other non-residential projects. The directors of the Group were of the view that the acquisitions constitutes acquisitions of business.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The following table summarises the consideration paid for the acquisition, the aggregate amounts of fair value of the assets acquired and liabilities assumed of Jiaxing Dashu and its subsidiaries at the acquisition date.

	2019 RMB'000
Property, plant and equipment (note 11)	5,334
Intangible assets – customer relationship (note 15)	12,287
Deferred tax assets	681
Debtors, deposits and other receivables	36,158
Cash and bank balances	16,896
Other payables	(30,110)
Contract liabilities	(7,873)
Income tax payable	(969)
Deferred tax liabilities	(3,071)
Total identifiable net assets	29,333
Less: non-controlling interests	(11,733)
Identifiable net assets acquired	17,600
Goodwill (note 15)	18,980
Total purchase consideration	36,580
Purchase consideration settled in cash	36,580
Cash and bank balances in subsidiaries acquired	(16,896)
Cash outflow on acquisition of subsidiaries	19,684

The acquired companies contributed revenue of RMB24,821,000 and net profit of RMB2,124,000 to the Group for the period from the acquisition date. If the acquisition had occurred on 1 January 2019, the Group's consolidated revenue and consolidated profit for the period would have been increased by RMB37,530,000 and RMB1,567,000 respectively.

23. ACQUISITIONS OF SUBSIDIARIES *(continued)*

(b) Acquisitions of businesses *(continued)*

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

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

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

	2018 RMB'000
Property, plant and equipment (note 11)	346
Inventory	60
Debtors, deposits and other receivables	29,069
Cash and bank balances	1,229
Other payables	(2,304)
Borrowings	(2,900)
Total identifiable net assets	25,500
Less: non-controlling interests	(1,200)
Identifiable net assets acquired	24,300
Total purchase consideration:	
– settled in cash during the period	24,300
Purchase consideration settled in cash	24,300
Cash and bank balances in subsidiaries acquired	(1,229)
Cash outflow on acquisition of subsidiaries	23,071

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

23. ACQUISITIONS OF SUBSIDIARIES *(continued)*

(c) Acquisition of additional interests in subsidiaries

During the six months ended 30 June 2019, the Group entered into a cooperation agreement with an associate of the Group to acquire 90% direct equity interest in Guangzhou Yurui Real Estate Development Co., Ltd.* ("Guangzhou Yurui") and its subsidiaries ("Guangzhou Yurui Group") at RMB18,000,000. The Group's effective equity interest in Guangzhou Yurui Group then increased from 49% to 94.90%.

Guangzhou Yurui entered into a cooperation agreement with the Group's associate that Guangzhou Yurui injected RMB306,120,000 in Guangzhou Yaxiang Real Estate Development Co., Ltd.* ("Guangzhou Yaxiang") to obtain 25% direct equity interest in Guangzhou Yaxiang. The Group's effective equity interest in Guangzhou Yaxiang then increased from 49% to 60.48%.

Upon the capital injections to Guangzhou Yurui and Guangzhou Yaxiang enable the Group to obtain the effective control over Guangzhou Yurui Group and Guangzhou Yaxiang, and become subsidiaries of the Group.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Details of the aggregate fair values of the identifiable assets and liabilities of Guangzhou Yurui and Guangzhou Yaxiang as at the date of acquisition are as follows:

	2019 RMB'000
Property, plant and equipment (note 11)	273
Properties under development	5,017,730
Completed properties held for sale	3,939,910
Debtors, deposits and other receivables	2,818,930
Prepaid tax	139,290
Cash and bank balances	677,823
Contract liabilities	(6,738,579)
Accrued construction costs	(1,169,256)
Other payables	(3,051,095)
Borrowings	(1,099,400)
Total identifiable net assets at fair value	535,626
Less: non-controlling interests	(211,505)
Net assets acquired through capital injection	324,121
Capital injection	324,120
Cash and bank balances in subsidiaries acquired through capital injection	(677,823)
Net cash inflow on acquisitions of subsidiaries through capital injection	353,703

Note: As at 30 June 2019, the fair value of underlying assets has been determined on a provisional basis, awaiting the profession valuation.

24. DEEMED DISPOSALS OF SUBSIDIARIES

During the six months ended 30 June 2019, the Group entered into capital injection agreements with a number of independent third parties for the capital injection of certain subsidiaries. Upon the capital injection, the Group's equity interests in certain subsidiaries have been diluted from 100% to 30%, 44.44%, 50% and 51%. These subsidiaries were engaged in investment holding and holding property redevelopment projects and property developments.

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

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

	2019 RMB'000
Net assets disposed of:	
Property, plant and equipment (note 11)	2,539
Investment properties (note 11)	560,000
Investment in an associate	31,000
Properties under development	5,962,319
Completed properties held for sale	12,588
Deposits for land acquisitions	631,946
Prepayments for proposed development projects	5,469
Debtors, deposits and other receivables	3,097,673
Prepaid tax	17,874
Financial assets at FVTPL (note 3.5)	11,980
Cash and bank balances	419,068
Contract liabilities	(967,829)
Accrued construction costs	(409,038)
Borrowings	(6,174,160)
Other payables	(2,802,333)
Deferred tax liabilities	(16,334)
	382,762
Non-controlling interests	(39,509)
Net assets disposed of	343,253
Provisional gain on disposals of subsidiaries, net	979,449
	1,322,702
Satisfied by:	
Fair values of the 30% and 44.44% equity interests in associates (note 13(a))	–
Fair values of the 50% and 51% equity interests in joint ventures (note 13(b))	1,322,702
	1,322,702
Net cash outflow arising on deemed disposal:	
Cash and bank balances disposal of	(419,068)

24. DEEMED DISPOSALS OF SUBSIDIARIES *(continued)*

Note: The fair value was determined by management with reference to the market value or valuation reports for the underlying assets. As at 30 June 2019, the fair value of the underlying assets has been determined on a provisional basis, awaiting the finalised professional valuation. The remaining interests held by the Group is measured at fair value at the date the Group lost control over these certain companies.

During the six months ended 30 June 2018, the Group entered into capital injection agreements with a number of investors for the capital injection of certain subsidiaries. Upon the capital injection, the Group's equity interests in certain subsidiaries have been diluted from 100% to 49% and 45%. These subsidiaries were engaged in investment holding and holding property redevelopments projects in Shenzhen and property developments located in Guangzhou and Foshan.

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

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

	2018 RMB'000
Net assets disposed of:	
Property, plant and equipment (note 11)	1,089
Properties under development	14,237,553
Completed properties held for sale	3,620,253
Prepayments for proposed development projects	68,286
Cash and bank balances	2,572,394
Contract liabilities	(5,922,487)
Other net liabilities	(6,197,016)
Borrowings	(9,632,137)
Non-controlling interests	(91,554)
	(1,343,617)
Provisional gain on disposals of subsidiaries	1,994,891
	651,274
Satisfied by:	
Fair value of the 49% equity interest in an associate (note 13(a))	20,004
Fair values of the 49% and 45% equity interests in joint ventures (note 13(b))	631,270
	651,274
Net cash outflow arising on deemed disposal:	
Cash and bank balances disposal of	(2,572,394)

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

25. SHARE OPTION

Share Option Scheme

Pursuant to the shareholders' resolution passed on 22 November 2009, a post-IPO share option scheme (the "Share Option Scheme") was conditionally adopted. Pursuant to the terms of the Share Option Scheme, the Company may grant options at its discretion, to any eligible person (including directors, employees, officers of any member of the Group, advisers, consultants, suppliers, agents and customers of any members of the Group). The maximum number of shares which may be issued upon exercise of all options (the "Share Option") granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company's shares in issue from time to time.

No options may be granted under the Share Option Scheme after 10 years since the adoption. The vesting periods, exercise periods and vesting conditions may be specified by the Company at the time of the grant, and the options expire no later than 10 years from the relevant date of grant. The exercise price of the option under the Share Option Scheme shall be no less than the highest of (i) the official closing price of the Company's shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average of the official closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

Details of the movement of the share options under Share Option Scheme are as follows:

	Unaudited			
	30 June 2019		30 June 2018	
	Weighted average exercise price in HK$ per share	**Number**	Weighted average exercise price in HK$ per share	Number
At 1 January (audited)	**3.478**	**516,756,000**	3.339	470,514,000
Granted during the period	**3.243**	**51,700,000**	4.354	63,000,000
Exercised during the period	**1.653**	**(10,714,000)**	1.577	(5,163,000)
Lapsed during the period	**3.421**	**(82,530,000)**	3,465	(11,474,000)
At 30 June (unaudited)	**3.503**	**475,212,000**	3.477	516,877,000

As at 30 June 2019, 157,612,000 (unaudited) (30 June 2018: 109,677,000 (unaudited)) outstanding options granted under the Share Option Scheme were exercisable (note).

25. SHARE OPTION *(continued)*

Share Option Scheme *(continued)*

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

Exercise price	Vesting period	Exercise period per share HK$	Number of share options 30 June 2019	30 June 2018
10/6/2010-24/4/2022	9/12/2009-9/6/2010	3.105	5,350,000	5,350,000
30/3/2011-24/4/2022	9/12/2009-29/3/2011	3.105	8,250,000	8,250,000
24/4/2012-24/4/2022	9/12/2009-23/4/2012	3.105	8,500,000	8,500,000
23/7/2011-22/7/2020	23/7/2011-22/7/2012	2.000	2,700,000	3,360,000
23/7/2012-22/7/2020	23/7/2012-22/7/2013	2.000	2,700,000	3,360,000
23/7/2013-22/7/2020	23/7/2013-22/7/2014	2.000	2,900,000	3,560,000
23/7/2014-22/7/2020	23/7/2014-22/7/2015	2.000	3,640,000	4,160,000
23/7/2015-22/7/2020	23/7/2015-22/7/2016	2.000	7,937,000	8,977,000
6/6/2013-5/6/2022	6/6/2013-5/6/2014	1.500	3,784,000	4,169,000
6/6/2014-5/6/2022	6/6/2014-5/6/2015	1.500	4,075,000	5,370,000
6/6/2015-5/6/2022	6/6/2015-5/6/2016	1.500	12,100,000	15,923,000
6/6/2016-5/6/2022	6/6/2016-5/6/2017	1.500	13,042,000	16,838,000
6/6/2017-5/6/2022	6/6/2017-5/6/2018	1.500	13,580,000	17,060,000
21/2/2015-20/2/2024	21/2/2015-20/2/2016	2.610	–	1,200,000
21/2/2016-20/2/2024	21/2/2016-20/2/2017	2.610	–	1,200,000
21/2/2017-20/2/2024	21/2/2017-20/2/2018	2.610	–	1,200,000
21/2/2018-20/2/2024	21/2/2018-20/2/2019	2.610	–	1,200,000
21/2/2019-20/2/2024	21/2/2019-20/2/2020	2.610	–	1,200,000
19/7/2018-18/7/2027	19/7/2018-18/7/2019	3.550	50,854,000	59,000,000
19/7/2019-18/7/2027	19/7/2019-18/7/2020	3.550	50,200,000	59,000,000
19/7/2020-18/7/2027	19/7/2020-18/7/2021	3.550	50,200,000	59,000,000
19/7/2021-18/7/2027	19/7/2021-18/7/2022	3.550	100,400,000	118,000,000
22/9/2018-21/9/2027	22/9/2018-21/9/2019	6.660	4,000,000	4,000,000
22/9/2019-21/9/2027	22/9/2019-21/9/2020	6.660	4,000,000	4,000,000
22/9/2020-21/9/2027	22/9/2020-21/9/2021	6.660	4,000,000	4,000,000
22/9/2021-21/9/2027	22/9/2021-21/9/2022	6.660	8,000,000	8,000,000
29/11/2018-28/11/2027	29/11/2018-28/11/2019	4.370	5,600,000	5,600,000
29/11/2019-28/11/2027	29/11/2019-28/11/2020	4.370	5,600,000	5,600,000
29/11/2020-28/11/2027	29/11/2020-28/11/2021	4.370	5,600,000	5,600,000
29/11/2021-28/11/2027	29/11/2021-28/11/2022	4.370	11,200,000	11,200,000
3/4/2019-2/4/2028	3/4/2019-2/4/2020	4.320	–	4,000,000
3/4/2020-2/4/2028	3/4/2020-2/4/2021	4.320	–	4,000,000
3/4/2021-2/4/2028	3/4/2021-2/4/2022	4.320	–	4,000,000
3/4/2022-2/4/2028	3/4/2022-2/4/2023	4.320	–	8,000,000
11/6/2019-10/6/2028	11/6/2019-10/6/2020	4.370	8,600,000	8,600,000
11/6/2020-10/6/2028	11/6/2020-10/6/2021	4.370	8,600,000	8,600,000
11/6/2021-10/6/2028	11/6/2021-10/6/2022	4.370	8,600,000	8,600,000
11/6/2022-10/6/2028	11/6/2022-10/6/2023	4.370	17,200,000	17,200,000
24/1/2020-23/1/2029	24/1/2020-23/1/2021	2.380	2,000,000	–
24/1/2021-23/1/2029	24/1/2021-23/1/2022	2.380	2,000,000	–
24/1/2022-23/1/2029	24/1/2022-23/1/2023	2.380	2,000,000	–
24/1/2023-23/1/2029	24/1/2023-23/1/2024	2.380	4,000,000	–
12/4/2020-11/4/2029	12/4/2020-11/4/2021	3.700	6,800,000	–
12/4/2021-11/4/2029	12/4/2021-11/4/2022	3.700	6,800,000	–
12/4/2022-11/4/2029	12/4/2022-11/4/2023	3.700	6,800,000	–
12/4/2023-11/4/2029	12/4/2023-11/4/2024	3.700	13,600,000	–
			475,212,000	516,877,000

25. SHARE OPTION *(continued)*

Share Option Scheme *(continued)*

The Company offered to grant several directors and employees (the "July 2010 Grant") of 179,750,000 share options of HK$0.10 each in the capital of the Company on 23 July 2010.

On 6 June 2012, the Company further offered to grant several directors and employees (the "June 2012 Grant") of 326,790,000 share options respectively of HK$0.10 each in the capital of the Company.

During the year ended 31 December 2014, the Company offered to grant an employee and a consultant (the "February 2014 Grant") total of 11,000,000 share options and an employee (the "August 2014 Grant") total of 3,000,000 share options respectively of HK$0.10 each in the capital of the Company on 21 February 2014 and 21 August 2014 respectively.

On 19 July 2017, the Company offered to grant to the directors of the Company and certain employees of the Company and its subsidiaries (the "July 2017 Grant") of 64,000,000 and 250,300,000 share options respectively, of HK$0.10 each in the capital of the Company. The Company further granted a director of the Company (the "September 2017 Grant" and the "November 2017 Grant") of 20,000,000 and 28,000,000 share options on 22 September 2017 and 29 November 2017 respectively of HK$0.10 each in the capital of the Company.

On 3 April 2018, the Company offered to grant to one of the directors of the Company (the "April 2018 Grant") of 20,000,000 share options of HK0.1 each in the capital of the Company. The Company further granted certain employees of the Company and its subsidiaries (the "June 2018 Grant") of 43,000,000 shares options on 11 June 2018 of HK$0.1 each in the capital of the Company.

On 24 January 2019, the Company offered to grant to certain employees of the Company and its subsidiaries (the "January 2019 Grant") of 18,000,000 share options of HK$0.1 each in the capital of the Company. The Company further granted certain employees of the Company and its subsidiaries (the "April 2019 Grant") of 33,700,000 share options on 12 April 2019 of HK$0.1 each in the capital of the Company.

	July 2010 Grant	June 2012 Grant	February 2014 Grant	August 2014 Grant	July 2017 Grant	September 2017 Grant	November 2017 Grant	April 2018 Grant	June 2018 Grant	January 2019 Grant	April 2019 Grant
Fair value under binomial model (HK'000)	142,362	198,688	8,514	2,592	543,168	68,887	61,987	37,218	77,023	17,677	51,857
Closing share price at grant date (HK$)	1.71	1.39	2.60	2.83	3.55	6.66	4.26	4.31	4.35	3.69	2.37
Exercise price (HK$)	2.00	1.50	2.61	2.84	3.55	6.66	4.37	4.32	4.37	3.70	2.38
Annual risk free interest rate	2.29%	1.04%	2.30%	1.94%	2.05%	2.01%	2.23%	2.64%	2.93%	2.49%	2.26%
Expected volatility	40%	44%	45%	43%	42%	43%	44%	44%	44%	45%	46%
Expected option life	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Expected divided yield	Nil	Nil	6.0%	5.0%	Nil	Nil	Nil	2.5%	2.5%	2.5%	2.5%

25. SHARE OPTION *(continued)*

Share Option Scheme *(continued)*

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

Expected volatility was determined by using the historical volatility of the Company's share price from the listing date to the grant date. The risk-free interest rate is equal to Hong Kong Dollar swap rate over the exercise period at the grant date.

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised a share option expense of RMB69,014,000 (unaudited) (Six months ended 30 June 2018: RMB116,458,000 (unaudited)) during the six months ended 30 June 2019.

26. RELATED PARTY TRANSACTIONS

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

(a) Name and relationship with related parties

Controlling shareholder
Mr. Kwok Ying Shing

A related company, a company controlled by a substantial shareholder of the Company
Shenzhen Fund Resources Investment Holding Company Ltd. * ("深圳市富德資源投資控股有限公司")

Associates
Shenzhen Qianhai Gold Earth Wealth Management Co., Ltd.* ("深圳前海金土財富管理有限公司")
Shenzhen Longchen Plaza Properties Development Co., Ltd.* ("深圳市龍城廣場房地產開發有限公司")
Shenzhen Shenxin Chanye Holding Co., Ltd.* (formerly known as "Shenzhen Shenxin Financial Holding Co., Ltd.*) ("深圳深信產業控股有限公司，前稱深圳深信金融控股有限公司")
Shenzhen Shenxin Financial Service Co., Ltd.* ("深圳深信金融服務有限公司")
Shenzhen Shenxin Capital Management Co., Ltd.* ("深圳市深信資本管理有限公司")
Guan Kongqueting Real Estate Development Co., Ltd.* ("固安孔雀亭房地產開發有限公司")
Guangdong Kaisa Jiayun Technology Co., Ltd.* (formerly known as "Guangdong Mingjia Lianhe Mobile Technology Co., Ltd." *) ("廣東佳兆業佳雲科技股份有限公司，前稱廣東明家聯合移動科技股份有限公司."*)
Shenzhen Tianjia Industrial Development Co., Ltd.* ("深圳市天佳實業發展有限公司")
Guangdong Kaisa Property Development Co., Ltd.* and its subsidiaries ("廣東佳兆業房地產開發有限公司及其附屬公司")
E zhou Liangtai Real Estate Co., Ltd.* ("鄂州梁泰地產有限公司")
Wuhan City Quan Hai Ji Xing Agricultural Products Logistics Co., Ltd.* ("武漢城市圈海吉星農產品物流有限公司")
Lejie Electronic Products (Shenzhen) Co., Ltd.* ("樂捷電子產品(深圳)有限公司")
Zhenxing Biopharmaceutical and Chemical Co., Ltd.* ("振興生化股份有限公司")
Kunming Runhe Real Estate Development Co., Ltd.* ("昆明潤合房地產開發有限公司")
Kaisa United Financial Group Holdings Limited* (formerly known as "Kaisa United Financial (Beijing) Co., Ltd."*) ("佳兆業聯合金融集團控股有限公司"，前稱佳兆業聯合金控(北京)有限公司")
Kaisa United Assets Management (Beijing) Co., Ltd.* ("佳兆業聯合資產管理(北京)有限公司")
Guangdong Meisi Property Company Ltd.* ("廣東美思置業有限公司")
Shenzhen Guomian Pengxing Duty free Company Ltd.* ("深圳市國免鵬星免稅商品有限公司")
Shenzhen Jiatai Kaisa City Geng Xin Co., Ltd.* ("深圳市佳泰佳兆業城市更新有限公司")

26. RELATED PARTY TRANSACTIONS *(continued)*

(a) Name and relationship with related parties *(continued)*

Joint ventures

Huizhou City Kaileju Company Ltd.* ("惠州市愷樂居置業有限公司")
Shenzhen Jiaxian Property Development Co., Ltd.* ("深圳市佳賢置業發展有限公司")
Shenzhen Ligao Property Development Company Ltd.* ("深圳力高宏業地產開發有限公司")
Shenzhen Jiademeihuan Traveling Development Co., Ltd.* ("深圳市佳德美奐旅遊開發有限公司"), Shenzhen Jiafu East Tourism Development Co., Ltd.* ("深圳市佳富東部旅遊開發有限公司"), Shenzhen Zhaofude Tourism Development Co., Ltd.* ("深圳市兆富德旅遊開發有限公司") together named as JVs for Dapeng Xiasha Development Project* ("大鵬下沙合營發展專案")
Guangzhou Nantian Company Ltd.* ("廣州南天商業大廣場建設發展有限公司")
Shenzhen Tiandi Tongchang Investment Development Co., Ltd.* ("深圳市天地同昌投資發展有限公司")
Shenzhen Gongming Kaisa Property Development Company Ltd.* ("深圳市公明佳兆業置業發展有限公司")
Holy Joint Management Consultants Ltd.* ("浩霖管理顧問有限公司")
Shenzhen Longhua Kaisa Property Development Company Ltd.* ("深圳市龍華佳兆業置業發展有限公司")
Shenzhen Gongming Kaisa Property Development Company Ltd.* ("深圳市公明佳兆業置業發展有限公司")
Shenzhen Mingyang Kaisa Development Co., Ltd.* ("深圳市銘揚佳兆業實業發展有限公司")
Shenzhen Kaisa Xinxiu City Geng Xin Co., Ltd.* ("深圳市佳兆業新秀城市更新有限公司")
Shenzhen Baoan Kaisa Real Estate Development Co., Ltd.* ("深圳市寶安佳兆業房地產開發有限公司")
Guangdong Jiasheng Property Development Co., Ltd.* ("廣東佳盛房地產開發有限公司")
Hunan Mingtai Property Development Company Ltd.* ("湖南明泰置業發展有限公司")
Wuhan Kaisa Logistics Company Ltd.* ("武漢市佳兆業物流有限公司")
Zhongqing Xingjiaye Industrial Co., Ltd.* ("重慶興佳業實業有限公司")
Hangzhou Jiayu Property Company Ltd.* ("杭州佳裕置業有限公司")
Guangzhou Xiaoping Property Development Co., Ltd.* ("廣州市小坪房地產開發有限公司")
Chuangjiayu Technology (Shenzhen) Co., Ltd.* ("創佳寓科技(深圳)有限公司")
Xinxiang Kaisa Property Development Co., Ltd.* ("新鄉市佳兆業房地產開發有限公司")
Sanya Baijiashiji Property Development Co., Ltd.* ("三亞佰佳世紀房地產開發有限公司")
Hangzhou Huawan Property Co., Ltd.* ("杭州華灣房地產有限公司")
Shenzhen Nanao Hotel Co., Ltd.* ("深圳市南澳大酒店有限公司")
Hainan Free-Trade Zone Xiangruiyuan Property Development Co., Ltd.* ("海南自貿區香瑞園房地產開發有限公司")
Henan Kaisa Property Development Co., Ltd.* ("河南省佳兆業房地產開發有限公司")
Zhongqing Xinzhaoxin Co., Ltd.* ("重慶新兆鑫實業有限公司")
Zhongshan Fugang Property Development Co., Ltd.* ("中山富港房地產開發有限公司")
Zhongshan Jiajun Property Development Co., Ltd.* ("中山市佳駿房地產開發有限公司")
Hangzhou Yijia Property Co., Ltd.* ("杭州億佳置業有限公司")
Taoyuan Jianshe Shenzhen Co., Ltd.* ("桃源建設(深圳)有限公司")
Shenzhen Qixiang Kaisa Industrial Development Co., Ltd.* ("深圳市祺祥佳兆業實業發展有限公司")
Shenzhen Futian Kaisa Investment Consultation Co., Ltd.* ("深圳市福田佳兆業投資諮詢有限公司")
Hunan Xiangyong Property Development Co., Ltd.* ("湖南湘永房地產開發有限公司")
Zhongqing Renyou Property Co., Ltd.* ("重慶市仁有置業有限公司")
Zhongqing Yuzhaoxing Industrial Co., Ltd.* ("重慶渝兆興實業有限公司")
Jinzhaojia Property (Wuhan) Co., Ltd.* ("金兆佳置業(武漢)有限公司")

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

26. RELATED PARTY TRANSACTIONS *(continued)*

(b) Key management compensation

Key management of the Group are members of the board of directors, as well as members of the "management board" of the Company. Key management personnel remuneration include the following expenses:

	Unaudited Six months ended 30 June 2019 RMB'000	 2018 RMB'000
Director's fee	765	–
Salaries and other short-term employee benefits	62,955	73,624
Discretionary bonuses	2,125	3,204
Retirement scheme contributions	311	311
Share-based payments	33,445	77,649
	99,601	154,788

(c) Related parties transactions

	Unaudited Six months ended 30 June 2019 RMB'000	 2018 RMB'000
Interest expense paid to a related company (note (i))	–	18,829
Interest income received from an associate (note (iii))	3,337	36,330
Interest expense paid to associates (note (iv))	8,126	41,290
Rental expenses paid to a controlling shareholder (note (ii))	1,034	1,034
Financial advisory fees paid to an associate	10,202	28,752
Other revenue from associates	76,419	–
Other revenue from joint ventures	5,772	–

Notes:

(i) Interest expense was charged at interest rate of 12.0% (six months ended 30 June 2018: 12.0%) per annum on the loan from a related company.

(ii) This represents payment of rental expense for various office premises to controlling shareholder, Mr. Kwok Ying Shing. The rental expenses paid during the period was determined at prevailing market rate of respective office premises.

(iii) The interest income was charged at interest rate of 12.0% (six months ended 30 June 2018: 6.175%) per annum on amount due from an associate.

(iv) Interest expense was charged at interest rate ranging from 9.5% to 14.0% (six months ended 30 June 2018: 4.35% to 12.5%) per annum on the loans from associates.

26. RELATED PARTY TRANSACTIONS *(continued)*

(d) Balances with related parties

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Loans from associates (note 17(e))	**(473,500)**	(1,240,550)
Loan from a related company (note 17(d))	**(108,781)**	(108,781)
Other revenue receivable from associates – included in trade receivables	**55,255**	–
Prepaid financial advisory fee to an associate – included in prepayments	**153,253**	153,253
Amounts due from associates (note 14)	**2,057,577**	4,045,190
Amounts due from joint ventures (note 14)	**2,478,202**	891,612
Amounts due to associates (note 18)	**(2,600,505)**	(1,018,000)
Amounts due to joint ventures (note 18)	**(5,892,157)**	(2,246,498)
Interest payable to a related company – included in accrued interest in other payables	**(235,535)**	(235,535)

27. EVENTS AFTER REPORTING PERIOD

(i) On 2 July 2019, the Company issued additional Senior Notes with principal amounts of US$200,000,000 (approximately RMB1,346,700,000) due 2022 and US$300,000,000 (approximately RMB2,020,050,000) due 2023, which are interest-bearing at 11.25% and 11.5% per annum respectively. These Senior Notes will be consolidated and form a single series with the US$350,000,000 11.25% Senior Notes due 2022 issued on 9 April 2019 and US$400,000,000 11.5% Senior Notes due 2023 issued on 30 May 2019 respectively.

(ii) On 16 July 2019, the Company issued Senior Notes with a principal amount of US$300,000,000 (approximately RMB2,020,050,000) due 2023. The Senior Notes are interest-bearing at 10.875% per annum which is payable semi-annually in arrears. The maturity date of the Senior Notes is 23 July 2023.

(iii) On 19 July 2019, Kaisa Prosperity Holdings Limited ("Kaisa Prosperity") (previously known as Kaisa Property Holdings Limited), which is a subsidiary of the Company, granted 11,450,000 share options to subscribe for the ordinary shares of HK$0.01 each in the capital of Kaisa Prosperity, comprising (i) 2,750,000 share options to the directors of Kaisa Prosperity; and (ii) 8,700,000 share options to certain employees of Kaisa Prosperity and its subsidiaries.

(iv) On 16 August 2019, the Company completed the repurchase and cancellation of HK$1,162,000,000 in principal amount of the Company's 6.1% notes due December 2019 at the consideration of approximately RMB1,026,300,000, resulting a gain on repurchase of senior notes amounting to RMB135,700,000.

INDEPENDENT AUDITOR'S REPORT

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

OPINION

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

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

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

KEY AUDIT MATTERS (Continued)

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

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 March 2019

Lin Ching Yee Daniel
Practising Certificate No.: P02771

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

Kwok Ying Shing
Director

Mai Fan
Director

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

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

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

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

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

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(i) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

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

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

(iii) Disposal of subsidiaries

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

(iv) Separate financial statements

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

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

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

2.3 Associates

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates (Continued)

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

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

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

2.4 Joint ventures

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

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

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

2.5 Segment reporting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currencies are not retranslated (i.e. only translated using the exchange rates at the transaction date).

(iii) Group companies

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investment properties

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

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

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

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

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

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

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

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

2.9 Land use rights

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Intangible assets and goodwill

(i) Contracts with sports players

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

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

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

(iii) Goodwill

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The following assets are subject to impairment testing:

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments

(i) Recognition and derecognition

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

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

Policy applicable from 1 January 2018

Financial assets

(ii) Classification and initial measurement of financial assets

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

Financial assets are classified into the following categories:

– amortised cost;

– FVTPL.

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

The classification is determined by both:

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

– the contractual cash flow characteristics of the financial asset.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

Financial assets (Continued)

Policy applicable from 1 January 2018 (Continued)

(iii) Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

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

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

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

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

Financial assets at FVTPL

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

Equity investments

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

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

Policy applicable before 1 January 2018

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

(i) Classification of financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

Financial assets (Continued)

Policy applicable before 1 January 2018 (Continued)

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

Financial assets at FVTPL

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

Loans and receivables

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

Available-for-sale financial assets

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

Convertible bonds receivable

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

(ii) *Subsequent measurement*

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

Financial liabilities

(i) *Classification and measurement of financial liabilities*

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

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

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

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

<u>Borrowings</u>

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

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

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

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

<u>Convertible bonds</u>

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

Financial liabilities (Continued)

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

Financial derivatives

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

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

Accrued construction cost and other payables

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

(ii) *Offsetting financial instruments*

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

2.13 Impairment of financial assets and contract assets

Policy applicable from 1 January 2018

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets and contract assets (Continued)

Policy applicable from 1 January 2018 (Continued)

Trade debtors

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

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

Other financial assets measured at amortised cost

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

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

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

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets and contract assets (Continued)

Policy applicable from 1 January 2018 (Continued)

Other financial assets measured at amortised cost (Continued)

(i) *Measurement of ECLs* (Continued)

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

Credit-impaired financial assets

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

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

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

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

(ii) *Write-offs*

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets and contract assets (Continued)

Policy applicable before 1 January 2018

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

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

– significant financial difficulty of the debtor;

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

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

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

– the disappearance of an active market for that financial asset because of financial difficulties; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) *Financial assets carried at amortised cost*

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets and contract assets (Continued)

Policy applicable before 1 January 2018 (Continued)

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

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

(ii) *Financial assets carried at cost*

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

2.14 Inventories

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

2.15 Properties under development

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

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

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

2.16 Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Cash and cash equivalents

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

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

2.18 Contract liabilities

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

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

2.19 Share capital

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

2.20 Borrowing costs

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

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

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

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

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

(iii) Offsetting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefits

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

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

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

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

(iii) Bonus entitlements

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

(iv) Termination benefits

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits (Continued)

(v) Share-based payments

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

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

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

2.23 Provisions and contingent liabilities

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition

Policy applicable from 1 January 2018

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

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

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

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

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

(i) *Sales of properties*

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition (Continued)

Policy applicable from 1 January 2018 (Continued)

(ii) Rental income

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

(iii) Hotel operation income

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

(iv) Property management

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

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

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

(v) Catering income

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

(vi) Hire income from charter

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

(vii) Passenger transportation agency service

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition (Continued)

Policy applicable from 1 January 2018 (Continued)

(viii) Sales of goods

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

(ix) Interest income

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

Policy applicable before 1 January 2018

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

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

(i) Sales of properties

(1) Completed properties held for sale

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

(2) Proposed development project

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

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

(ii) Rental income

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

(iii) Property management

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition (Continued)

Policy applicable before 1 January 2018 (Continued)

(iv) Hotel operation income

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

(v) Catering income

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

(vi) Hire income from charter

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

(vii) Passenger transportation agency service

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

(viii) Sales of goods

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

(ix) Interest income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases

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

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

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

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

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

(iii) The Group is the lessor

Assets leased out under an operating leases are included in investment properties in the consolidated statement of financial position. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

2.26 Dividend distribution

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

2.27 Financial guarantee liabilities

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Government grants

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

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

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

2.29 Related parties

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

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

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

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

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

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

3. ADOPTION OF NEW AND AMENDED HKFRSs

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

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

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

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

Amendments to HKAS 40 "Transfers of Investment Property"

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

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

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

(i) Impact on the consolidated financial statements

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

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

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

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

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

(ii) *HKFRS 9 "Financial instruments"*

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

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

Classification and measurement of financial instruments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

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

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

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

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

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

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

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

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

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

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

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

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

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

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

Impairment of financial assets at amortised costs

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

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

(a) Trade debtors

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

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

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

The total impact on the Group's retained earnings, net of tax, and non-controlling interests as at 1 January 2018 is as follows:

	Retained earnings RMB'000	Non-controlling interests RMB'000
As at 31 December 2017	10,973,620	10,910,228
Provision for ECL for debtors, deposits and other receivable (excluding prepayments and prepaid other taxes)	(244,197)	(9,635)
Deferred tax assets relating to provision for ECL (note 33)	61,048	2,411
Increase in fair value of financial assets at FVTPL	644,196	–
Deferred tax liabilities relations to increase in fair value of financial assets at FVTPL (note 33)	(161,049)	–
As at 1 January 2018 (restated)	11,273,618	10,903,004

The details of new significant accounting policies are set out in note 2.13.

The following table reconciles the provision of impairment determined in accordance with HKAS 39 as at 31 December 2017 with the opening ECL determined in accordance with HKFRS 9 as at 1 January 2018.

	RMB'000
Provision of impairment at 31 December 2017 under HKAS 39	–
Additional ECL recognised at 1 January 2018 on:	
– Trade receivables (note 4.1 (ii))	27,915
– Deposits and other receivables (excluding prepayments and prepaid other taxes) (note 4.1 (ii))	225,917
ECL at 1 January 2018 under HKFRS 9	253,832

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

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

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

(iii) HKFRS 15 "Revenue from contract with customers"

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

The Group has elected to use the cumulative effect transition method, with the cumulative effect of initial application recognised as an adjustments to the opening balance of retained earnings at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18.

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

(a) The amount by each financial statements line items affected in the current year and year to date by the application of HKFRS 15 as compared to HKAS 18 that were previously in effect before the adoption of HKFRS 15 is as follows:

	For the year ended 31 December 2018		
Consolidated statement of profit or loss and other comprehensive income (extract)	**Amounts before the adoption of HKFRS 15 RMB'000**	**Effects of the adoption of HKFRS 15 RMB'000**	**Amounts as reported RMB'000**
Revenue	**33,211,347**	**5,493,620**	**38,704,967**
Cost of sales	**(32,384,152)**	**(4,807,943)**	**(27,576,209)**
Income tax expenses	**(4,306,210)**	**(171,419)**	**(4,477,629)**
Profit for the year attributable to:			
owner of the Company	**2,235,948**	**514,258**	**2,750,206**
Earning per Share			
Basic (RMB)	**0.410**	**0.08**	**0.453**
Diluted (RMB)	**0.366**	**0.08**	**0.450**

(b) The amount by each financial statements line items in the current year and year to date by the application of HKAS 18 that were previously in effect before the adoption of HKFRS 15 is as follows:

	At 31 December 2018		
Consolidated statement of financial position (extract)	**Amounts before the adoption of HKFRS 15 RMB'000**	**Effects of the adoption of HKFRS 15 RMB'000**	**Amounts as reported RMB'000**
Advance proceeds received from customers and deposits received	**39,154,089**	**(39,154,089)**	**–**
Contract liabilities	**–**	**39,154,089**	**39,154,089**
Income tax payable	**7,601,896**	**(171,419)**	**7,773,315**
Retained earnings	**13,511,923**	**514,258**	**14,026,181**

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

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

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

(iii) HKFRS 15 "Revenue from contract with customers" (Continued)

(b) (Continued)

Consolidated statement of cash flow (extract)	For the year ended 31 December 2018 Amounts before the adoption of HKFRS 15 RMB'000	Effects of the adoption of HKFRS 15 RMB'000	Amounts as reported RMB'000
Profit before tax	**7,086,208**	**685,677**	**7,771,885**

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses. Under HKFRS 15, for properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

The Group recognises contract liabilities when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15. Contract liabilities recognised in relation to property development activities were previously presented as advance proceeds received from customers and deposits received. The contract liabilities as at 1 January 2018 was RMB29,564,933,000.

3.2 Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, the following new standards, amendments and interpretations have been published but are not yet effective, and have not been adopted early by the Group:

		Effective for the accounting period beginning on or after
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures	1 January 2019
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 3	Definition of a Business	Note
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Note: Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.2 Issued but not yet effective HKFRSs (Continued)

HKFRS 16 "Leases"

HKFRS 16 "Leases" replaced HKAS 17 and three related Interpretations

As disclosed in note 2.25, currently the Group classifies leases into operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

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

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases of land and buildings and other assets which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 on 1 January 2019 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information will not be restated. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply HKFRS 16 only to new contracts. Furthermore, the Group plans to use the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease. As disclosed in note 38, as at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to RMB451,105,000, the majority of which is payable within 5 years after the reporting date or in more than 5 years.

Upon the initial application of HKFRS 16, the Group plans to measure the rights-of-use assets at an amount equal to the lease liability (subject to certain adjustments).

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

4. FINANCIAL RISK MANAGEMENT

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

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

4.1 Financial risk factors

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and borrowings to fund its operations. The Group has alternative plans to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

Risk management is carried out by the Group's management under the supervision of the Board. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Board provides guidance for overall risk management.

(i) Market risk

(1) Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that borrowings are denominated in other currencies. The major non-RMB assets and liabilities are financial assets at FVTPL, convertible bonds receivable, debtors, deposits and other receivables (excluding prepayments and prepaid other taxes), restricted cash, cash and bank balances, long-term and short-term bank deposits and borrowings denominated in the United States dollar ("USD"), Hong Kong dollar ("HKD") and Euro ("Euro").

The Company and certain of its subsidiaries' functional currency is RMB, so the financial assets at FVTPL, convertible bonds receivable, debtors, deposits and other receivables (excluding prepayments and prepaid other taxes), restricted cash, cash and bank balances, long-term and short-term bank deposits and borrowings denominated in foreign currencies are subject to retranslation at each reporting date. Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(i) Market risk (Continued)

(1) Foreign exchange risk (Continued)

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

	2018 RMB'000	2017 RMB'000
Assets		
USD	**2,889,638**	4,885,285
HKD	**247,782**	1,716,425
EUR	**54,370**	45,277
	3,191,790	6,646,987
Liabilities		
USD	**39,978,614**	32,808,173
HKD	**1,701,382**	2,780,660
	41,679,996	35,588,833

The following table illustrates the sensitivity of the Group's profit for the year and equity in regards to an appreciation in the group entities' functional currencies against USD, HKD and EUR. These sensitivity rates are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

	2018		2017	
	Sensitivity rate	Increase/ (Decrease) in profit or loss and equity RMB'000	Sensitivity rate	Increase/ (Decrease) in profit or loss and equity RMB'000
USD	**5%**	**1,767,122**	5%	1,330,124
HKD	**5%**	**69,685**	5%	71,003
EUR	**5%**	**(2,589)**	5%	(2,156)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nevertheless, the analysis above is mainly as a result of the net foreign exchange gains/losses on translation of USD and HKD denominated long-term and short-term bank deposits, debtors, deposits and other receivables and borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(i) Market risk (Continued)

(2) Interest rate risk

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

As at 31 December 2018, if interest rates on assets and liabilities had been increased/decreased by 100 (2017: 100) basis point with all variables held constant, the Group's post-tax profit for the year would have been RMB139,300,000 decreased/increased (2017: RMB82,531,000 decreased/increased). Majority of the interest expenses would be capitalised as a result of such interest expenses directly attributable to the property construction.

(3) Price risk

The Group is exposed to equity securities price risk in connection with the Group's investment in listed equity securities classified as financial assets at FVTPL (2017: financial assets at FVTPL). The Group closely monitors the fluctuation of the price and assesses the impact on the Group's consolidated financial statements.

If the price of listed equity securities had been 5% (2017: 5%) increased/decreased, post-tax profit for the year ended 31 December 2018 would have been decreased/increased by approximately RMB9,730,000 (2017: RMB3,618,000).

(ii) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

The Group's credit risk primarily arises from convertible bonds receivable, debtors, deposits and other receivables, restricted cash, long-term and short-term bank deposits, cash and bank balances, and guarantees provided in respect of mortgage facilities (note 37).

Effective on 1 January 2018

The credit risks on restricted cash, short-term and long-term bank deposits and cash and bank balances are considered to be insignificant because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

Trade debtors

The Group applies the simplified approach to providing for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade debtors.

To measure the ECL of trade debtors, trade debtors have been grouped based on shared credit risk characteristics and the days past due. As at 31 December 2018, there was no concentration of credit risk with respect to trade debtors as the Group has a large number of customers.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

Effective on 1 January 2018 (Continued)

Trade debtors (Continued)

The loss allowance provision as at 31 December 2018 is determined as follows, the ECL provision below also incorporate forward-looking information.

Trade debtors	Current	More than 180 days past due	More than 1 year past due	Total
Expected loss rate	0.1%	1.0%	10.0%	
Gross carrying amount (RMB'000)	755,009	56,217	221,527	1,032,753
Loss allowance provision (RMB'000)	755	562	22,153	23,470

The loss allowance provision as at 1 January 2018 is determined as follows, the ECL below also incorporate forward looking information.

Trade debtors	Current	More than 180 days past due	More than 1 year past due	Total
Expected loss rate	0.1%	1.1%	10.0%	
Gross carrying amount (RMB'000)	251,313	1,613,134	99,943	1,964,390
Loss allowance provision (RMB'000)	251	17,670	9,994	27,915

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

Effective on 1 January 2018 (Continued)

Deposits and other receivables (excluding prepayments and prepaid other taxes)

For financial assets at amortised cost include other receivables, amounts due from joint ventures, associates and non-controlling interest of a subsidiary, management makes periodic collective assessments as well as individual assessment on the recoverability of deposits and other receivables based on historical settlement records and past experience.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It also considers available reasonable and supportive forwarding-looking information.

Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant increases in credit risk on other financial instruments of the individual property owner or the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

A summary of the assumptions underlying the Group's ECL model is as follows:

Category	Group definition of category	Basis for recognition of ECL provision
Performing	Customers have a low risk of default and a strong capacity to meet	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are more than 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are more than 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than 3 years past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, the Group considers historical loss rates for each category of receivables and adjusts for forward-looking macroeconomic data.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

Effective on 1 January 2018 (Continued)

Deposits and other receivables (excluding prepayments and prepaid other taxes) (Continued)

As at 31 December 2018, the Group provides for credit losses against deposits, other receivables, amounts due from joint ventures, associates and non-controlling interests of a subsidiary as follows:

Company internal credit rating	Expected credit loss rates	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RMB'000	Loss allowance provision RMB'000	Carrying amount (net of impairment provision) RMB'000
Performing	1-10%	12 month expected losses	17,503,492	548,215	16,955,277
Under performing	20%	Lifetime expected losses	33,310	6,662	26,648
Non-performing	30%-50%	Lifetime expected losses	409,634	204,817	204,817
Total			17,946,436	759,694	17,186,742

As 1 January 2018, the Group provides for credit losses against deposits, other receivables, amounts due from joint ventures, associates and non-controlling interests of a subsidiary as follows:

Company internal credit rating	Expected credit loss rates	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RMB'000	Loss allowance provision RMB'000	Carrying amount (net of impairment provision) RMB'000
Performing	1-10%	12 month expected losses	9,158,575	225,917	8,932,658

No significant change to estimation techniques or assumptions was made during the year.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

Effective on 1 January 2018 (Continued)

Deposits and other receivables (excluding prepayments)

The loss allowance provision for deposits and other receivables as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	Performing RMB'000	Underperforming RMB'000	Non-performing RMB'000	Total RMB'000
Closing loss allowance as at 31 December 2017 (calculated under HKAS 39)	–	–	–	–
Amounts restated through opening retained earnings upon application of HKFRS 9	225,917	–	–	225,917
Opening loss allowance as at 1 January 2018 (calculated under HKFRS 9)	225,917	–	–	225,917
Individual financial assets transferred to underperforming and non-performing	(44,294)	3,331	40,963	–
Additional loss allowance	366,592	3,331	163,854	533,777
Closing loss allowance as at 31 December 2018 (calculated under HKFRS 9)	**548,215**	**6,662**	**204,817**	**759,694**

Debtors, deposits and other receivables (excluding prepayments and prepaid other taxes)

As at 31 December 2018, the loss allowance provision for debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) reconciles to the opening loss allowance for that provision as follows:

	Trade debtors RMB'000	Deposits and other receivables (excluding prepayments and prepaid other taxes) RMB'000	Total RMB'000
Closing loss allowance as at 31 December 2017 (calculated under HKAS 39)	–	–	–
Amounts restated through opening retained earnings upon application of HKFRS 9	27,915	225,917	253,832
Opening loss allowance as at 1 January 2018 (calculated under HKFRS 9)	27,915	225,917	253,832
(Reversal)/Provision for loss allowance recognised in profit or loss during the year (note 8)	(4,445)	533,777	529,332
Closing loss allowance as at 31 December 2018 (calculated under HKFRS 9)	**23,470**	**759,694**	**783,164**

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

Effective on 1 January 2018 (Continued)

As at 31 December 2018, the gross carrying amount of debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) was RMB18,979,189,000 and thus the maximum exposure to loss was RMB18,979,189,000. The Group made no write-off of debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) during the year.

Effective before 1 January 2018

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

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

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

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

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

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

(iii) Liquidity risk

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

To cope with the rapid expansion of the Group's businesses, the Group raised significant amounts of borrowings during the years ended 31 December 2018 and 2017. As at 31 December 2018, the Group's total borrowings stood at RMB108,765,962,000 (2017: RMB111,173,187,000). During the year ended 31 December 2018, in order to properly manage the Group's liquidity risk and capital structure, the Group has issued several batches of senior notes with an aggregated principal amount of RMB38,771,662,000 (2017: RMB41,577,820,000).

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

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

With the aforementioned activities and plans, the directors of the Company considered the Group's liquidity risk has been controlled. The directors of the Company have reviewed the working capital forecast of the Group for the 12 months from 31 December 2018 and are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the reporting date.

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

	On demand or within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2018					
Accrued construction costs	**12,599,547**	**–**	**–**	**–**	**12,599,547**
Borrowings	**22,263,143**	**38,412,265**	**35,208,849**	**26,693,797**	**122,578,054**
Other payables	**19,039,975**	**–**	**–**	**–**	**19,039,975**
	53,902,665	**38,412,265**	**35,208,849**	**26,693,797**	**154,217,576**
Financial guarantees issued:					
Maximum amount guaranteed					
(note 37)	**30,587,387**	**–**	**–**	**–**	**30,587,387**

	On demand or within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2017					
Accrued construction costs	15,170,791	–	–	–	15,170,791
Borrowings	27,625,826	19,923,358	53,932,771	23,785,230	125,267,185
Other payables	16,417,715	104,171	–	–	16,521,886
	59,214,332	20,027,529	53,932,771	23,785,230	156,959,862
Financial guarantees issued:					
Maximum amount guaranteed					
(note 37)	30,094,885	–	–	–	30,094,885

4. FINANCIAL RISK MANAGEMENT (Continued)

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings (note 31) less cash and bank balances, short-term bank deposits, long-term bank deposits (note 29) and restricted cash (note 28) and equity attributable to owners of the Company, comprising share capital and reserves.

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings, as shown in the consolidated statement of financial position) less cash and bank balances, long-term and short-term bank deposits and restricted cash. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

The gearing ratios of the Group at 31 December 2018 and 2017 were as follows:

	2018 RMB'000	2017 RMB'000
Total borrowings (note 31)	**108,765,952**	111,173,187
Less: Cash and bank balances, long-term and short-term bank deposits (note 29) and restricted cash (note 28)	**(22,924,149)**	(21,170,203)
Net debt	**85,841,803**	90,002,984
Total equity	**36,339,312**	29,998,150
Gearing ratio	**236.22%**	300.03%

The gearing ratio for 2018 was lower than that for 2017 as a result of the decrease in borrowings during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation

The different levels of the financial instruments carried at fair value, by valuation method, have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2018				
Assets				
Financial assets at FVTPL	**259,477**	**–**	**6,636,349**	**6,895,826**
As at 31 December 2017				
Assets				
Financial assets at FVTPL	96,467	–	–	96,467

Financial assets at FVTPL related to investment in equity fund which invest in automobile business amounting to RMB199,131,000 were transferred in level 3 to level 1 during the year ended 31 December 2018 (2017: there were no transfers between level 1, 2 and 3 during the year.)

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

(i) Financial instruments in level 1

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

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

(ii) Financial instruments in level 3

Information about level 3 financial instruments' fair value measurements

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

	Financial assets at FVTPL 2018 RMB'000	Financial derivatives 2017 RMB'000
At 31 December 2017 (calculated under HKAS 39)	–	N/A
Reclassify non-trading unlisted equity securities from available-for-sale financial assets and convertible bonds receivable to financial assets at FVTPL	**4,442,124**	N/A
Fair value changes (note 3.1(ii))	**644,196**	N/A
At 1 January	**5,086,320**	263,822
Additions	**2,016,911**	–
Derecognition	**(32,565)**	(1,129,652)
(Loss)/Gain recognised in profit or loss	**(235,186)**	969,204
Reclassification financial instruments to level 1	**(199,131)**	–
Transferred to other payables	–	(104,171)
Exchange differences	–	797
At 31 December	**6,636,349**	–

Additions during the year ended 31 December 2018 mainly represented investment fund units in properties development and other businesses in the PRC.

For the financial assets at FVTPL, the fair value change amounting to RMB235,186,000 (2017: nil) was included in "other gains and (losses), net" in the profit or loss for the year ended 31 December 2018. For the financial derivative, the fair value change amounting to RMB969,204,000 were included in "changes in fair value of financial derivatives" in the profit or loss for the year ended 31 December 2017.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

(ii) Financial instruments in level 3 (Continued)

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

Valuation techniques	Significant unobservable inputs	Range	Sensitivity relationship of unobservable inputs to fair value
Market approach method	Price to earnings ratios	8.26 to 31.22	Increase (decrease) in price to earnings ratio would result in increase (decrease) in fair value
	Discount for lack of marketability	20%	Increase (decrease) in discount rate would result in increase (decrease) in fair value

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

Since one or more of the significant inputs are not based on observable market data, the fair value measurement of these instruments are categorised as level 3. For disclosures of fair value measurement of the Group's investment properties, details are disclosed in note 16 to the consolidated financial statements.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2018 and 2017 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	2018		2017	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Borrowings:				
– Senior notes (note 31(a))	**39,726,866**	**30,883,782**	34,752,933	34,795,711

The Group does not have any financial assets/liabilities that are subject to offsetting, enforceable master netting arrangement and similar agreements during the years ended 31 December 2018 and 2017.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Key estimation of uncertainties

(i) Fair value of investment properties

Investment properties, including those completed investment properties and investment properties under construction, are carried at fair value in the consolidated statement of financial position and the changes in the fair value recognised in the profit or loss. It obtains independent valuations at least annually. In making the judgement, consideration is given to assumptions that are mainly based on market conditions existing at the reporting date, expected rental from future leases in the light of current market conditions and appropriate capitalisation rates. Changes in subjective input assumptions can materially affect the fair value estimate. The key assumptions used in the valuation in determining fair value for the Group's portfolio of properties are set out in note 16 to the consolidated financial statements.

As at 31 December 2018, the aggregate fair value of the Group's investment properties amounted to RMB35,930,000,000 (2017: RMB32,025,830,000) based on the valuation performed by an independent professional valuers.

(ii) Provision for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their recoverable amounts based on the realisability of these properties, taking into account estimated costs to completion based on past experience (properties under development only) and committed contracts and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

As at 31 December 2018, based on management's best estimates, the Group has made a provision of RMB1,505,566,000 (2017: RMB1,733,708,000) for properties under development and completed properties held for sale.

(iii) Prepayments for proposed development projects and deposits for land acquisitions

The Group assesses the carrying amounts of deposits for land acquisitions and prepayments for proposed development projects according to their recoverable amounts based on the realisability of these land use rights and property development projects, taking into account estimated net sales values based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

As at 31 December 2018, the carrying amounts of prepayments for proposed development projects and deposits for land acquisitions are RMB19,080,815,000 (2017: RMB15,925,608,000) and RMB19,445,196,000 (2017: RMB21,422,522,000) respectively.

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

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

As at 31 December 2018, based on management's best estimates, the Group has made a provision of RMB149,316,000 (2017: RMB149,316,000), RMB12,249,000 (2017: RMB12,249,000) and RMB658,685,000 (2017: nil) for property, plant and equipment, land use rights and investments in associates respectively.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Key estimation of uncertainties (Continued)

(v) Income taxes, land appreciation taxes, withholding taxes and deferred income taxes

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

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. If those undistributed earnings of the PRC subsidiaries are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred tax liabilities would have been increased by the same amount of approximately RMB769,786,000 (2017: RMB971,605,000).

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

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

(vi) Intangible assets – contracts with various sports players

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

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

As at 31 December 2018, the carrying amount of the intangible asset is RMB234,870,000 (2017: RMB276,823,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Key estimation of uncertainties (Continued)

(vii) Provision for impairment of trade debtors and other receivables

Since the initial adoption of HKFRS 9, the Group makes allowances on items subjects to ECL (including debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period as set out in note 2.12. As at 31 December 2018, the aggregate carrying amounts of debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) amounted to RMB1,032,753,000 (net of ECL allowance of RMB23,470,000) and RMB17,186,742,000 (net of ECL allowance of RMB759,694,000 respectively.

Before the adoption of HKFRS 9, the Group assesses at the end of each reporting period whether there is any objective evidence that debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) are impaired. In determining whether there is objective evidence of impairment, the Group takes into consideration the ageing status and the likelihood of collection by reference to the background and repayment history of the debtors and the occurrence of any default or disputes. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on factors such as repayment plans committed by debtors and subsequent collections. An impairment loss is made for debtors of which the present values of future cash flows are less than their carrying amount. As at 31 December 2017, the aggregate carrying amount of debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) amounted to RMB1,964,390,000 and RMB9,158,575,000 respectively.

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade receivables and other items within the scope of ECL upon application of HKFRS 9/ other financial instruments before application of HKFRS 9 and credit losses in the periods in which such estimate has been changed.

(viii) Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of CGU is determined based on value-in-use calculations which require the use of assumptions. Details of impairment assessment and key assumptions are disclosed in note 21(a).

(b) Critical accounting judgements

(i) Revenue recognition from sales of properties

Revenue from sales of properties is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgements. The Group has obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements, based on legal counsel opinion, to classify sales contracts into those with enforceable right to payment for performance completed to date and those without the right.

The Group recognises property development revenue over time by reference to the progress toward complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs for each property unit in the contract. The Group calculated the cost allocation based on type of properties, gross and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. The Group has a standard cost budgeting and estimate completion process in which management reviews the development progress and execution of the performance obligations. As part of this process, management reviews information including but not limited to, the cost to achieve the schedule. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

The Group recognised sales of properties over time amounted to RMB5,493,620,000 (note 6) for the year ended 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Critical accounting judgements (Continued)

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

As disclosed in note 39(b), the Group has de facto control over Kaisa Health Group in November 2018 and since then the Group's 42.89% (2017: 41.24%) interest at the completion date of right issue of Kaisa Health Group is accounted for and consolidated into the consolidated financial statements of the Group as a subsidiary. The Group's equity interest increased from 41.24% as at 31 December 2017 to 42.89% as at 31 December 2018 was due to the Group acquired 63,600,000 shares at a consideration approximately of RMB14,795,000 during the year ended 31 December 2018. The directors of the Company assessed whether the Group has control over Kaisa Health Group based on whether the Group has the practical ability to direct the relevant activities of Kaisa Health Group unilaterally. Key judgments adopted in concluding the Group has obtained control in Kaisa Health Group are: the Group has held a majority of the voting rights exercised at Kaisa Health Group's shareholders' meetings and no other single shareholder directly or indirectly controls more voting rights than the Group; the shareholding of other non-controlling interests is dispersed and the chance of all other shareholders getting together to vote against the Group is remote; and the Group has obtained effective control over majority of the board of Kaisa Health Group.

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

The Group recognised, inter alia, intangible assets of RMB589,140,000 and other net assets excluding intangible assets of RMB493,357,000 and goodwill of RMB203,931,000, details of which is set out in note 39(b).

(iii) Classification of financial assets at FVTPL (before 1 January 2018: available-for-sale financial assets)

Note 20 describes that the investment in an unlisted entity is treated as financial assets at FVTPL (before 1 January 2018: available-for-sale financial assets) although the Company has 21.98% effective equity interest in this investee. The Group is entitled to appoint a director of the investee's board of directors out of a total of seven. In making the judgement, the directors of the Company considered the majority ownership of the investee is concentrated by a major shareholder who operate the investee and direct all the relevant financing and operating decisions relating to daily investment activities for the investee by simple majority votes without regard to the views of the Group and concluded that it is not sufficient significant influence over the relevant activities of this investee or to participate in their operations. Accordingly, the investee is classified as financial assets at FVTPL (before 1 January 2018: available-for-sales financial assets).

(iv) Classification of joint arrangements as joint ventures

The Group assesses the existing business structure and terms of contractual arrangement of the joint arrangement agreements and classified the development project transferred to various joint arrangements as joint ventures during the year ended 31 December 2017. Accordingly, the rights to assets and obligations for liabilities in relation to the joint operation is reclassified to the joint ventures, each party involved in these companies determines its equity shareholding based on their relative interest in the joint venture under the contractual terms of the joint arrangement agreements. Details of the joint ventures are set out in note 18(b) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION

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

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

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

Revenue for the year ended 31 December 2018 consists of the following:

	2018 RMB'000	2017 RMB'000
Sales of properties		
– Completed properties held for sale	**29,766,932**	29,126,460
– Properties under development/proposed development project	**6,313,620**	2,079,641
	36,080,552	31,206,101
Rental income (note 16)	**278,592**	249,569
Property management services	**516,221**	315,862
Hotel and catering operations	**249,932**	162,617
Cinema, department store and cultural centre operations	**491,099**	235,463
Water-way passenger and cargo transportation	**810,634**	536,491
Others	**277,937**	73,244
	38,704,967	32,779,347

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2018 is as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Total RMB'000
Revenue	36,080,552	355,253	948,587	284,014	525,184	833,696	962,829	39,990,115
Less: inter-segment revenue	–	(76,661)	(432,366)	(34,082)	(34,085)	(23,062)	(684,892)	(1,285,148)
Revenue from external customers	36,080,552	278,592	516,221	249,932	491,099	810,634	277,937	38,704,967
Timing of revenue recognition under HKFRS 15								
At a point in time	30,586,932	–	–	–	–	516,140	–	31,103,072
Over time	5,493,620	–	516,221	249,932	491,099	294,494	277,937	7,323,303
Revenue not in the scope of HKFRS 15	–	278,592	–	–	–	–	–	278,592
	36,080,552	278,592	516,221	249,932	491,099	810,634	277,937	38,704,967
Segment results before fair value gain of investment properties, net gain on deemed disposals of subsidiaries, share of results of associates and joint ventures	7,516,709	157,920	100,144	(66,593)	(306,569)	209,450	(222,785)	7,388,276
Net gain on deemed disposals of subsidiaries (note 40)	2,912,593	–	–	–	–	–	–	2,912,593
Share of results of associates	282,202	–	–	–	–	–	(42,289)	239,913
Share of results of joint ventures (note 18(b))	(49,645)	–	–	–	–	–	919	(48,726)
Fair value gain of investment properties (note 16)	–	212,374	–	–	–	–	–	212,374
Segment results	10,661,859	370,294	100,144	(66,593)	(306,569)	209,450	(264,155)	10,704,430
Net fair value loss on financial assets at FVTPL (note 8)								(271,276)
Net gain on repurchase of senior notes (note 8)								142,745
Corporate and other unallocated expenses								(633,227)
Finance income								402,511
Finance costs								(2,573,298)
Finance costs – net (note 9)								(2,170,787)
Profit before income tax								7,771,885
Income tax expenses (note 10)								(4,477,629)
Profit for the year								3,294,256

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Other information:									
Depreciation (notes 7 and 15)	104,536	5,119	3,880	22,838	11,476	38,955	11,400	1,466	199,670
Amortisation of intangible assets (notes 7 and 21)	–	–	1,316	–	119,323	–	57,689	–	178,328
Amortisation of land use rights (notes 7 and 17)	16,222	–	–	7,423	2,143	–	–	–	25,788
Loss on disposal of investment properties (note 8)	–	7,102	–	–	–	–	–	–	7,102
Impairment loss on interest in an associate (note 8 and 18(a))	–	–	–	–	–	–	658,685	–	658,685
Waiver of other payables (note 8)	–	–	–	–	–	–	(406,326)	–	(406,326)
Write-down of completed properties held for sale and properties under development (note 8)	220,178	–	–	–	–	–	–	–	220,178
Written off of intangible assets (note 8)	–	–	–	–	7,654	–	–	–	7,654

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	426,400,365	37,780,959	4,058,636	4,290,435	2,376,480	24,518,165	1,262,151	(280,473,611)	220,213,580
Unallocated									8,814,460
Total assets									229,028,040
Segment liabilities	331,132,956	6,623,833	2,426,885	3,965,223	3,274,999	17,578,090	3,348,064	(252,153,763)	116,196,287
Unallocated									76,492,441
Total liabilities									192,688,728
Other information:									
Capital expenditure (notes 15, 16, 17 and 21)	56,412	3,529,263	301	449	92,098	109,897	131,206	–	3,919,626
Investments in associates	1,628,382	–	–	–	–	–	596,486	–	2,224,868
Investments in joint ventures (note 18(b))	339,100	–	–	–	–	–	–	–	339,100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

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

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Total RMB'000
Revenue	31,206,101	283,862	669,159	180,390	434,801	551,721	1,038,328	34,364,362
Less: inter-segment revenue	–	(34,293)	(353,297)	(17,773)	(199,338)	(15,230)	(965,084)	(1,585,015)
Revenue from external customers	31,206,101	249,569	315,862	162,617	235,463	536,491	73,244	32,779,347
Segment results before fair value gain of investment properties, share of results of associates and joint ventures and loss on step acquisition of a subsidiary	6,554,591	135,956	19,222	(78,158)	(540,780)	153,889	(370,647)	5,874,073
Share of results of associates	74,066	–	(1,946)	–	(300)	2,246	(42,381)	31,685
Share of results of joint ventures (note 18(b))	(382)	–	–	–	–	–	419	37
Fair value gain of investment properties (note 16)	–	2,088,849	–	–	–	–	–	2,088,849
Loss on step acquisition of a subsidiary (note 39(b))	–	–	–	–	–	–	(146,258)	(146,258)
Segment results	6,628,275	2,224,805	17,276	(78,158)	(541,080)	156,135	(558,867)	7,848,386
Fair value loss of financial derivatives								(969,204)
Corporate and other unallocated expenses								(460,553)
Finance income								1,486,084
Finance costs								(1,238,286)
Finance income – net (note 9)								247,798
Profit before income tax								6,666,427
Income tax expenses (note 10)								(3,622,579)
Profit for the year								3,043,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Other information:									
Depreciation (notes 7 and 15)	42,305	10,134	1,108	5,938	7,772	36,161	1,478	4,228	109,124
Amortisation of intangible assets (notes 7 and 21)	–	–	–	–	119,027	–	–	–	119,027
Amortisation of land use rights (notes 7 and 17)	3,695	–	–	1,521	2,144	–	–	–	7,360
Write-down of completed properties held for sale and properties under development (note 8)	262,332	–	–	–	–	–	–	–	262,332
Written off of trade and other receivables (note 8)	51,321	–	89,189	–	–	–	–	–	140,510
Written off of intangible assets (note 8)	–	–	–	–	10,468	–	–	–	10,468
Reversal of impairment loss on land use rights (notes 8 and 17)	(2,887)	–	–	–	–	–	–	–	(2,887)

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	329,842,097	37,616,411	1,553,818	2,964,885	2,484,709	27,386,862	4,032,470	(197,850,546)	208,030,706
Unallocated									5,357,461
Total assets									213,388,167
Segment liabilities	252,222,094	5,361,023	1,210,529	2,384,989	1,641,563	16,257,045	3,508,674	(173,424,949)	109,160,968
Unallocated									74,229,049
Total liabilities									183,390,017
Other information:									
Capital expenditure (notes 15, 16, 17 and 21)	494,857	3,196,565	2,722	803,666	354,788	107,041	9,524	–	4,969,163
Investments in associates	1,211,110	–	–	–	300	–	3,120,537	–	4,331,947
Investments in joint ventures (note 18(b))	1,405,500	–	–	–	–	–	5,275	–	1,410,775

6. SEGMENT INFORMATION (Continued)

For the years ended 31 December 2018 and 31 December 2017, none of the Group's customer accounted for more than 10% of the Group's total revenue.

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

As at 31 December 2018, segment assets of property development segment and others segment included the investments in associates accounted for using the equity method totalling approximately RMB3,944,592,000 and RMB3,128,230,000 (2017: RMB2,051,200,000 and RMB3,233,635,000) respectively. In addition, the segment assets of property development segment and other segment included the investments in joint ventures accounted for using the equity method totalling RMB8,670,538,000 and RMB6,614,000 (2017: RMB6,812,423,000 and RMB5,695,000) respectively.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. EXPENSES BY NATURE

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

	2018 RMB'000	2017 RMB'000
Auditor's remunerations		
– Audit services	**6,000**	5,500
– Non-audit services	**2,500**	1,900
Advertising and other promotional costs	**504,726**	453,372
Agency fee	**310,920**	253,538
Amortisation of land use rights (note 17)	**25,788**	7,360
Amortisation of intangible assets (note 21)	**178,328**	119,027
Bank charges	**64,161**	45,791
Business taxes and other levies	**298,867**	680,981
Cost of properties sold	**25,309,550**	21,775,815
Depreciation (note 15)	**199,670**	109,124
Direct operating expenses arising from		
– investment properties	**42,594**	23,582
– property management services	**297,161**	220,069
– hotel and catering operations	**73,514**	51,286
– cinema, department store, and cultural centre operations	**264,301**	182,414
– water-way passenger and cargo transportation	**565,156**	335,413
Donations (note)	**81,252**	136,589
Entertainment	**101,893**	57,467
Legal and professional fees	**257,874**	339,985
Office expenses	**165,255**	119,852
Operating lease rental	**57,171**	37,630
Others	**744,994**	624,000
Staff costs – including directors' emoluments (note 13)	**1,841,222**	1,627,862
Travelling	**46,856**	33,816
	31,439,753	27,242,373

Note:

The Group made donations amounted to RMB81,252,000 (2017: RMB136,589,000) during the year ended 31 December 2018.

8. OTHER GAINS AND (LOSSES) – NET

	2018 RMB'000	2017 RMB'000
Bad debt recovery of other receivable	–	450,000
Dividend income received from		
– listed financial assets at FVTPL/available-for-sale financial assets	**87**	55
– unlisted financial assets at FVTPL/available-for-sale financial assets	**20,858**	22,214
Provision for ECL (note 4.1 (ii))	**(529,332)**	–
Forfeited customer deposits	**5,505**	16,300
Government subsidy income (note)	**438,645**	89,620
Gain on deemed disposal of an associate (note 39(b))	–	429
(Loss)/Gain on disposal of property, plant and equipment (note 36(a))	**(1,463)**	3,427
Reversal of impairment loss on land use rights (note 17)	–	2,887
Compensation for breach of the contract	–	(254,048)
Net fair value loss on financial assets at FVTPL	**(271,276)**	(24,786)
Impairment loss on interest in an associate (note 18(a))	**(658,685)**	–
Write-down of completed properties held for sale and properties under development	**(220,178)**	(262,332)
Written off of trade and other receivables	–	(140,510)
Written off of intangible assets	**(7,654)**	(10,468)
Waiver of other payables	**406,326**	–
Net gain on repurchase of senior notes (note 31(a))	**142,745**	–
Loss on disposal of investment properties	**(7,102)**	–
Others	**42,828**	(16,242)
	(638,696)	(123,454)

Note:

The amount represents the subsidies received from local government bureaux in the PRC as an incentive for development in specific regions. There was no unfulfilled conditions and other contingencies attached to the receipt of the subsidies.

9. FINANCE (COSTS)/INCOME – NET

	2018 RMB'000	2017 RMB'000
Finance income		
Interest income on bank deposits	**208,600**	131,708
Interest income from associates	**3,535**	32,067
Interest income from loans to third parties	**190,376**	22,043
Net exchange gains	**–**	1,300,266
	402,511	1,486,084
Finance costs		
Interest expense		
– Bank borrowings	**3,755,861**	3,725,923
– Senior Notes (note 31(a))	**3,007,885**	2,481,915
– Convertible Bonds (note 31(b))	**–**	99,888
– Other borrowings	**2,253,666**	1,668,835
Total interest expense	**9,017,412**	7,976,561
Less: interest capitalised (note)	**(7,968,385)**	(6,738,275)
	1,049,027	1,238,286
Net exchange losses	**1,524,271**	–
	2,573,298	1,238,286
Finance (costs)/income – net	**(2,170,787)**	247,798

Note: The capitalisation rate of borrowings is 13.62% (2017: 13.32%) for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. INCOME TAX EXPENSES

	2018 RMB'000	2017 RMB'000
Current income tax		
– PRC enterprise income tax	**2,687,318**	1,919,823
– PRC land appreciation tax	**2,505,458**	1,611,358
Deferred income tax	**(715,147)**	91,398
	4,477,629	3,622,579

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

	2018 RMB'000	2017 RMB'000
Profit before income tax	**7,771,885**	6,666,427
Share of results of associates and joint ventures, net	**(191,187)**	(31,722)
Profit attributable to the Company and subsidiaries	**7,580,698**	6,634,705
Calculated at PRC enterprise income tax rate of 25% (2017: 25%)	**1,895,175**	1,658,676
Effect of different income tax rates of subsidiaries	**238,241**	(16,850)
Income not subject to tax	**(969,320)**	(564,729)
Expenses not deductible for tax purposes	**307,767**	203,919
Tax losses not recognised	**1,151,023**	713,361
Utilisation of previously unrecognised tax losses	**(650,715)**	16,844
PRC enterprise income tax	**1,972,171**	2,011,221
PRC land appreciation tax	**2,505,458**	1,611,358
Income tax expenses	**4,477,629**	3,622,579

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

10. INCOME TAX EXPENSES (Continued)

Hong Kong profits tax

No Hong Kong profits tax has been provided for the years ended 31 December 2018 and 2017 as the Group has no assessable profits arising in or derived from Hong Kong for the years.

PRC enterprise income tax

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

PRC land appreciation tax

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

11. DIVIDEND

(a) Dividends attributable to the year

	2018 RMB'000	2017 RMB'000
2018 interim dividends declared of HK3.0 cents (2017: nil) per share	**153,530**	–
Proposed 2018 final dividend of HK9.0 cents (2017: HK11.8 cents) per share	**478,683**	603,729

An interim dividend of HK3.0 cents (equivalent to approximately RMB2.53 cents) per share during the year ended 31 December 2018 was approved at the extraordinary general meeting. The aggregate amount of interim dividend declared from share premium of the Company amounted to HK$182,102,000 (equivalent to approximately RMB153,530,000) (2017: nil).

The Board recommended the payment of a 2018 final dividend of HK9.0 cents (equivalent to approximately RMB7.89 cents) per share, totalling HK$546,317,000 (equivalent to approximately RMB478,683,000). Such dividend is to be approved by the shareholders at the forthcoming annual general meeting. These consolidated financial statements do not reflect this dividend payable.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2018 RMB'000	2017 RMB'000
Final dividend in respect of the previous financial year, of HK11.8 cents (2017: nil) per share	**603,729**	–

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

12. EARNINGS PER SHARE

(a) Basic

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

	2018	2017
Profit attributable to owners of the Company (RMB'000)	**2,750,206**	3,284,889
Weighted average number of ordinary shares in issue	**6,067,118,267**	5,459,531,620
Basic earnings per share (RMB)	**0.453**	0.602

The calculation of basic earnings per share is based on the Group's profits attributable to owners of the Company of RMB2,750,206,000 (2017: RMB3,284,889,000) and the weighted average number of 6,067,118,267 (2017: 5,459,531,620) ordinary shares, after adjusting for the issue of shares on exercise of share options during the year ended 31 December 2018.

(b) Diluted

	2018	2017
Profit attributable to owners of the Company (RMB'000)	**2,750,206**	3,284,889

	2018	2017
Weighted average number of ordinary shares in issue during the year	**6,067,118,267**	5,459,531,620
Effect of issue of shares under adjustment for share option scheme	**45,258,367**	80,310,257
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**6,112,376,634**	5,539,841,877
Diluted earnings per share (RMB)	**0.450**	0.593

Diluted earnings per share for the year ended 31 December 2018 is calculated based on the weighted average number of ordinary shares outstanding adjusted to assume conversion of all dilutive potential ordinary shares.

The Company's dilutive potential ordinary shares consist of share options. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise in full of the share options.

13. STAFF COSTS – INCLUDING DIRECTORS' EMOLUMENTS

	2018 RMB'000	2017 RMB'000
Wages and salaries	**1,300,232**	923,999
Discretionary bonuses	**42,815**	274,747
Contribution to pension schemes	**61,343**	48,643
Medical benefits	**27,221**	19,815
Share-based payments (note 41)	**260,612**	141,281
Other allowances and benefits	**148,999**	219,377
	1,841,222	1,627,862

Contribution to pension schemes

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

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

14. DIRECTORS', CHIEF EXECUTIVE'S REMUNERATION

(a) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefit of Directors) Regulations, is as follows:

	Year ended 31 December 2018					
	Fees RMB'000	Salary RMB'000 (note iv)	Other benefits RMB'000	Contribution to pension scheme RMB'000	Share-based payments RMB'000 (note iii)	Total RMB'000
Name of director						
Chairman						
Mr. Kwok Ying Shing (Chairman)	–	3,556	2,588	15	–	6,159
Executive Directors						
Mr. Sun Yuenan (Vice Chairman)	–	11,671	50	40	17,302	29,063
Mr. Yu Jianqing (note i)	–	401	4	3	11,718	12,126
Mr. Zheng Yi *	–	6,864	50	40	47,480	54,434
Mr. Mai Fan *	–	7,558	50	40	5,767	13,415
Mr. Zhang Jianjun (note ii)	–	2,977	2	40	10,966	13,985
Non-Executive Director						
Ms. Chen Shaohuan	–	255	–	–	–	255
Independent Non-Executive Directors						
Mr. Rao Yong	255	–	–	–	807	1,062
Mr. Zhang Yizhao	255	–	–	–	807	1,062
Mr. Liu Xuesheng	255	–	–	–	692	947
Total	765	33,282	2,744	178	95,539	132,508

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. DIRECTORS', CHIEF EXECUTIVE'S REMUNERATION (Continued)

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

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

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

Notes:

(i) Resigned on 16 January 2018.

(ii) Appointed on 20 March 2018 and resigned on 4 January 2019.

(iii) Share option benefits represent fair value of share options granted to the relevant director which was charged to the consolidated statement of profit or loss and other comprehensive income in accordance with HKFRS 2.

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

14. DIRECTORS', CHIEF EXECUTIVE'S REMUNERATION (Continued)

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

During the years ended 31 December 2018 and 2017, no emoluments were paid by the Group to any director as an inducement to join or leave the Group or compensation for loss of office. There were no arrangements under which a director has waived or has agreed to waive any emoluments.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included 5 (2017: 4) directors whose emoluments are reflected in note (a) above. The emoluments for the remaining 1 individual for the year ended 31 December 2017 are as follows:

	2017 RMB'000
Salaries and other benefits	3,971
Contribution to pension schemes	15
Share-based payments	2,429
	6,415

The emoluments for the remaining 1 individual for the year ended 31 December 2017 fell within the following bands:

	Number of individuals 2017
HK$7,000,001 to HK$7,500,000	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties RMB'000	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Vessels RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2017								
Cost	434,973	412,270	–	73,374	430,558	265,881	56,694	1,673,750
Accumulated depreciation and impairment	(86,239)	(136,680)	–	(48,595)	(315,172)	–	–	(586,686)
Net carrying amounts	348,734	275,590	–	24,779	115,386	265,881	56,694	1,087,064
Year ended 31 December 2017								
Opening net carrying amounts	348,734	275,590	–	24,779	115,386	265,881	56,694	1,087,064
Additions	560,123	6,232	2,335	12,260	513,067	40,814	116,433	1,251,264
Acquisitions of subsidiaries (note 39)	–	301,737	10,215	2,109	24,680	–	–	338,741
Transfer	–	–	–	–	–	56,694	(56,694)	–
Transfer to joint ventures	–	–	–	–	(448)	–	–	(448)
Disposals	(6,784)	(683)	–	(935)	(1,404)	(65)	–	(9,871)
Depreciation (notes 6 and 7)	(20,175)	(15,264)	(513)	(3,301)	(30,409)	(39,462)	–	(109,124)
Exchange realignment	–	95	–	(889)	(234)	(5,018)	–	(6,046)
Closing net carrying amounts	881,898	567,707	12,037	34,023	620,638	318,844	116,433	2,551,580
At 31 December 2017								
Cost	986,520	731,689	12,550	85,680	954,726	363,324	116,433	3,250,922
Accumulated depreciation and impairment	(104,622)	(163,982)	(513)	(51,657)	(334,088)	(44,480)	–	(699,342)
Net carrying amounts	881,898	567,707	12,037	34,023	620,638	318,844	116,433	2,551,580
Year ended 31 December 2018								
Opening net carrying amounts	**881,898**	**567,707**	**12,037**	**34,023**	**620,638**	**318,844**	**116,433**	**2,551,580**
Additions	**–**	**26,360**	**14,338**	**17,087**	**137,433**	**65,125**	**47,911**	**308,254**
Acquisitions of subsidiaries (note 39)	**–**	**10,789**	**–**	**29**	**679**	**–**	**–**	**11,497**
Transfer	**–**	**–**	**–**	**–**	**–**	**58,146**	**(58,146)**	**–**
Transfer from properties under development (note 23)	**263,565**	**129,189**	**–**	**–**	**–**	**–**	**–**	**392,754**
Disposals	**–**	**–**	**(4,131)**	**(651)**	**(1,370)**	**(10,990)**	**(389)**	**(17,531)**
Deemed disposals of subsidiaries (note 40)	**–**	**–**	**–**	**(254)**	**(853)**	**–**	**–**	**(1,107)**
Depreciation (notes 6 and 7)	**(52,647)**	**(32,326)**	**(4,531)**	**(8,294)**	**(63,736)**	**(38,136)**	**–**	**(199,670)**
Exchange realignment	**–**	**–**	**3,963**	**460**	**764**	**4,916**	**–**	**10,103**
Closing net carrying amounts	**1,092,816**	**701,719**	**21,676**	**42,400**	**693,555**	**397,905**	**105,809**	**3,055,880**
At 31 December 2018								
Cost	**1,250,085**	**898,027**	**26,720**	**84,353**	**1,083,752**	**480,521**	**105,809**	**3,929,267**
Accumulated depreciation and impairment	**(157,269)**	**(196,308)**	**(5,044)**	**(41,953)**	**(390,197)**	**(82,616)**	**–**	**(873,387)**
Net carrying amounts	**1,092,816**	**701,719**	**21,676**	**42,400**	**693,555**	**397,905**	**105,809**	**3,055,880**

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2018, hotel properties and buildings with net carrying amounts of approximately RMB830,432,000 (2017: RMB590,673,000) were pledged as collateral for the Group's borrowings (note 31).

As at 31 December 2018, included in hotel properties and buildings, there was a land and building with net carrying amounts of approximately RMB288,570,000 (2017: RMB288,570,000) located in Hong Kong and under medium-term lease, and the remaining balances of hotel properties and buildings of approximately RMB1,505,965,000 (2017: RMB1,161,035,000) was located in the PRC and under medium-term and long-term lease.

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

	2018 RMB'000	2017 RMB'000
Cost of sales	**95,314**	60,150
Administrative expenses	**104,356**	48,974
	199,670	109,124

There was no impairment loss provided for the years ended 31 December 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. INVESTMENT PROPERTIES

	Under construction RMB'000	Completed RMB'000	Total RMB'000
At 1 January 2017	21,974,500	8,716,180	30,690,680
Additions	3,169,299	–	3,169,299
Transfer from completed properties held for sale (note 24)	–	932,202	932,202
Increase in fair value (note 6)	1,625,401	463,448	2,088,849
Transfer to joint ventures	(4,855,200)	–	(4,855,200)
At 31 December 2017 and 1 January 2018	**21,914,000**	**10,111,830**	**32,025,830**
Additions	**3,184,620**	**341,719**	**3,526,339**
Disposal	**–**	**(18,210)**	**(18,210)**
Transfer from completed properties held for sale (note 24)	**–**	**183,667**	**183,667**
Increase in fair value (note 6)	**144,380**	**67,994**	**212,374**
At 31 December 2018	**25,243,000**	**10,687,000**	**35,930,000**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. INVESTMENT PROPERTIES (Continued)

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

	2018 RMB'000	2017 RMB'000
Rental income (note 6)	**278,592**	249,569
Direct operating expenses arising from investment properties that generate rental income	**42,594**	23,582

Valuation processes of the Group

The Group obtains independent valuations from Savills Valuation and Professional Services Limited, for its investment properties at least annually. For all investment properties, their current use equates to the highest and best use.

Discussions of valuation processes and results are held between the management, audit committee and the valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each of half year-end, the management:

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

16. INVESTMENT PROPERTIES (Continued)

Valuation techniques

Fair value measurements using significant unobservable inputs

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

Significant inputs used to determine fair value

	2018		2017	
	Commercial	**Carpark**	Commercial	Carpark
Capitalisation rate	**3.0% – 6.5%**	**6.5%**	3.0%-6.0%	4.5%
Expected vacancy rate	**0% – 5%**	**N/A**	0.0%-10.0%	N/A
Monthly rental	**RMB26 – 590 per sq.m.**	**RMB2,500 per number**	RMB56-574 per sq.m.	RMB2,400 per number

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

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

16. INVESTMENT PROPERTIES (Continued)

Significant inputs used to determine fair value

	2018	2017
Term yield and revisionary yield	**4.35% – 4.75%**	4.75%
Budgeted construction cost (RMB/sq.m.)	**197 – 6,152**	2,500-9,500
Anticipated developer's profit margin	**5% – 20%**	10.0%-20.0%

The higher the term yield and revisionary yield, the lower the fair value.

Estimated costs to complete per square meter and developer's profit margin required are estimated by the valuer based on market conditions at the year end dates. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the costs, the lower the fair value.

As at 31 December 2018 and 2017, the fair value measurement of the Group's investment properties is categorised at level 3. During the years ended 31 December 2018 and 2017, there were no transfers into or out of level 3.

The Group's investment properties are analysed as follows:

	2018 RMB'000	2017 RMB'000
In the PRC, held on:		
Leases of between 10 to 50 years	**33,817,000**	29,576,620
Leases of over 50 years	**2,113,000**	2,449,210
	35,930,000	32,025,830

As at 31 December 2018, the investment properties amounting to RMB19,365,268,000 (2017: RMB15,410,689,000) were pledged as collateral for the Group's borrowings (note 31).

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17. LAND USE RIGHTS

	2018 RMB'000	2017 RMB'000
At 1 January	**395,815**	163,178
Additions	–	238,301
Transfer from properties under development (note 23)	**299,051**	–
Amortisation – expensed in administrative expenses (note 7)	**(25,788)**	(7,360)
Reversal of impairment loss (note 8)	–	2,887
Transfer	–	(1,191)
At 31 December	**669,078**	395,815
In PRC, held on:		
Leases of over 50 years	**22,306**	22,802
Leases of between 10-50 years	**646,772**	373,013
As 31 December	**669,078**	395,815

As at 31 December 2018, land use rights with net carrying amounts totalling RMB268,675,000 (2017: RMB287,829,000) were pledged as collateral for the Group's borrowings (note 31).

As at 31 December 2018, land use rights amounted to RMB12,249,000 (2017: RMB12,249,000) were impaired.

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investments in associates

	2018 RMB'000	2017 RMB'000
Cost of investments in associates, less accumulated impairment		
– Listed	**2,020,256**	2,677,741
– Unlisted	**4,843,875**	2,620,207
Share of post-acquisition profit/(loss) and other comprehensive profit/(loss), net of dividend received	**208,691**	(13,113)
	7,072,822	5,284,835
Fair value of listed investments	**1,134,144**	1,871,289

For the year ended 31 December 2018, the Group entered into agreements with third parties to acquire four immaterial associates in aggregate amounts of RMB325,238,000 and, the Group injected additional capital amounting to RMB331,630,000 into certain associates. In addition, the Group entered into cooperation agreement with other investor to set up a company to obtain development projects to redevelop. The Group and the investor agreed to contribute RMB1,568,000,000 and RMB1,632,000,000 to the company, Fuzhou Xin De Yuan Property Development Co., Ltd ("Xin De Yuan") respectively.

As at 31 December 2018, the fair value of the Group's interests in associates Nam Tai Property Inc. ("Nam Tai") and Kaisa JiaYun Technology Inc. ("JiaYun Technology") (previously known as Guangdong Mingjia Lianhe Mobile Technology Co., Ltd. ("Mingjia Lianhe"), which are listed in the New York Stock Exchange and Shenzhen Stock Exchange was RMB547,535,000 and RMB586,609,000 (2017: RMB753,705,000 and RMB1,117,584,000) respectively based on the market prices available on the respective stock exchanges, which is level 1 input in terms of HKFRS 13, Fair value measurement.

Management has reviewed the shortfall between the carrying amount of a Shenzhen Stock Exchange listed associate, JiaYun Technology, and the market value of JiaYun Technology at the end of the reporting period. The management considers that the value in use based on discounted future cash flows of JiaYun Technology is lower than the carrying amount and the market value of JiaYun Technology, hence, impairment loss on interest in an associate amounting to RMB658,685,000 (2017: nil) is recognised during the year ended 31 December 2018.

Set out below are details of associates of the Group as at 31 December 2018 which, in the opinion of the directors, are material to the Group.

Name of entity	Place of business/ country of incorporation	Particular of issued and paid up capital	Proportion of the issued capital/ interest held by the Group	Principal activity
Fuzhou Xin De Yuan Property Development Co., Ltd ("Xin De Yuan")	the PRC	RMB50,000,000	49.0% (2017: N/A)	Property development
Nam Tai (note i & ii)	British Virgin Islands	US$257,507 (2017: US$250,232)	24.07% (2017: 24.5%)	Property development and management
JiaYun Technology (note ii & iii)	the PRC	634,555,224 (2017: 636,332,984) shares	21.31% (2017: 21.25%)	Internet marketing

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

Note:

i. During the year ended 31 December 2017, the Group completed the acquisition of 24.5% and 21.25% equity interest in Nam Tai and JiaYun Technology at the total consideration of RMB919,705,000 and RMB1,758,036,000 respectively, Nam Tai and JiaYun Technology are listed on the New York Stock Exchange and Shenzhen Stock Exchange, respectively.

ii. There was exercise of 636,000 share options of Nam Tai during the year ended 31 December 2018. The number of shares of Nam Tai increased approximately from 37,551,000 shares to 38,187,000 shares. Accordingly, the Group's equity interest in Nam Tai decreased from 24.50% at 31 December 2017 to 24.07% at 31 December 2018.

iii. During the year ended 31 December 2018, JiaYun Technology held the directors' and shareholders' meeting to repurchase and cancel 1,777,760 restricted shares issued to the incentive participants. The number of issued shares of JiaYun Technology decreased from 636,332,984 shares to 634,555,224 shares. Accordingly, the Group equity's interest in JiaYun Technology increased from 21.25% at 31 December 2017 to 21.31% at 31 December 2018.

* The english translation of the name of the company established in the PRC is for reference only. The official name of the Company is in Chinese.

The following table illustrates of the summarised financial information in respect of Kaisa Health Group for the period up to 13 November 2017, when the step acquisition of Kaisa Health Group was completed, and has been adjusted to reflect the fair values of identifiable assets and liabilities of Kaisa Health Group at the completion dates of acquisition by the Group in prior year, and reconciled to the carrying amount in the consolidated financial statements:

	Kaisa Health Group 2017 RMB'000
Current assets	–
Non-current assets	–
Current liabilities	–
Non-current liabilities	–
Net assets	–
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	n/a
Carrying amount of the investment	–
Goodwill	–
Carrying amount of the Group's investment	–
Revenue	179,915
Profit for the period since acquisition from continuing operations	8,604
Loss for the period from disconnected operations	(2,446)
Profit for the period since acquisition	6,158
Other comprehensive income for the period since acquisition	6,621
Total comprehensive income for the period since acquisition	12,779

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

The following table illustrates the summarised financial information in respect of Xian De Yuan, Nam Tai and JiaYun Technology for the period since acquisition/year, and has been adjusted to reflect the fair values of identifiable assets and liabilities of Nam Tai and JiaYun Technology at the completion dates of the acquisitions by the Group in prior year, and reconciled to the carrying amount in the consolidated financial statements:

	Xin De Yuan 2018 RMB'000	Nam Tai 2018 RMB'000	JiaYun Technology 2018 RMB'000
Current assets	3,200,008	4,065,321	1,729,583
Non-current assets	–	902,520	736,248
Current liabilities	(13)	(619,109)	(1,118,105)
Non-current liabilities	–	(696,096)	(94,372)
Net assets	3,199,995	3,652,636	1,253,354
Reconciliation to the Group's interest in the associates:			
Proportion of the Group's ownership	49.0%	24.07%	21.31%
Carrying amount of the investment	1,567,998	879,189	267,090
Goodwill, net of accumulated impairment	–	–	819,085
Carrying amount of the Group's investment	1,567,998	879,189	1,086,175
Revenue for the period since capital injection/year	–	3,384	5,610,196
Total expenses for the period since capital injection/year	(5)	(173,625)	(5,673,417)
Income tax expense for the period since capital injection/year	–	–	(2,567)
Loss for the period since capital injection/year	(5)	10,994	(61,231)
Other comprehensive loss for the period since capital injection/year	–	(71,631)	(4,316)
Total comprehensive loss for the period since capital injection/year	(5)	(82,625)	(65,547)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

	Nam Tai 2017 RMB'000	JiaYun Technology 2017 RMB'000
Current assets	4,289,073	1,103,611
Non-current assets	253,796	763,877
Current liabilities	(121,620)	(449,832)
Non-current liabilities	(685,988)	(98,755)
Net assets	3,735,261	1,318,901
Reconciliation to the Group's interest in the associates:		
Proportion of the Group's ownership	24.50%	21.25%
Carrying amount of the investment	915,139	280,266
Goodwill	–	1,477,770
Carrying amount of the Group's investment	915,139	1,758,036
Revenue	1,272	–
Loss for the period since acquisition	(16,844)	–
Other comprehensive income for the period since acquisition	15,361	–
Total comprehensive loss for the period since acquisition	(1,483)	–
Dividend received from associates	4,203	–

The following table illustrates the aggregate summarised financial information of the Group's associates that are not individually material:

	2018 RMB'000	2017 RMB'000
Share of the associates profit for the year/period since acquisitions/capital injection	**255,661**	30,271
Aggregate carrying amounts of the Group's interests in these associates	**3,539,460**	2,611,660

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures

	2018 RMB'000	2017 RMB'000
At 1 January	**6,818,118**	931,751
Additions (note i)	**339,100**	1,410,775
Transfer from subsidiaries (note 40)	**1,568,660**	–
Reclassification (note ii)	–	4,484,925
Disposal	–	(9,370)
Share of results of joint ventures	**(48,726)**	37
At 31 December	**8,677,152**	6,818,118

Note:

(i) For the year ended 31 December 2018, the Group entered into agreements with third parties to acquire three immaterial joint ventures in aggregate amounts of RMB339,100,000. For the year ended 31 December 2017, the Group entered into agreements with third parties to acquire four immaterial joint ventures in aggregate amount of RMB10,775,000 and a material joint venture namely Guangzhou Nantian Company Limited* ("Nantian") of RMB1,400,000,000. Nantian is engaged in property leasing and development.

(ii) During the year ended 31 December 2017, the Group assessed the existing business structure of the joint arrangement in relation to acquisition and development of a parcel of land located in Dapeng Xiasha in Shenzhen, which the Group and the joint arrangement partner agreed to set up three entities, namely Shenzhen Jiade Travelling Company Limited*, Shenzhen Jiafu Travelling Company Limited* and Shenzhen Zhaofu Travelling Company Limited*. These companies share similar risk characteristics, and therefore these companies are collectively referred to as "JVs for Dapeng Xiasha Development Project" and present in aggregate. In accordance with the joint arrangement, the decisions about relevant activities in these entities require unanimous consent of the parties sharing control. During the preliminary stage of development, the respective land was owned by the Group and the joint arrangement partner separately, and therefore the management accounted for joint operation under this joint arrangement.

The Group and the joint arrangement partner transferred their respective lands to these three entities, the Group is entitled to share the net asset of these three entities according to its interests in the ownership set out in the joint venture agreement. Accordingly, the management decided to reclassify the assets and liabilities of the former joint operation to the interests in joint ventures during the year ended 31 December 2017.

* The english translation of the name of the company established in the PRC is for reference only. The official name of the Company is in Chinese.

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures (Continued)

Set out below are details of joint ventures of the Group as at 31 December 2018 which, in the opinion of the directors, are material to the Group.

Name of entity	Place of business/ country of incorporation	Proportion of the issued capital/interest held by the Group	Principal activity
Huizhou City Kaileju Company Limited* ("Kaileju") 惠州市愷樂居置業有限公司	the PRC	51% (2017: 51%)	Property development
Guangzhou Nantian Company Limited* ("Nantian") 廣州南天商業大廣場建設發展有限公司	the PRC	50% (2017: 50%)	Property leasing and development
JVs for Dapeng Xiasha Development Project 大鵬下沙合營發展項目	the PRC	51% (2017: 51%)	Property development

* The english translation of the name of the company established in the PRC is for reference only. The official name of the Company is in Chinese.

The Group shares control in the above entities with other shareholders, accordingly they are classified as joint ventures of the Group. All the joint ventures in which the Group held interest are unlisted corporate entities whose quoted market prices are not available.

The Group has not incurred any contingent liabilities by other commitments relating to its investment in joint venture (2017: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures (Continued)

The following table illustrates of the summarised financial information in respect of JVs for Dapeng Xiasha Development Project, Nantian and Kaileju for the year, and has been adjusted to reflect the fair values of identifiable assets and liabilities of Nantian and Kaileju as at the completion dates of acquisitions by the Group in prior years, and reconciled to the carrying amount in the consolidated financial statements:

	JVs for Dapeng Xiasha Development Project 2018 RMB'000	Nantian 2018 RMB'000	Kaileju 2018 RMB'000
Current assets	3,328,308	3,449,257	3,963,689
Non-current assets	11,858,451	79,020	546
Current liabilities	(1,130,901)	(477,149)	(731,910)
Non-current liabilities	(5,340,150)	(241,729)	(1,449,920)
Net assets	8,715,708	2,809,399	1,782,405
The above amounts of assets and liabilities include the following:			
Cash and cash equivalents	465,362	479	267,014
Non-current financial liabilities (excluding trade and other payables and provision)	(5,340,150)	(241,612)	(1,449,920)
Current financial liabilities (excluding trade and other payables and provision)	–	(4,443)	(476,604)
Reconciliation to the Group's interests in the joint ventures			
Proportion to the Group's ownership	51%	50%	51%
Carrying amount of the Group's investment	4,445,011	1,404,700	909,027
Revenue	1,746	36,440	–
Profit/(Loss) for the year and total comprehensive income/(loss) for the period/year	(78,262)	2,811	(19,964)
The above profit/(loss) for the year including the following:			
Interest expenses	3,408	15,216	434
Depreciation	412	–	–
Income tax expenses	–	323	–

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures (Continued)

	JVs for Dapeng Xiasha Development Project 2017 RMB'000	Nantian 2017 RMB'000	Kaileju 2017 RMB'000
Current assets	989,029	3,182,375	2,783,507
Non-current assets	12,238,863	52,748	652
Current liabilities	(3,219,623)	(104,889)	(981,790)
Non-current liabilities	(1,214,299)	(323,646)	–
Net assets	8,793,970	2,806,588	1,802,369
The above amounts of assets and liabilities include the following:			
Cash and cash equivalents	367	6,745	57,301
Current financial liabilities (excluding trade and other payables and provision)	–	–	(47,937)
Non-current financial liabilities (excluding trade and other payables and provision)	(1,214,299)	(323,554)	–
Reconciliation to the Group's interest in the joint ventures			
Proportion to the Group's ownership	51%	50%	51%
Carrying amount of the Group's investment	4,484,925	1,403,294	919,208
Revenue	–	71,652	–
Profit/(Loss) for the period/year and total comprehensive income/(loss) for the period/year	–	6,588	(6,224)
The above profit/(loss) for the period/year including the following:			
Income tax expenses	–	2,298	–

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

	2018 RMB'000	2017 RMB'000
The Group's share of loss for the year/period	**(36)**	(83)
Carrying amount of the Group's interest in these joint ventures	**1,918,414**	10,691

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

	2018 RMB'000	2017 RMB'000
At 1 January	–	167,642
Additions (notes ii & iii)	–	4,234,258
Disposals	–	(1,104)
At 31 December (note i)	–	4,400,796
Less: non-current portion	–	(4,400,796)
Current portion	–	–

Available-for-sale financial assets include the following:

	2018 RMB'000	2017 RMB'000
Unlisted equity investments, at cost	–	4,400,796

Notes:

(i) Available-for-sale financial assets were reclassified to financial assets at FVTPL (note 20) upon the initial application of HKFRS 9 at 1 January 2018, see note 3 in details.

(ii) During the year ended 31 December 2017, the Group invested in an unlisted entity engaged in financial service business amounting to RMB3,976,000,000. At the date of acquisition, the Group obtained 21.98% equity interest in this entity. As discussed in note 5(b)(iii) to the consolidated financial statements, the directors of the Company consider that the Group has no sufficient significant influence on the entity and classified as available-for-sale financial assets.

(iii) The Group invested an unlisted investment of RMB199,131,000 in a private equity fund which invest in the automobiles business, and other unlisted investment of RMB35,100,000 and RMB24,027,000 mainly represents the Group's cost of investments in unlisted equity funds and private enterprises respectively. These private enterprises are engaged in holding and chartering of the vessels, investment holding and etc.

As at 31 December 2017, unlisted equity investments with an aggregate carrying amount of RMB4,400,796,000 were stated at cost less accumulated impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that the fair value cannot be measured reliably. The Group does not intend to dispose of these investments in the near future. During the years ended 31 December 2017, no impairment loss was recognised.

The Group did not have significant influence nor participate in the policy-making process and the operating and financial decisions of these unlisted investments as at 31 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at FVTPL include the following:

	2018 RMB'000	2017 RMB'000
Listed securities:		
Equity securities – outside Hong Kong (note i)	**259,477**	96,467
Unlisted securities:		
Equity securities – outside Hong Kong (note ii)	**6,568,919**	–
Debt securities – outside Hong Kong (note iii)	**67,430**	–
At 31 December	**6,895,826**	96,467
Less: non-current portion	**(6,567,622)**	–
Current portion	**328,204**	96,467

The fair value of the Group's investments in listed and unlisted securities has been measured as note 4.3.

Note:

i. The fair value measurement of such investments are classified as level 1 fair value measurement which are based on the quoted price from active markets. There was an investment in equity fund of RMB199,131,000 (2017: available-for-sale financial assets of RMB199,131,000) which invested in automobile business had been listed during the year ended 31 December 2018. Hence, the investments in level 3 fair value measurement transferred to level 1 fair value measurement. For the year ended 31 December 2018, the Group was recognised a fair value loss of RMB36,090,000 (2017: RMB24,786,000) in respect of the fair value change in profit or loss.

ii. The unlisted equity securities mainly represented the Group's investments in (i) an unlisted equity engaged in financial service business amounting to RMB4,385,010,000 (2017: available-for-sale financial assets of RMB3,976,000,000), (ii) unlisted equity funds which invested in class A participating shares, health care business and etc amounting to RMB1,949,784,000 (2017: available-for-sale financial assets of RMB35,100,000) and (iii) other unlisted investments in private enterprises amounting to RMB234,125,000 (2017: available-for-sale financial assets of RMB24,070,000). See note 19(ii) and 19(iii). The Group has recognised a fair value loss of RMB237,557,000 (2017: nil) in respect of the fair value changes in the profit or loss.

iii. It represented the convertible bonds receivable which were subscribed by Kaisa Health Group. The convertible bonds receivable (note 22) was reclassified to financial assets at FVTPL upon initial application of HKFRS 9 at 1 January 2018. The Group has recognised a fair value gain of RMB2,371,000 in respect of the fair value changes in the profit or loss.

The Group did not have significant influence nor participate in the policy-making process and the operating and financial decisions of these unlisted investments as at and 31 December 2018 and 31 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. GOODWILL AND INTANGIBLE ASSETS

	Goodwill RMB'000 (note a)	Contracts with sports players RMB'000 (note b)	Trademarks and patent RMB'000 (note c)	Customer relationship RMB'000 (note c)	Technology RMB'000 (note c)	Distribution network RMB'000 (note c)	Others RMB'000	Total RMB'000
Cost								
At 1 January 2017	121,779	181,815	–	–	–	–	–	303,594
Acquisitions of subsidiaries (note 39)	210,600	–	23,600	59,700	8,440	497,400	7,895	807,635
Additions	–	310,299	–	–	–	–	–	310,299
Written off	–	(18,856)	–	–	–	–	–	(18,856)
At 31 December 2017 and 1 January 2018	**332,379**	**473,258**	**23,600**	**59,700**	**8,440**	**497,400**	**7,895**	**1,402,672**
Additions	**–**	**85,024**	**9**	**–**	**–**	**–**	**–**	**85,033**
Written off	**–**	**(28,943)**	**–**	**–**	**–**	**–**	**–**	**(28,943)**
At 31 December 2018	**332,379**	**529,339**	**23,609**	**59,700**	**8,440**	**497,400**	**7,895**	**1,458,762**
Accumulated amortisation								
At 1 January 2017	–	85,796	–	–	–	–	–	85,796
Amortisation – expensed in administrative expenses (notes 7)	–	119,027	–	–	–	–	–	119,027
Written off	–	(8,388)	–	–	–	–	–	(8,388)
As 31 December 2017 and 1 January 2018	**–**	**196,435**	**–**	**–**	**–**	**–**	**–**	**196,435**
Amortisation – expensed in administrative expenses (notes 7)	**–**	**119,323**	**2,126**	**8,408**	**2,344**	**44,811**	**1,316**	**178,328**
Written off	**–**	**(21,289)**	**–**	**–**	**–**	**–**	**–**	**(21,289)**
At 31 December 2018	**–**	**294,469**	**2,126**	**8,408**	**2,344**	**44,811**	**1,316**	**353,474**
Net carrying amounts								
At 31 December 2018	**332,379**	**234,870**	**21,483**	**51,292**	**6,096**	**452,589**	**6,579**	**1,105,288**
At 31 December 2017	332,379	276,823	23,600	59,700	8,440	497,400	7,895	1,206,237

21. GOODWILL AND INTANGIBLE ASSETS (Continued)

Note:

(a) The Group's goodwill arose from business combinations in connection with the acquisition of (i) Kaisa Health Group, (ii) Fujian Jianke Insurance Brokers Co. Ltd.* ("Fujian Jianke"), (iii) Shenzhen Qijia Internet Technology Co. Ltd.* ("Qijia"), (iv) Shanghai Yitao Sports Culture Communication Co., Ltd.* (上海毅濤體育文化傳播有限公司) and its subsidiary (collectively referred to as "Shanghai Yitao Group") and (v) Shenzhen Football Co., Ltd. ("Shenzhen Football Club").

For the purpose of impairment testing, goodwill has been allocated to five cash-generating units ("CGUs") of RMB121,493,000 (2017: RMB121,493,000) in sports operations included in cinema, department store and cultural centre operations segment, RMB286,000 (2017: RMB286,000) in entertainment operations included in cinema, department store and cultural centre operations segment, RMB203,931,000 (2017: RMB203,931,000) in healthcare operations included in other segment, RMB2,462,000 (2017: RMB2,462,000) in financial service operations included in other segment and RMB4,207,000 (2017: RMB4,207,000) in property management operations included in property management segment.

The recoverable amounts of the CGUs are determined by directors of the Company based on value-in-use calculations. These calculations use in cash flow projections in relation to the CGU of sports operations based on financial budgets approved by management covering a 5-year (2017: 9-year) period and assumed the growth rate and inflation rate of 22.9% (2017: 8%) per annum and 3% (2017: 3%) per annum respectively. The cash flow discounted using a pre-tax discount rate of 12% (2017: 12%) and reflects specifics risks relating to the relevant segments. The financial budgets are prepared based on 5-year (2017: 9-year) business plan which is appropriate after considering the sustainability of business growth and achievement of business target extrapolated from a track record of financial results. The value assigned to the key assumptions on market development and discount rates are consistent with external information sources. As at 31 December 2018, the Directors of the Company conducted a review on goodwill and no impairment loss in respect of goodwill has been recognised (2017: nil).

In relation to the health business, the recoverable amount of the CGU is determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by the management for the year ending 31 December 2019 (2017: 2018) and the following four years based on average growth rate of 35.5% (2017: 38.1%) per annum. Cash flows beyond the five-year period are extrapolated using 3% (2017: 3%) growth rate. A discount rate of 19.0% (2017:19.5%) is used for this CGU and derived using risk-free rate, the market returns and CGU specific factors. The key assumptions are annual growth rates, estimated future selling prices and direct costs which are estimated based on past practices and expectations of future changes in the market. The Directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU to exceed the aggregate recoverable amount of CGU.

(b) The amounts represent the costs to acquire sports players' contracts or to extend their contracts, including the related agent's fees. The amortisation period ranged from 1 to 4 (2017: 1 to 4) years.

(c) The trademarks and patent, customer relationship, technology and distribution network were measured at their fair values at the date of acquisition, i.e. November 2017 and the valuation of the intangible assets is performed by D&P China (HK) Limited, an independent professional valuer not related to the Group. The fair value of these intangible assets at the date of acquisition was determined based on the income approach by estimating the future income arising from these intangible assets and the cost approach by reference to the financial information provided by the Group. The expected useful lives of these intangible assets ranged from 5 to 11 (2017: 5 to 11) years.

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

22. CONVERTIBLE BONDS RECEIVABLE

Convertible bonds were subscribed by Kaisa Health Group in 2016 with an aggregate principal amount of EUR5,000,000. The bonds carried interest of 5% per annum payable on the third anniversary of the date of issue, and are denominated in Euro. As at 31 December 2017, the Group can either redeem the bond or exercise the right to subscribe equity securities from the issuers.

The convertible bonds were initially measured at transaction price, which was also the fair value resulted from arm's length market transaction, and subsequently stated at cost, accrued interest less impairment as the conversion option of the hybrid instrument is sufficiently significant to preclude the Group from obtaining a reliable estimate of the entire instrument.

Details of movement is set out below:

	2018 RMB'000	2017 RMB'000
Balance as at 1 January	**–**	–
Acquisition of a subsidiary (note 39(b))	**–**	39,794
Exchange realignment	**–**	146
Interest income	**–**	1,388
Balance as at 31 December	**–**	41,328

Note: Convertible bonds receivable was reclassified to financial assets at FVTPL (note 20) upon the initial application of HKFRS 9 at 1 January 2018, see note 3 in details.

23. PROPERTIES UNDER DEVELOPMENT

	2018 RMB'000	2017 RMB'000
Amount comprises:		
Construction costs	**11,767,912**	16,984,725
Interest capitalised	**11,843,586**	12,409,299
Land use rights	**41,520,753**	39,152,558
	65,132,251	68,546,582
Less: Provisions for properties under development	**(367,913)**	(480,169)
	64,764,338	68,066,413

The properties under development were located in the PRC and are stated at cost.

During the year ended 31 December 2018, certain items of the Group's properties under development with an aggregate carrying value of approximately RMB392,754,000 (2017: nil) (note 15) and RMB299,051,000 (2017: nil) (note 17) were transferred to property, plant and equipment and land use right respectively.

During the year ended 31 December 2018, the provision for properties under development of RMB36,425,000 (2017: RMB63,853,000) in aggregate were transferred to the provision for completed properties held for sale (note 24).

As at 31 December 2018, the net aggregate amount of properties under development of approximately RMB43,079,449,000 (2017: RMB35,769,533,000) were pledged as collateral for the Group's borrowings (note 31).

24. COMPLETED PROPERTIES HELD FOR SALE

	2018 RMB'000	2017 RMB'000
Completed properties held for sale	**14,268,187**	19,424,505
Less: Provision for completed properties held for sale	**(1,137,653)**	(1,253,539)
Balance as at 31 December	**13,130,534**	18,170,966

The completed properties for sale were located in the PRC under medium-term and long-term lease. Completed properties held for sale which are expected to be recovered in more than twelve months after the reporting date are classified under current assets as it is expected to be realised in the Group's normal operating cycle.

During the year ended 31 December 2018, certain items of the Group's completed properties held for sale with an aggregate carrying value of approximately RMB183,667,000 (2017: RMB932,202,000) (note 16) were transferred to investment properties.

For the year ended 31 December 2018, completed properties held for sale of RMB296,009,000 (2017: RMB346,129,000) were impaired to reflect the decrease in net realisable value of certain completed properties located in certain regions of the PRC. In addition, the provision for completed properties held for sale of RMB36,425,000 (2017: RMB63,853,000) in aggregate were transferred from the provision for properties under development (note 23) during the year ended 31 December 2018.

As at 31 December 2018, the net aggregate amount of completed properties held for sale of approximately RMB7,267,213,000 (2017: RMB12,786,413,000) were pledged as collateral for the Group's borrowings (note 31).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade debtors – net (note a)	**1,009,283**	1,964,390
Other receivables (note b)	**7,021,735**	2,268,769
Other deposits (note b)	**2,973,288**	3,979,177
Prepayments (note d)	**3,542,639**	2,531,677
Prepaid other taxes	**2,514,359**	1,293,895
Restricted deposit for borrowings from non-financial institution (note b)	**1,969,293**	1,960,203
Amounts due from associates (note b)	**4,045,190**	20,498
Amounts due from joint ventures (note b)	**891,612**	879,210
Amount due from non-controlling interest of a subsidiary (note b)	**1,045,318**	50,718
	24,003,434	12,984,146
Less: allowance for impairment (note c)	**(759,694)**	–
Deposits, prepayments and other receivables – net	**23,243,740**	12,984,146
Total debtors, deposits and other receivables – net	**24,253,023**	14,948,537
Less: non-current portion		
Other receivables (note b)	**(744,046)**	(584,880)
Other deposits (note b)	**(908,806)**	(238,980)
Non-current portion	**(1,652,852)**	(823,860)
Current portion	**22,600,171**	14,124,677

As at 31 December 2018 and 2017, the carrying amounts of debtors, deposits, other receivables, amounts due from associates, amounts due from joint ventures and amount due from non-controlling interest of a subsidiary approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. DEBTORS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(a) Trade debtors mainly arise from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade debtors based on contractual terms as at the respective reporting dates is as follows:

	2018 RMB'000	2017 RMB'000
Within 90 days	**730,411**	240,801
Over 90 days and within 180 days	**24,598**	10,512
Over 181 days and within 270 days	**50,376**	1,612,128
Over 271 days and within 365 days	**5,841**	1,006
Over 365 days	**221,527**	99,943
	1,032,753	1,964,390
Less: allowance for impairment (note c)	**(23,470)**	–
	1,009,283	1,964,390

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9. As at 31 December 2018, a provision of RMB23,470,000 was made against the gross amount of trade receivables (2017: RMB27,915,000 (note 4.1(ii)).

Generally, no credit terms were granted to the customers of residential properties. There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers as at 31 December 2018. Significant concentration of risk exists where the Group has material exposures to the trade receivables from sales of proposed development project from one customer located in Mainland China which accounted for 81.3% of the total trade debtors at 31 December 2017.

Included in the Group's trade debtors of RMB408,243,000 and RMB40,831,000 as at 31 December 2018 and 2017, respectively, were not yet due. The balances mainly represented receivables from sales of commercial and residential properties and property under development (2017: commercial and residential properties and proposed development project) to independent third parties. These receivables were repayable within six months to nine months (2017: one year) after the completion of certain legal documents, which were expected to be settled in the next year.

Receivables that were past due but not impaired related to the balances primarily represented receivables from residential properties to independent third parties of which the majority of the balances were due from customers in the process of applying mortgage loans, and sales of proposed development project.

The Group did not hold any collateral as security or other credit enhancements over the trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. DEBTORS, DEPOSITS AND OTHER RECEIVABLES (Continued)

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

	2018 RMB'000	2017 RMB'000
Other receivables (note i)	**7,021,735**	2,268,769
Other deposits (note ii)	**2,973,288**	3,979,177
Restricted deposit for borrowings from non-financial institution (note iii)	**1,969,293**	1,960,203
Amounts due from associates (note iv)	**4,045,190**	20,498
Amounts due from joint ventures (note iv)	**891,612**	879,210
Amount due from non-controlling interest of a subsidiary (note iv)	**1,045,318**	50,718
	17,946,436	9,158,575
Less: allowance for impairment (note c)	**(759,694)**	–
Deposits, prepayment and other receivables – net	**17,186,742**	9,158,575

(i) These receivables mainly included bills receivables, interest receivables and amounts to be refunded by the government in relation to the land acquisition in the PRC.

As at 31 December 2018, there are other receivables amounting to RMB1,370,176,000 (2017: RMB895,256,000) are unsecured, carry at interest rate ranging from 3.8% to 12% (2017: 3.8% to 12%) p.a. and repayable in 2019 (2017: 2018).

Included in other receivables, those which are repayable over 1 year amounting to RMB744,046,000 (2017: RMB584,880,000) are classified as non-current assets.

(ii) Other deposits mainly represented deposits for acquisitions of subsidiaries amounted to RMB279,040,000 (2017: RMB144,402,000), acquisitions of associate amounted to RMB629,766,000 (2017: RMB238,980,000), refundable deposit to redevelopment project partner for the purpose of the project amounted to RMB1,007,361,000 (2017: RMB2,940,376,000) and other deposits amounted to RMB1,057,121,000 (2017: RMB655,419,000).

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

(iv) The amounts are unsecured, interest-free and repayable on demand, and expected to be recovered within 12 months from the reporting date and is therefore classified as current asset.

(v) The carrying amounts of the Group's receivables are mainly denominated in RMB and USD.

25. DEBTORS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(c) Impairment losses in respect of debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) are recorded using an allowance account unless the Group is satisfied that recovery of the amounts are remote, in which case the impairment losses are written off against debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) directly. The movement in the allowance for impairment of debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) is disclosed in note 4.1(ii).

(d) Prepayments mainly represent prepayments for purchase of construction materials and services.

(e) The maximum credit risk exposure is the amount shown on the consolidated statement of financial position.

26. DEPOSITS FOR LAND ACQUISITION

Deposits for land acquisition arise from the acquisition of land in various regions in the PRC. These deposits would be converted into land use rights when the rights to use the lands have been obtained. The carrying amounts of the Group's deposits for land acquisition are mainly denominated in Renminbi.

27. PREPAYMENTS FOR PROPOSED DEVELOPMENT PROJECTS

The Group has entered into a number of contractual arrangements relating to redevelopment of certain areas and other development projects with independent third parties and has made prepayments in accordance with the terms of these respective contracts. These prepayments would be converted into properties under development upon the completion of the contracts.

28. RESTRICTED CASH

Restricted cash mainly comprised of:

(a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain subsidiaries of the Group engaged in property development are required to place in designated bank accounts certain amount of proceeds from pre-completion sale of properties as guaranteed deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and construction of the relevant property projects when approvals are obtained from local State-Owned Land and Resource Bureau. As at 31 December 2018, such guaranteed deposits amounted to RMB3,707,171,000 (2017: RMB3,598,458,000). They will be released after the construction of the relevant properties is completed or the related property ownership certificates are issued, whichever is earlier.

(b) As at 31 December 2018, the Group's cash of RMB160,656,000 (2017: RMB193,632,000) was deposited in certain banks as guaranteed deposits for the benefit of mortgage loan facilities (note 37) granted by the banks to the purchasers of the Group's properties.

(c) As at 31 December 2018, the Group's cash of RMB2,916,332,000 (2017: RMB4,136,943,000) was deposited in certain banks as guaranteed deposits for borrowings (note 31).

(d) As at 31 December 2018, the Group's cash of RMB8,133,000 (2017: RMB10,541,000) was deposited in certain banks as guaranteed deposits for issuance of bills payables and settlement of tax.

29. LONG-TERM BANK DEPOSITS, RESTRICTED CASH, SHORT-TERM BANK DEPOSITS AND CASH AND BANK BALANCES

	2018 **RMB'000**	2017 RMB'000
Long-term bank deposits	**400,000**	–
Restricted cash (note 28)	**6,792,292**	7,939,574
Short-term bank deposits	**252,718**	1,232,206
Cash and bank balances	**15,479,139**	11,998,423
	22,924,149	21,170,203

Note:

The effective interest rates and maturities of bank deposits in the PRC are ranged from 1.95% to 3.85% (2017: 2.00% to 3.75%) per annum and from 3 to 36 months (2017: 6 to 12 months) as at 31 December 2018.

As at 31 December 2018, short-term bank deposit of RMB200,000,000 (2017: RMB1,021,949,000) were pledged as collateral for the Group's borrowings (note 31).

29. LONG-TERM BANK DEPOSITS, RESTRICTED CASH, SHORT-TERM BANK DEPOSITS AND CASH AND BANK BALANCES (Continued)

Long-term bank deposits, restricted cash, short-term bank deposits and cash and bank balances are denominated in the following currencies:

	2018 **RMB'000**	2017 RMB'000
Denominated in – RMB	**22,399,434**	17,499,846
Denominated in – HKD	**250,387**	1,716,425
Denominated in – USD	**262,589**	1,951,373
Denominated in – EUR	**11,739**	2,559
	22,924,149	21,170,203
Less: Restricted cash (note 28)	**(6,792,292)**	(7,939,574)
Less: Short-term bank deposits	**(252,718)**	(1,232,206)
Less: Long-term bank deposits	**(400,000)**	–
Cash and bank balances	**15,479,139**	11,998,423

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

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

The amount of RMB39,154,089,000 (2017: RMB29,564,933,000) represents deposits and instalments received on properties sold to independent third parties after the issuance of pre-sale certificates by local government authorities.

The Group has initially applied HKFRS 9 and HKFRS 15 using the cumulative effect transition method and adjusted the opening balances as at 1 January 2018.

Upon the adoption of HKFRS 15, amounts previously included as "advance proceeds received from customers and deposits received" were reclassified to contract liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS

	Notes	2018 RMB'000	2017 RMB'000
Borrowings included in current liabilities:			
Senior Notes	(a)	**2,963,540**	–
Bank borrowings – secured	(c)	**2,893,985**	6,824,887
Bank borrowings – unsecured	(c)	**1,629,373**	1,606,325
Other borrowings – secured	(c)	**4,490,557**	6,255,979
Other borrowings – unsecured	(c)	**3,638,908**	6,273,065
Loan from a related company	(d)	**108,781**	108,781
Loans from associates	(e)	**1,240,550**	1,104,000
		16,965,694	22,173,037
Borrowings included in non-current liabilities:			
Senior Notes	(a)	**36,763,326**	34,752,933
Bank borrowings – secured	(c)	**34,902,751**	36,469,412
Bank borrowings – unsecured	(c)	**6,510,020**	2,442,000
Other borrowings – secured	(c)	**12,407,961**	14,905,519
Other borrowings – unsecured	(c)	**1,216,200**	307,086
Loans from associates	(e)	**–**	123,200
		91,800,258	89,000,150
Total borrowings		**108,765,952**	111,173,187

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS (Continued)

Notes:

(a) Senior Notes

	Exchange Offer	New Money Issuance	New issuance	As at 31 December 2017 and 1 January 2018	New issuance	Repurchase	**As at 31 December 2018**
Par value							
2019 Notes (US$'000)	–	–	–	–	300,000	–	**300,000**
2020 Notes (US$'000)	228,130	231,870	–	460,000	330,000	–	**790,000**
2021 Notes (US$'000)	215,385	109,615	–	325,000	250,000	–	**575,000**
2022 Notes (US$'000)	796,919	458,081	–	1,255,000	–	(108,000)	**1,147,000**
2024 Notes (US$'000)	1,417,503	1,701,497	–	3,119,000	–	(67,500)	**3,051,500**
Total (US$'000)	2,657,937	2,501,063	–	5,159,000	880,000	(175,500)	**5,863,500**
Amortised cost (US$'000)				5,020,993			**5,640,069**
Par value							
2019 Private Notes (HK$'000)	–	–	2,325,000	2,325,000	–	(1,163,000)	**1,162,000**
Amortised cost (HK$'000)				2,326,546			**1,161,773**
Total amortised cost (RMB'000)				34,752,933			**39,726,866**

On 21 July 2016, the Debt Restructuring (as defined in the Company's announcement dated 22 July 2016 (the "Announcement")) was effected whereby the Group's offshore debts, including various senior notes, convertible bonds, bank and other borrowings (collectively and individually referred to as the "Original Offshore Debts") were exchanged for new notes, being Series A-E Senior Notes and Mandatorily Exchangeable Notes as described in the Announcement (collectively and individually referred to as the "New Offshore Debts"). For those exchanges with substantially different terms, the Original Offshore Debts were derecognised and the New Offshore Debts were recognised at their fair values at the effective date. A gain representing the difference between the carrying amount of the related Original Offshore Debts derecognised and the fair value of the related New Offshore Debts recognised, net of the related fees paid and transaction costs. For the remaining exchanges, the consent fees were adjusted against the carrying amounts of the related Original Offshore Debts and amortised over the remaining terms of the related New Offshore Debts.

On 30 June 2017, the Company completed an exchange offer (the "Exchange Offer") pursuant to which the Senior Notes Series A-E were exchanged for 7.25% senior notes due 2020 (the "2020 Notes"), 7.875% senior notes due 2021 (the "2021 Notes"), 8.50% senior notes due 2022 (the "2022 Notes") and 9.375% senior notes due 2024 (the "2024 Notes") (together with the 2020 Notes, the 2021 Notes and the 2022 Notes, the "Senior Notes"). USD2,657,937,000 of the Senior Notes Series A-E, representing approximately 93.08% of the total aggregate principal amounts of the outstanding Senior Notes Series A-E, have been validly tendered for exchange and accepted pursuant to the Exchange Offer. Up to 31 December 2017, the Company issued additional Senior Notes that form a single series with the corresponding Senior Notes issued in the Exchange Offer (the "New Money Issuance").

According to the purchase agreement in relation to the exchange offer for the existing notes, each USD1,000 principal amount of outstanding Senior Notes Series A-E was eligible to exchange for Senior Notes.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS (Continued)

Notes: (Continued)

(a) **Senior Notes** (Continued)

The Exchange Offer did not constitute a substantial modification, the consent fees paid to the holders of the Senior Notes Series A-E and the transaction costs in connection with the exchange portion amounting to RMB179,304,000 in aggregate attributable to the Exchange Offer adjusted the carrying amounts of the related Senior Notes and amortised over the remaining term of the related Senior Notes. During the year ended 31 December 2017, certain holders of the Senior Notes Series A-E with principal amounts of USD197,570,000 (equivalent to RMB1,338,416,000) in aggregate were redeemed in full pursuant to the Exchange Offer, and the settlement was completed on 3 August 2017.

The fair values of these Senior Notes recognised, net of the transaction costs of RMB31,087,252,000, were calculated based on the present value of contractually determined stream of future cash flows discounted at the market borrowing rates as at the nearest date to the date of initial recognition, as of that date and remaining time to maturity.

The Company issued 6.1% senior notes due 2019 with an aggregated principal amount of HK$2,325,000,000 (equivalent to approximately RMB1,943,000,000) at 100% of the face value ("2019 Private Notes") on 22 December 2017. The effective interest rate of the 2019 Private Notes is 6.05% per annum after the adjustment for transaction costs of RMB1,646,000.

The Company issued 7.25% Senior Notes due 2020 with an aggregated principal amount of USD330,000,000 (equivalent to approximately RMB2,198,386,000) ("Additional 2020 Notes") on 4 May 2018, 7.875% Senior Notes due 2021 with an aggregated principal amount of USD250,000,000 (equivalent to approximately RMB1,665,444,000) ("Additional 2021 Notes") in November 2018, and 12.0% Senior Notes due 2019 with an aggregated principal amount of USD300,000,000 (equivalent to approximately RMB1,998,532,000) ("2019 Notes") in December 2018. The effective interest rate of the Additional 2020 Notes, Additional 2021 Notes, and 2019 Notes are 10.99%, 9.09%, and 20.38% per annum after the adjustment for transaction costs of RMB78,046,000, RMB18,689,000, and RMB128,039,000.

During the year ended 31 December 2018, the Company repurchased USD108,000,000 (equivalent to approximately RMB719,472,000) of the 2022 Notes and USD67,500,000 (equivalent to approximately RMB449,670,000) of the 2024 Notes, resulted a gain of repurchase of senior notes approximately RMB142,745,000 (note 8). In addition, the Company has made redemption of HK$1,163,000,000 (equivalent to approximately RMB988,724,000) 2019 Private Notes in December 2018.

The major terms and conditions of the Senior Notes include redemption at the option of the Company and the repurchase of the Senior Notes upon a change of control. As the estimated fair value of the early redemption rights is insignificant at initial recognition, the embedded derivative is not separately accounted for.

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

The movement of the Senior Notes is as follow:

	2018 **RMB'000**	2017 RMB'000
Carrying amount as at 1 January	**34,752,933**	18,799,783
Accrued interests (note 9)	**3,007,885**	2,481,915
Interests paid	**(3,353,695)**	(2,102,894)
Redemption of Senior Notes/Derecognition of certain Existing Senior Notes and other facilities	**(2,157,866)**	(1,340,423)
Senior Notes recognised	**5,862,362**	18,353,584
Transaction costs	**(224,774)**	(179,304)
Exchange difference	**1,840,021**	(1,259,728)
Carrying amount as at 31 December	**39,726,866**	34,752,933

31. BORROWINGS (Continued)

Notes: (Continued)

(b) MEBs/Convertible Bonds

On 30 June 2017, all the mandatory exchange conditions pursuant to the terms of the convertible bonds have been fulfilled and the Company issued the Exchange Convertible Bonds in exchange for the MEBs in an aggregate principal amount of USD265,898,440 due 31 December 2019 ("Maturity Date"). At the option of the Company, the Maturity Date may be extended by one year to 31 December 2020 (the "Extended Maturity Date"). The exchange of MEBs to convertible bonds did not constitute a substantial modification.

Pursuant to the terms of the convertible bonds, the number of shares to be issued on conversion of convertible bonds will be determined by dividing the principal amount of the convertible bonds converted at the fixed rate of HKD7.80 = USD1.00 by HKD2.34 per share (initial "Conversion Price"), subject to adjustment, then in effect. The Conversion Price may be adjusted subject to several events.

The convertible bonds holder may require the Company to redeem the convertible bonds at the option of the convertible bonds holder on the Extended Maturity Date; or following the occurrence of delisting, suspension of trading or change of control.

The Company may redeem the convertible bonds if (i) the Company has or will become obliged to pay additional tax amounts as a result of amendment to certain laws or regulations; or (ii) the closing price of the shares of the Company for 20 out of 30 consecutive trading days prior to the date upon which notice of such redemption is published was at least 130% of the Conversion Price then in effect; or (iii) at least 90% convertible bonds originally issued has already been converted, redeemed or purchased and cancelled.

As the estimated fair value of the option for the Extended Maturity Date is insignificant at initial recognition, the embedded derivative is not separately accounted for.

The conversion option and the redemption options mentioned above are considered as embedded derivative component of the convertible bonds and revalued at each reporting date.

During the year ended 31 December 2017, certain convertible bonds were converted by the bondholders into 884,126,419 new ordinary shares at HKD2.34 per share. The weighted average share price at the date of exercise for the convertible bonds during that year was HKD4.03. Accordingly, the convertible bonds derecognised during the year ended 31 December 2017.

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

The derivative component was valued at fair value by the directors with reference to valuation carried out by an independent professional valuer, Savills Valuation and Professional Services Limited. The fair values of derivative component is derived by deducting the fair value of the liability component from the fair value of convertible bonds as a whole which is calculated using Binomial Option Pricing Model. The aggregate amounts of fair values changes of conversion option and redemption option are RMB1,129,652,000 as at each of conversion dates were charged to profit or loss for the year ended 31 December 2017.

The major inputs used in the models as at the conversion dates were as follows:

	Conversion dates
Stock price	HK$3.00-HK$6.66
Exercise price	HK$2.34
Time to maturity	2.2-2.5 years
Risk-free rate	0.71%-1.06%
Volatility	35.97%-43.19%

Any changes in the major inputs in the model may result in changes in the fair value of the derivative component.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS (Continued)

Notes: (Continued)

(b) **MEBs/Convertible Bonds** (Continued)

The MEBs/convertible bonds recognised in the consolidated statement of financial position is calculated as follows:

	Host liability component RMB'000	Derivative component RMB'000	Total RMB'000
As 1 January 2017	1,453,020	248,487	1,701,507
Accrued interest (note 9)	99,888	–	99,888
Derecognition of financial derivative liability upon Exchange Offer	–	(248,487)	(248,487)
Initial fair value of financial derivative liability recognised	–	482,264	482,264
Interests paid	(41,945)	–	(41,945)
Changes in fair value during the year	–	646,591	646,591
Exchange difference	30,510	797	31,307
Derecognition of convertible bonds	(1,541,473)	(1,129,652)	(2,671,125)
As at 31 December 2017, 1 January 2018 and 31 December 2018	–	–	–

(c) **Bank and other borrowings**

The Group's bank and other borrowings of RMB54,695,254,000 (2017: RMB64,455,797,000) were secured by certain properties, investment properties, land use rights, properties under development, completed properties held for sale, restricted cash and short-term bank deposits of the Group (notes 15, 16, 17, 23, 24, 28 and 29) and shares of certain of the Group's subsidiaries, associates and joint ventures.

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

	2018 RMB'000	2017 RMB'000
Property, plant and equipment (note 15)	**830,432**	590,673
Investment properties (note 16)	**19,365,268**	15,410,689
Land use rights (note 17)	**268,675**	287,829
Properties under development (note 23)	**43,079,449**	35,769,533
Completed properties held for sale (note 24)	**7,267,213**	12,786,413
Short-term bank deposits (note 29)	**200,000**	1,021,949
Restricted cash (note 28)	**2,916,332**	4,136,943
Restricted deposits (note 25)	–	1,960,203
	73,927,369	71,964,232

31. BORROWINGS (Continued)

Notes: (Continued)

(c) **Bank and other borrowings** (Continued)

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

	2018 RMB'000	2017 RMB'000
Group companies		
– guaranteed and secured by the Group's assets	**50,973,305**	56,584,662
– guaranteed by the Company	**10,192,532**	6,110,830
	61,165,837	62,695,492

(d) **Loan from a related company**

The amount due is unsecured and carries interest rate at 12.0% (2017: 12.0%). The related company is controlled by a substantial shareholder of the Company.

(e) **Loans from associates**

Loans from associates amounted to RMB1,240,550,000 (2017: RMB1,104,000,000) are unsecured, carry interest rate ranging from 4.35% to 14.0% (2017: 4.35% to 12.5%) per annum and repayable within one year. The remaining balance of nil (2017: RMB123,200,000) are unsecured, carry interest rate at 10.0% per annum and repayable in 2019 and accordingly are classified as non-current liabilities.

(f) The weighted average effective interest rates at each of the reporting dates were as follows:

	2018	2017
Bank borrowings, included in non-current liabilities	**7.3%**	6.9%
Bank borrowings, included in current liabilities	**7.2%**	6.4%
Other borrowings, included in non-current liabilities	**11.1%**	9.9%
Other borrowings, included in current liabilities	**10.5%**	11.4%
Loans from associates, included in non-current liabilities	–	10.0%
Loans from associates, included in current liabilities	**10.9%**	9.4%
Loan from a related company, included in current liabilities	**12.0%**	12.0%
Senior Notes	**10.1%**	10.0%

(g) The amounts of the Group's borrowings are denominated in RMB except for Senior Notes, MEBs and certain bank and other borrowings with aggregate amounts of RMB39,978,614,000 and RMB1,701,382,000 (2017: RMB32,808,173,000 and RMB2,643,489,000), which are denominated in USD and HKD respectively.

32. OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Other payables and accruals (note i)	**8,731,821**	6,248,743
Accrued interest	**966,236**	1,605,623
Accrued staff costs	**299,257**	258,782
Bills payables	**795,197**	213,030
Compensation payable	**–**	154,048
Consideration payables related to acquisitions of subsidiaries	**1,749,902**	2,731,979
Consideration payables related to acquisitions of associate and joint venture	**1,178,500**	1,857,937
Consideration payables related to financial assets at FVTPL/available-for-sale financial assets	**1,441,772**	2,011,935
Deed tax and other taxes payables	**877,287**	897,896
Deposits received	**295,861**	198,391
Amounts due to associates (note ii)	**1,018,000**	925,721
Amounts due to joint ventures (note ii)	**2,246,498**	–
Amounts due to non-controlling interests of subsidiaries (note ii)	**316,931**	315,697
	19,917,262	17,419,782
Less: non-current portion		
Other payables and accruals	**–**	(104,171)
Current portion	**19,917,262**	17,315,611

Notes:

(i) Other payables and accruals mainly included deposits received from construction companies, accrued operating expenses and advance from third parties for operations and amounts due to former shareholders in relation to newly acquired subsidiaries which are interest-free, unsecured and repayable on demand.

Included in other payables and accruals, there were payables amounting to RMB1,200,000,000 secured by non-interest bearing deposit of USD289,355,000 (approximately equivalent to RMB1,969,293,000) (note 25) repayable on 24 May 2019. The remaining balances are interest-free, unsecured and repayable on demand.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. DEFERRED INCOME TAX

	2018 RMB'000	2017 RMB'000
Deferred tax assets	**784,310**	9,699
Deferred tax liabilities	**(4,478,563)**	(4,411,645)
The net movement on the deferred income tax is as follows:		
Beginning of the year	**(4,401,946)**	(4,176,890)
Acquisitions of subsidiaries (note 39(b))	**–**	(133,658)
Deemed disposals of subsidiaries (note 40)	**(7,454)**	–
Recognised in profit or loss (note 10)	**715,147**	(91,398)
End of the year	**(3,694,253)**	(4,401,946)

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

Deferred tax assets arose from:

	Temporary difference arising from debtors, deposits and other receivables RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2017	–	113,139	113,139
Charged to profit or loss	–	(16,844)	(16,844)
At 31 December 2017 and 1 January 2018	–	96,295	96,295
Adjustment on adoption of HKFRS 9 (note 3.1)	63,459	–	63,459
Restated balance as at 1 January 2018	63,459	96,295	159,754
Deemed disposals of subsidiaries (note 40)	–	(7,454)	(7,454)
Credited profit or loss	70,135	650,715	720,850
At 31 December 2018	**133,594**	**739,556**	**873,150**

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise tax losses amounting to RMB13,867,582,000 (2017: RMB15,018,605,000) that can be carried forward against future taxable income. These tax losses have no expiry date except that approximately RMB525,608,000 (2017: RMB648,689,000) will expiry from 2019 to 2023 (2017: 2018 to 2022).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. DEFERRED INCOME TAX (Continued)

Deferred tax liabilities arose from:

	Properties acquired in business combination RMB'000	Intangible assets acquired in business combination RMB'000	Revaluation of investment properties RMB'000	Fair value of financial assets at FVTPL RMB'000	Total RMB'000
At 1 January 2017	–	–	4,228,592	–	4,228,592
Acquisitions of subsidiaries (note 39(b))	34,389	99,269	–	–	133,658
Charged to profit or loss	–	–	522,212	–	522,212
Derecognition – transfer from joint operation to joint ventures	–	–	(447,658)	–	(447,658)
At 31 December 2017 and 1 January 2018	34,389	99,269	4,303,146	–	4,436,804
Adjustment on adoption of HKFRS 9 (note 3.1)	–	–	–	161,049	161,049
Restated balance as at 1 January 2018	34,389	99,269	4,303,146	161,049	4,597,853
Charged/(credited) to profit or loss	–	–	53,094	(58,797)	(5,703)
At 31 December 2018	34,389	99,269	4,356,240	102,252	4,592,150

At 31 December 2018, the unrecognised deferred tax liabilities were RMB769,786,000 (2017: RMB971,605,000), relating to withholding tax that would be payable for undistributed profits of PRC subsidiaries, as the directors consider that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these PRC subsidiaries as at 31 December 2018 amounted to RMB15,395,720,000 (2017: RMB19,432,100,000).

34. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised:					
Ordinary share of HKD0.10 each					
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	50,000,000,000	5,000,000	4,405,545	–	4,405,545
Issue and fully paid:					
At 1 January 2017	**5,135,427,910**	**513,543**	**450,450**	**4,253,704**	**4,704,154**
Issue of shares upon exercise of share options (notes (a) and 41)	**44,176,000**	**4,418**	**3,923**	**66,732**	**70,655**
Issue of shares upon conversion of convertible bonds (note (b))	**884,126,419**	**88,412**	**78,492**	**2,592,633**	**2,671,125**
At 31 December 2017 and 1 January 2018	**6,063,730,329**	**606,373**	**532,865**	**6,913,069**	**7,445,934**
Issue of shares upon exercise of share options (notes (a) and 41)	**5,284,000**	**528**	**424**	**8,989**	**9,413**
Dividend paid	**–**	**–**	**–**	**(757,259)**	**(757,259)**
Issue of shares as a result of scrip dividends (note c)	**1,179,368**	**118**	**100**	**3,808**	**3,908**
At 31 December 2018	**6,070,193,697**	**607,019**	**533,389**	**6,168,607**	**6,701,996**

Changes in the share capital of the Company during the year ended 31 December 2018 are as follows:

(a) For the year ended 31 December 2018, 5,284,000 (2017: 44,176,000) shares were issued upon exercise of share options. Total proceeds were HKD9,459,000 (equivalent to approximately RMB9,413,000) (2017: HKD78,320,000 (equivalent to approximately RMB70,655,000)). The weighted average share price at the time of exercise was HKD1.576 (as at 31 December 2017: HKD1.773) per share. The related transactions costs were deducted from the proceeds received.

(b) For the year ended 31 December 2017, the convertible bonds have been fully converted at the conversion price to 884,126,419 ordinary shares of the Company. The carrying amount of host liability and derivative components of convertible bonds, net of the par value of the shares, of RMB2,592,633,000 has been transferred to the share premium.

(c) During the year ended 31 December 2018, 1,179,368 (2017: nil) new shares were issued by the Company at HK3.16 cents (2017: nil) per share for the settlement of 2017 final scrip dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. THE GROUP'S RESERVES

	Merger reserve RMB'000 (note a)	Exchange reserve RMB'000	Statutory reserves RMB'000 (note b)	Share option reserve RMB'000 (note c)	Capital reserve RMB'000 (note d)	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2017	382	24,835	913,598	54,369	(487,047)	3,292	7,732,544	8,241,973
Profit for the year	–	–	–	–	–	–	3,284,889	3,284,889
Other comprehensive loss for the year	–	(1,592)	–	–	–	–	–	(1,592)
Total comprehensive (loss)/income for the year	–	(1,592)	–	–	–	–	3,284,889	3,283,297
Issue of shares upon exercise of share options	–	–	–	(25,552)	–	–	–	(25,552)
Share-based payments (note 41)	–	–	–	141,281	–	–	–	141,281
Share options lapsed	–	–	–	(2,126)	–	–	2,126	–
Transfer to statutory reserves	–	–	45,939	–	–	–	(45,939)	–
Others	–	–	–	–	4,281	(3,292)	–	989
Balance at 31 December 2017 and 1 January 2018	382	23,243	959,537	167,972	(482,766)	–	10,973,620	11,641,988
Adjustment on adoption of HKFRS 9, net of tax (note 3.1)	–	–	–	–	–	–	299,998	299,998
Restated balance as at 1 January 2018	**382**	**23,243**	**959,537**	**167,972**	**(482,766)**	**–**	**11,273,618**	**11,941,986**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**2,750,206**	**2,750,206**
Other comprehensive loss for the year	**–**	**(15,812)**	**–**	**–**	**–**	**–**	**–**	**(15,812)**
Total comprehensive (loss)/income for the year	**–**	**(15,812)**	**–**	**–**	**–**	**–**	**2,750,206**	**2,734,394**
Acquisition of non-controlling interests	**–**	**–**	**–**	**–**	**3,849**	**–**	**–**	**3,849**
Issue of shares upon exercise of share options	**–**	**–**	**–**	**(2,727)**	**–**	**–**	**–**	**(2,727)**
Share-based payments (note 41)	**–**	**–**	**–**	**260,612**	**–**	**–**	**–**	**260,612**
Share options lapsed	**–**	**–**	**–**	**(8,366)**	**–**	**–**	**8,366**	**–**
Transfer to statutory reserves	**–**	**–**	**6,009**	**–**	**–**	**–**	**(6,009)**	**–**
Balance at 31 December 2018	**382**	**7,431**	**965,546**	**417,491**	**(478,917)**	**–**	**14,026,181**	**14,938,114**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. THE GROUP'S RESERVES (Continued)

Notes:

(a) The merger reserve of the Group represents the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the group reorganisation in December 2007 and the nominal value of the share capital of the Company issued in exchange thereof. The reorganisation qualifies as common control combinations and has been accounted for using merger accounting.

(b) In accordance with the relevant rules and regulations in the PRC and the provision of the articles of association of the PRC companies comprising the Group, before 1 January 2006, the local investment enterprises were required to appropriate at each year end 5% to 10% of the profit for the year after netting off the accumulated losses brought forward (based on figures reported in the statutory financial statements) to the statutory surplus reserve and the statutory public welfare fund (collectively the "Statutory Reserves"), respectively. After 1 January 2006, the local investment enterprises are allowed to appropriate 10% of the net profit to the Statutory Reserves until the accumulated appropriation exceeds 50% of the registered capital.

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

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

For the year ended 31 December 2018, the Board of Directors of the Company's subsidiaries in the PRC, including both local and foreign investment enterprises, appropriated RMB6,009,000 (2017: RMB45,939,000) to the Statutory Reserves.

(c) Share option reserve represents value of employee services in respect of share options granted under the Share Option Scheme (note 41).

(d) Capital reserve arose from the difference between the amount by which the non-controlling interests are adjusted and the consideration paid for the acquisition of additional equity interest in subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	2018 RMB'000	2017 RMB'000
Profit for the year	**3,294,256**	3,043,848
Adjustments for:		
Income tax expenses (note 10)	**4,477,629**	3,622,579
Depreciation (notes 7 and 15)	**199,670**	109,124
Amortisation of land use rights (notes 7 and 17)	**25,788**	7,360
Amortisation of intangible assets (notes 7 and 21)	**178,328**	119,027
Bad debt recovery of other receivable (note 8)	**–**	(450,000)
Dividend income received from financial assets at FVTPL/available-for-sale financial assets (note 8)	**(20,945)**	(22,269)
Provision for ECL (notes 4.1(ii) and 8)	**529,332**	–
Gain on deemed disposal of an associate (notes 8 and 39(b))	**–**	(429)
Loss/(Gain) on disposal of property, plant and equipment (note)	**1,463**	(3,427)
Reversal of impairment loss on land use rights (notes 8 and 17)	**–**	(2,887)
Net fair value loss on financial assets at FVTPL (note 8)	**271,276**	24,786
Impairment loss on interest in an associate (notes 8 and 18(a))	**658,685**	–
Write-down of completed properties held for sale and properties under development (note 8)	**220,178**	262,332
Written off of trade and other receivables (note 8)	**–**	140,510
Written off of intangible assets (note 8)	**7,654**	10,468
Waiver of other payables (note 8)	**(406,326)**	–
Gain on repurchases of senior notes (notes 8 and 31(a))	**(142,745)**	–
Loss on disposal of investment properties (note 8)	**7,102**	–
Net gain on deemed disposals of subsidiaries (note 40)	**(2,912,593)**	–
Fair value gain of investment properties (note 16)	**(212,374)**	(2,088,849)
Fair value loss of financial derivatives	**–**	969,204
Loss on step acquisition of a subsidiary (note 39)	**–**	146,258
Share of results of associates	**(239,913)**	(31,685)
Share of results of joint ventures (note 18(b))	**48,726**	(37)
Interest income (note 9)	**(402,511)**	(185,818)
Interest expense (note 9)	**1,049,027**	1,238,286
Net exchange losses/(gains) (note 9)	**1,524,271**	(1,300,266)
Share-based payments (note 13)	**260,612**	141,281
Changes in working capital:		
Inventories	**(101,876)**	222
Properties under development and completed properties held for sale	**665,885**	4,045,108
Debtors, deposits and other receivables	**(3,371,556)**	(3,620,629)
Deposits for land acquisition	**1,977,494**	(2,033,401)
Convertible bonds interest income received	**–**	(146)
Prepayments for proposed development projects	**(1,981,370)**	336,294
Financial assets at FVTPL	**–**	(121,253)
Restricted cash	**(73,329)**	37,686
Contract liabilities/Advance proceeds received from customers and deposits received	**15,511,643**	1,534,391
Accrued construction costs	**411,398**	4,753,355
Other payables	**3,195,994**	(4,014,832)
Cash generated from operations	**24,650,873**	6,666,191

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

36. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Cash generated from operations (Continued)

Note:

Loss/(Gain) on disposal of property, plant and equipment are as follows:

	2018 RMB'000	2017 RMB'000
Net carrying value disposed (note 15)	**17,531**	9,871
Proceeds received	**(16,068)**	(13,298)
Loss/(Gain) on disposal (note 8)	**1,463**	(3,427)

(b) Reconciliation of liabilities arising from financing activities

	2018	
	Borrowings RMB'000 (note 31)	Other payables RMB'000 (note 32)
As at 1 January 2018	111,173,187	17,419,782
Changes from financing cash flows:		
Increase in other payables	–	1,373,817
Increase in amounts due to associates	–	92,279
Increase in amounts due to joint ventures	–	2,246,498
Increase in amounts due to non-controlling interests of subsidiaries	–	1,234
Proceeds from bank and other borrowings	30,785,043	–
Proceeds from loans from associates	2,034,350	–
Repayment of loans from associates	(1,021,000)	–
Net proceeds from issuance of Senior Notes (note 31(a))	5,637,588	–
Repayments of bank and other borrowings	(28,035,327)	–
Repayments of Senior Notes	(2,015,121)	–
Total changes from financing cash flows	7,385,533	3,713,828
Non-cash changes		
– exchange differences	1,840,021	–
– finance expenses recognised (note 9)	9,017,412	–
Other changes (note)	(11,564,964)	541,459
Acquisitions of subsidiaries (note 39)	546,900	2,845,294
Increase in consideration payables related to acquisitions of subsidiaries	–	577,145
Deemed disposals of subsidiaries (note 40)	(9,632,137)	(5,180,246)
As at 31 December 2018	108,765,952	19,917,262

36. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	2017		
	Borrowings RMB'000 (note 31)	Financial derivatives RMB'000	Other payables RMB'000 (note 32)
As at 1 January 2017	87,536,816	263,822	7,652,852
Changes from financing cash flows:			
Increase in other payables	–	–	2,824,985
Increase in amounts due to associates	–	–	1,564
Decrease in amounts due to non-controlling interests of subsidiaries	–	–	(571,040)
Proceeds from bank and other borrowings	32,383,752	–	–
Proceeds from loans from associates	1,227,200	–	–
Proceeds from issuance of Senior Notes (note 31(a))	18,174,280	–	–
Repayments of bank and other borrowings	(21,706,492)	–	–
Repayments of loans from a related company	(2,768,219)	–	–
Repayments of Senior Notes	(1,340,423)	–	–
Total changes from financing cash flows	25,970,098	–	2,255,509
Non-cash changes			
– exchange differences	(1,229,218)	–	–
– finance expenses recognised	7,976,561	–	–
– convertible bonds derecognised (note 31(b))	(1,541,473)	–	–
– financial derivative derecognised (note 31(b))	–	(1,129,652)	–
– changes in fair value of financial derivatives	–	969,204	–
– transfer to joint venture	(765,000)	–	(94,583)
Other changes (note)	(8,125,983)	(103,374)	(2,345,796)
Acquisitions of subsidiaries (note 39)	1,351,386	–	7,417,138
Increase in consideration payables related to acquisitions of subsidiaries	–	–	2,534,662
As at 31 December 2017	111,173,187	–	17,419,782

Note:

Other changes mainly represented the interest capitalisation, decrease in other payables included in operating activities and repayment for consideration payables related to acquisitions of subsidiaries, associates and joint ventures included in investing activities.

37. FINANCIAL GUARANTEES CONTRACTS

The Group had the following financial guarantees as at 31 December 2018 and 2017:

	2018 RMB'000	2017 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the property units sold by the Group	**30,587,387**	30,094,885

The guarantees in respect of mortgage facilities granted by certain banks related to mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees expire or terminate upon the earlier of (i) issuance of the property ownership certificates which are generally be available within six months to one year after the purchasers take possession of the relevant properties; and (ii) the mortgage loans obtained by the purchasers of properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the consolidated financial statements for the guarantees.

38. COMMITMENTS

(a) Commitments for property development expenditure, acquisitions of property, plant and equipment, acquisitions of subsidiaries and an associate

	2018 RMB'000	2017 RMB'000
Contracted but not provided for		
– Acquisitions/construction of property, plant and equipment	**100,178**	150,574
– Acquisitions of land use rights and property development activities	**35,376,964**	31,849,843
– Acquisitions of subsidiaries	**1,423,328**	858,598
– Acquisition of an associate	**1,318,239**	1,708,641
	38,218,709	34,567,656

38. COMMITMENTS (Continued)

(b) Operating lease commitments

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

	2018 RMB'000	2017 RMB'000
Not later than one year	**84,348**	46,920
Later than one year and not later than five years	**223,963**	91,077
Later than five years	**142,794**	70,055
	451,105	208,052

The Group leases a number of properties under operating leases. The leases run for an initial period of one to nineteen (2017: one to nineteen) years, with an option to renew the lease and renegotiated the terms at the expiry date or at the dates as mutually agreed between the Group and respective landlords/lessors. None of these include contingent rentals.

(c) Operating lease rentals receivable

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

	2018 RMB'000	2017 RMB'000
Not later than one year	**174,899**	209,090
Later than one year and not later than five years	**532,408**	569,683
Later than five years	**227,787**	193,586
	935,094	972,359

The Group leases its investment properties (note 16) under operating lease arrangements which run for an initial period of one to forty-eight (2017: one to forty-eight) years, with an option to renew the lease and renegotiated the terms at the expiry date or at the dates as mutually agreed between the Group and the respective tenants. The terms of the leases generally also require the tenants to pay security deposits.

39. ACQUISITIONS OF SUBSIDIARIES

(a) Acquisitions of assets

During the year ended 31 December 2018, the Group acquired controlling equity interests of several individually immaterial subsidiaries at a total consideration of approximately RMB1,571,903,000. These companies did not operate any business prior to the acquisitions and only had properties under development and, prepayments for proposed development projects. Therefore, the Group considered this would be an acquisition of assets in substance and as a result the difference between the purchase consideration paid and the net assets acquired would be recognised as adjustments to the carrying value of properties under development and, prepayments for proposed development project.

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

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

	2018 RMB'000
Property, plant and equipment (note 15)	11,107
Properties under development	3,295,976
Prepayment for proposed development projects	1,270,974
Debtors, deposits and other receivables	441,746
Prepaid taxes	1,947
Cash and bank balances	46,385
Accrued construction costs	(32,302)
Borrowings	(540,000)
Other payables	(2,752,411)
Net assets	1,743,422
Less: non-controlling interests	(171,519)
Net assets acquired	1,571,903
Total purchase consideration:	
– settled in cash during the year	999,558
– payable	572,345
	1,571,903
Purchase consideration settled in cash	999,558
Cash and bank balances in subsidiaries acquired	(46,385)
Cash outflow on acquisition of subsidiaries	953,173

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. ACQUISITIONS OF SUBSIDIARIES (Continued)

(a) Acquisitions of assets (Continued)

During the year ended 31 December 2017, the Group acquired controlling equity interests of several individually immaterial subsidiaries at a total consideration of approximately RMB6,318,309,000. These companies did not operate any business prior to the acquisitions and only had property, plant and equipment, investments in associates, properties under development, prepayments for proposed development projects, and deposits for land acquisitions. Therefore, the Group considered this would be an acquisitions of assets in substance and the difference between the purchase consideration paid and the net assets acquired would be recognised as adjustments to the carrying value of property, plant and equipment, investments in associates, properties under development, prepayments for proposed development project and deposits for land acquisitions.

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

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

	2017 RMB'000
Property, plant and equipment (note 15)	326,056
Investments in associates	291,406
Properties under development	4,763,197
Deposits for land acquisition	2,024,550
Prepayment for proposed development projects	2,641,487
Debtors, deposits and other receivables	1,760,315
Prepaid taxes	529
Cash and bank balances	330,963
Accrued construction costs	(7,274)
Borrowings	(549,836)
Other payables	(4,950,952)
Net assets	6,630,441
Less: non-controlling interests	(312,132)
Net assets acquired	6,318,309
Total purchase consideration:	
– settled in cash during the year	3,785,647
– payable	2,532,662
	6,318,309
Purchase consideration settled in cash	3,785,647
Cash and bank balances in subsidiaries acquired	(330,963)
Cash outflow on acquisitions of subsidiaries	3,454,684

39. ACQUISITIONS OF SUBSIDIARIES (Continued)

(a) Acquisitions of assets (Continued)

Acquisition of Guangzhou International Toys and Gift City Co., Ltd.* ("Guangzhou Toys")

On 30 March 2017, the Group acquired 90% equity interest of Guangzhou Toys at a cash consideration of RMB885,146,000. Guangzhou Toys mainly owns properties under development and completed properties held for sales, and operates property development before they were acquired by the Group. The purpose of the acquisition was mainly for acquiring the land for future development, while the property development was insignificant to the Group. Thus, the directors are of the view that the acquisition is treated as acquisition of properties under development in substance.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Details of the aggregate fair values of the identifiable assets and liabilities of Guangzhou Toys as at the date of acquisition are as follows:

	2017 RMB'000
Property, plant and equipment (note 15)	422
Properties under development	3,054,585
Debtors, deposits and other receivables	142,527
Cash and bank balances	177
Accrued construction costs	(2,588)
Other payables	(2,211,627)
Net assets	983,496
Less: non-controlling interests	(98,350)
Net assets acquired	885,146
Purchase consideration settled in cash	885,146
Cash and bank balances in subsidiary acquired	(177)
Cash outflow on acquisition of a subsidiary	884,969

39. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses

Acquisition of Xinghai Tea Co., Ltd.* ("Xinghai Tea")

On 27 January 2018, the Group acquired 80% equity interest in Xinghai Tea from third parties at a total cash consideration of RMB4,800,000 to diversify its business. Xinghai Tea is principally engaged in trading of tea leaf. Thus, the Directors of the Company are of the view that the acquisition constitutes an acquisition of business.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Details of the aggregate fair values of the identifiable assets and liabilities of Xinghai Tea as at the date of acquisition are as follows:

	2018 RMB'000
Inventories	**655**
Debtors, deposits and other receivables	**8,301**
Cash and bank balances	**128**
Borrowings	**(2,900)**
Other payables	**(184)**
Total identifiable net assets at fair value	**6,000**
Less: non-controlling interests	**(1,200)**
Identifiable net assets acquired	**4,800**
Total purchase consideration:	
– Payable	**4,800**
Purchase consideration settled in cash	**–**
Cash and bank balances in a subsidiary acquired	**(128)**
Cash inflow on acquisition of a subsidiary	**(128)**

Xinghai Tea contributed total revenue of approximately RMB21,526,000 and net loss of approximately RMB1,950,000 to the Group for the period from the acquisition date to 31 December 2018. Had Xinghai Tea been consolidated from 1 January 2018, the consolidated statement of profit or loss and other comprehensive income would show the increase in pro-forma revenue by approximately RMB1,720,000 and the increase in pro-forma loss for the year by approximately RMB156,000.

39. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisition of Beijing Haili Insurance Broker Co., Ltd.* ("Beijing Haili")

On 4 January 2018, the Group acquired 100% equity interest in the Beijing Haili at a cash consideration of RMB19,500,000 to diversify its business. Beijing Haili is principally engaged in insurance operation. Thus, the Directors of the Company are of the view that the acquisition constitutes an acquisition of business.

Details of the aggregate fair values of the identifiable assets and liabilities of Beijing Haili as at the date of acquisition are as follows:

	2018 RMB'000
Debtors deposits and Other receivables	**19,568**
Cash and bank balances	**1,097**
Other payables	**(1,165)**
Total identifiable net assets at fair value	**19,500**
Net assets acquired	**19,500**
Purchase consideration settled in cash	**19,500**
Cash and bank balances in a subsidiary acquired	**(1,097)**
Cash outflow on acquisition of a subsidiary	**18,403**

Beijing Haili contributed total revenue of approximately RMB17,570,000 and net loss of approximately RMB1,097,000 to the Group for the period from the acquisition date to 31 December 2018. Had Beijing Haili been consolidated from 1 January 2018, the consolidated statement of profit or loss and other comprehensive income would show the increase in pro-forma revenue by approximately RMB195,000 and the increase in pro-forma loss for the year by approximately RMB12,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisition of Guangzhou Mosi Culture Development Co., Ltd.* ("Guangzhou Mosi")

On 11 January 2018, the Group acquired 80% equity interest in Guangzhou Mosi at a cash consideration of RMB1 to diversify its business. Guangzhou Mosi is principally engaged in operating a cafe. Thus, the Directors of the Company are of the view that the acquisition constitutes an acquisition of business.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Details of the aggregate fair values of the identifiable assets and liabilities of Guangzhou Mosi as at the date of acquisition are as follows:

	2018 RMB'000
Property, plant and equipment (note 15)	**346**
Inventories	**60**
Debtors, deposit and other receivables	**545**
Cash and bank balances	**4**
Other payables	**(955)**
Total identifiable net assets at fair value	**–**
Less: non-controlling interests	**–**
Identifiable net assets acquired	**–**
Purchase consideration settled in cash	**–**
Cash and bank balances in a subsidiary acquired	**(4)**
Cash inflow on acquisition of the subsidiary	**(4)**

Guangzhou Mosi contributed total revenue of approximately RMB1,517,000 and net loss of approximately RMB4,293,000 to the Group for the period from the acquisition date to 31 December 2018. Had Guangzhou Mosi been consolidated from 1 January 2018, the consolidated statement of profit or loss and other comprehensive income would show the increase in pro-forma revenue by approximately RMB47,000 and the increase in pro-forma loss for the year by approximately RMB133,000.

39. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisition of Kaisa Health Group

On 13 November 2017, Kaisa Health Group completed a right issue, enable the Group obtained the effective control over Kaisa Health Group, and became a subsidiary of the Group. The Group considers that the step acquisition provides a good opportunity to diversify the Group's business risk. The results of Kaisa Health Group is consolidated into the Group's financial statements commencing from the acquisition date (i.e. 13 November 2017).

The Group accordingly remeasured the fair value of its pre-existing interest in Kaisa Health Group at the date of completion and recognised the resulting loss of RMB146,258,000 on the remeasurement of the Group's pre-existing interest in Kaisa Health Group to acquisition date fair value.

Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the business acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose. The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Details of the carrying value and fair value of the Group's pre-existing interest in Kaisa Health Group at the acquisition date are summarised as follows:

	2017 RMB'000
Share of net assets	381,376
Less: Fair value of pre-existing interest	(235,118)
Loss on step acquisition of a subsidiary	146,258

39. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisition of Kaisa Health Group (Continued)

Details of the aggregate fair values of the identifiable assets and liabilities of Kaisa Health Group as at the date of acquisition are as follows:

	2017 RMB'000
Property, plant and equipment (note 15)	11,943
Intangible assets (note 21)	589,140
Convertible bonds receivable (note 22)	39,794
Inventories	2,936
Debtors, deposits and other receivables	113,529
Cash and bank balances	460,066
Other payables	(35,642)
Deferred tax liabilities (note 33)	(99,269)
Total identifiable net assets at fair value	1,082,497
Less: non-controlling interests	(636,075)
	446,422
Goodwill (note 21)	203,931
	650,353
Satisfied by:	
– Cash	415,235
– Fair value of pre-existing interest	235,118
	650,353
Purchase consideration settled in cash	415,235
Cash and bank balances in a subsidiary acquired	(460,066)
Cash inflow on acquisition of a subsidiary	(44,831)

Since the completion of step acquisition of Kaisa Health Group, Kaisa Health Group contributed total revenue of RMB15,123,000 and net loss of RMB3,831,000 included in the consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2017. Had the step acquisition of Kaisa Health Group been consolidated from 1 January 2017, the consolidated statement of profit or loss and other comprehensive income would show the increase in pro-forma revenue and profit for the year by RMB195,038,000 and RMB2,327,000, respectively.

39. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisition of Fujian Jianke Insurance Brokers Co. Ltd.*("Fujian Jianke")

On 29 September 2017, the Group acquired 84% equity interest in Fujian Jianke at a cash consideration of RMB8,400,000 to diversify its business. Fujian Jianke is principally engaged in insurance operation. Thus, the Directors of the Company are of the view that the acquisition constitutes acquisition of business.

Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the business acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The identifiable assets and liabilities arising from the acquisition are as follows:

	2017 RMB'000
Debtors, deposit and other receivables	1,323
Prepaid taxes	61
Cash and bank balances	5,685
Total identifiable net assets at fair value	7,069
Less: non-controlling interests	(1,131)
Net assets acquired	5,938
Goodwill (note 21)	2,462
Total purchase consideration	8,400
Total purchase consideration:	
– settled in cash during the year	6,400
– payable	2,000
	8,400
Purchase consideration settled in cash	6,400
Cash and bank balances in a subsidiary acquired	(5,685)
Cash outflow on acquisition of the subsidiary	715

Fujian Jianke contributed total revenue of RMB152,000 and net loss of RMB54,000 to the Group for the period from the acquisition date to 31 December 2017. Had Fujian Jianke been consolidated from 1 January 2017, the consolidated statement of profit or loss and other comprehensive income would show the increase in pro-forma revenue by RMB598,000 and the decrease in pro-forma profit for the year by RMB211,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisition of Shenzhen Qijia Internet Technology Co. Ltd.*("Qijia")

On 31 December 2017, the Group acquired an additional equity interest of Qijia at the consideration of RMB5,382,000. Qijia was previously an associate of the Group. After the additional acquisition, the Group has 92.26% effective equity interest in Qijia.

The Group accordingly remeasured the fair value of its pre-existing interest in Qijia at the date of completion and recognised the resulting gain of RMB429,000 on the remeasurement of the Group's pre-existing interest in Qijia to acquisition date fair value.

Goodwill arose because the consideration paid included amounts in relation to the future market development of the business acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Details of the carrying value and fair value of the Group's pre-existing interest in Qijia at the acquisition date are summarised as follows:

	2017 RMB'000
Share of net assets	7
Less: Fair value of pre-existing interest	(436)
Gain on deemed disposal of an associate (note 8)	(429)

39. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisition of Shenzhen Qijia Internet Technology Co. Ltd.*("Qijia") (Continued)

Details of the aggregate fair values of the identifiable assets and liabilities of Qijia as at the date of acquisition are as follows:

	2017 RMB'000
Property, plant and equipment (note 15)	197
Intangible assets – other (note 21)	7,895
Debtors, deposits and other receivables	571
Cash and bank balances	122
Advance deposits received from customers and deposits received	(810)
Accrued construction costs	(54)
Other payables	(6,175)
Total identifiable net assets at fair value	1,746
Less: non-controlling interests	(135)
	1,611
Goodwill (note 21)	4,207
	5,818
Satisfied by:	
Cash	5,382
Fair value of pre-existing interest	436
	5,818
Purchase consideration settled in cash	5,382
Cash and bank balances in a subsidiary acquired	(122)
Cash outflow on acquisition of a subsidiary	5,260

Qijia contributed total revenue of nil and net loss of nil to the Group for the period from the acquisition date to 31 December 2017. Had Qijia been consolidated from 1 January 2017, the consolidated statement of profit or loss and other comprehensive income would show the increase in pro-forma revenue by RMB1,344,000 and the decrease in pro-forma profit for the year by RMB7,795,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisition of Hunan Ding Cheng Da Real Estate Development Co., Ltd.*("Ding Cheng Da")

On 22 December 2017, the Group acquired 100% equity interest of Ding Cheng Da at a cash consideration of RMB235,047,000. Ding Cheng Da is principally engaged in property development. Thus, the directors of the Company are of the view that the acquisition constitutes acquisition of business.

Details of the aggregate fair values of the identifiable assets and liabilities of Ding Cheng Da as at the date of acquisition are as follows:

	2017 RMB'000
Property, plant and equipment (note 15)	123
Properties under development	878,683
Completed properties held for sales	208,957
Debtors, deposits and other receivables	74,408
Prepaid taxes	25,499
Cash and bank balances	232,723
Advance proceeds received from customers and deposits received	(56,337)
Accrued construction costs	(80,328)
Borrowings	(801,550)
Other payables	(212,742)
Deferred tax liabilities (note 33)	(34,389)
Net assets acquired	235,047
Purchase consideration settled in cash	235,047
Cash and bank balances in subsidiary acquired	(232,723)
Cash outflow on acquisitions of subsidiary	2,324

Ding Cheng Da contributed net profit of RMB4,289,000 to the Group for the period from the acquisition date to 31 December 2017. Has Ding Cheng Da been consolidated from 1 January 2017, the consolidated statement of profit or loss and other comprehensive income would show the increase in pro-forma revenue and profit for the year by RMB121,490,000 and RMB29,601,000, respectively.

39. ACQUISITIONS OF SUBSIDIARIES (Continued)

(c) Acquisition through capital injection

Capital injection in Hengyang Heng Ji Real Estate Co., Ltd.* ("Hengyang Heng Ji") and Chengdu Huaguan Ke Heng Technology Co., Ltd.* ("Chengdu Huaguan")

During the year ended 31 December 2018, the Group entered into cooperation agreements with other investors that the Group injected RMB41,600,000 and RMB20,816,000 to Hengyang Heng Ji and Chengdu Huaguan, which are controlled by independent third parties before the capital injection by the Group, respectively to obtain 51% and 51% equity interests in these two companies respectively.

According to the Hengyang Heng Ji's and Chengdu Huaguan's cooperation agreement, the Group is entitled to appoint four directors of Hengyang Heng Ji's board of directors out of a total of five whereas the Group is entitled to appoint two directors of Chengdu Huaguan's board of directors out of a total of three. In the view of the Group, the Group can operate the investees and direct all the relevant financing and operating decisions relating to daily investment activities for the investee by simple majority votes. Accordingly, the investees are classified as subsidiaries of the Group.

Hengyang Heng Ji and Chengdu Huaguan had properties under development and deposits for land acquisitions respectively hence the Group considered this would be acquisitions of assets in substance.

Details of the aggregate fair values of the identifiable assets and liabilities of Hengyang Heng Ji and Chengdu Huaguan as at the date of acquisitions through capital injection are as follows:

	2018 RMB'000
Property, plant and equipment (note 15)	**44**
Properties under development	**12,658**
Deposits for land acquisitions	**168**
Debtors, deposits and other receivables	**81,365**
Cash and bank balances	**344**
Borrowings	**(4,000)**
Other payables	**(90,579)**
Net assets acquired through capital injection	**–**
Cash inflow on acquisition of subsidiaries through capital injection	**(344)**

40. DEEMED DISPOSALS OF SUBSIDIARIES

During the year ended 31 December 2018, the Group entered into cooperation agreements with a number of investors in which those investors would inject capital to certain subsidiaries operating in Guangzhou region.

Upon the capital injection by the investors, the Group's effective equity interests in these subsidiaries have been diluted from 100% to 49%. These subsidiaries were engaged in investment holding, property developments, holding property development projects located in Guangzhou. Upon completion of the deemed disposal, these companies ceased to be subsidiaries of the Group and were then accounted for as associates of the Group using equity method. The fair value of the retained interests in these companies at the date on which the control was lost is regarded as the cost on initial recognition of the investments in associates.

The following table summarises the net liabilities of the subsidiaries disposed of during the year and the financial impacts are summarised as follows:

	2018 RMB'000
Net assets/(liabilities) disposed of:	
Property, plant and equipment (note 15)	1,039
Financial assets at fair value through profit or loss	3,300
Deferred tax assets (note 33)	7,454
Properties under development	14,235,229
Completed properties held for sale	3,620,253
Prepayments for proposed development projects	68,286
Debtors, deposits and other receivables	2,028,459
Cash and bank balances	2,452,320
Contract liabilities (note 30)	(5,922,487)
Accrued construction costs	(3,014,944)
Income tax payable	(258,515)
Borrowings	(9,632,137)
Other payables	(4,839,264)
	(1,251,007)
Non-controlling interests	(91,554)
Net liabilities disposed of	(1,342,561)
Net gain on deemed disposals of subsidiaries	1,342,561
	–
Satisfied by:	
Fair value of the 49% equity interest in associates	–
Net cash outflow arising on deemed disposal:	
Cash and bank balances disposal of	(2,452,320)

Note: The fair value was determined by management with reference to the valuation report for the underlying assets. The remaining interests held by the Group is measured at fair value at the date the Group lost control over these certain companies.

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

40. DEEMED DISPOSALS OF SUBSIDIARIES (Continued)

During the year ended 31 December 2018, the Group entered into capital injection agreements with investors in which those investors would injected capital to certain subsidiaries.

Upon the capital injection by the investors, the Group's equity interests in the subsidiaries have been diluted from 100% to 45% or from 100% to 50%. These subsidiaries were engaged in property developments and had prepayments for proposed development projects located in Shenzhen. Upon completion of the deemed disposals, these companies ceased to be subsidiaries of the Group and were then accounted for as joint ventures of the Group using equity method. The fair value of the retained interests in these companies at the date on which the control was lost is regarded as the cost on initial recognition of the investments in joint ventures.

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

	2018 RMB'000
Net assets/(liabilities) disposed of:	
Property, plant and equipment (note 15)	**68**
Prepayments for proposed development projects	**31,360**
Debtors, deposits and other receivables	**188,061**
Cash and bank balances	**120,121**
Other payables	**(340,982)**
Net liabilities disposed of	**(1,372)**
Net gain on deemed disposals of subsidiaries	**1,570,032**
	1,568,660
Satisfied by:	
Fair values of the equity interests in joint ventures (note 18(b))	**1,568,660**
Net cash outflow arising on deemed disposal:	
Cash and bank balances disposal of	**(120,121)**

Note: The fair values were determined by management with reference to the valuation reports for the underlying assets. The remaining interests held by the Group is measured at fair value at the date the Group lost control over these certain companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. SHARE OPTION

Share Option Scheme

Pursuant to the shareholders' resolution passed on 22 November 2009, a post-IPO share option scheme (the "Share Option Scheme") was conditionally adopted. Pursuant to the terms of the Share Option Scheme, the Company may grant options at its discretion, to any eligible person (including directors, employees, officers of any member of the Group, advisers, consultants, suppliers, agents and customers of any members of the Group). The maximum number of shares which may be issued upon exercise of all options (the "Share Option") granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company's shares in issue from time to time.

No options may be granted under the Share Option Scheme after 10 years since the adoption. The vesting periods, exercise periods and vesting conditions may be specified by the Company at the time of the grant, and the options expire no later than 10 years from the relevant date of grant. The exercise price of the option under the Share Option Scheme shall be no less than the highest of (i) the official closing price of the Company's shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average of the official closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; (iii) the nominal value of a share of the Company.

Details of the movement of the share options under Share Option Scheme are as follows:

	2018		2017	
	Weighted average exercise price in HK$ per share	**Number**	Weighted average exercise price in HK$ per share	Number
At 1 January	**3.339**	**470,514,000**	1.908	162,498,000
Granted during the year	**4.354**	**63,000,000**	3.785	362,300,000
Exercised during the year (note 34)	**1.576**	**(5,284,000)**	1.773	(44,176,000)
Lapsed during the year	**3.465**	**(11,474,000)**	3.183	(10,108,000)
At 31 December	**3.478**	**516,756,000**	3.339	470,514,000

As at 31 December 2018, 178,156,000 (2017: 114,114,000) outstanding options granted under the Share Option Scheme were exercisable (note).

41. SHARE OPTION (Continued)

Share Option Scheme (Continued)

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

Exercised period	Vesting period	Exercise price per share HK$	Number of share options 2018	2017
10/6/2010-24/4/2022	9/12/2009-9/6/2010	3.105	**5,350,000**	5,350,000
30/3/2011-24/4/2022	9/12/2009-29/3/2011	3.105	**8,250,000**	8,250,000
24/4/2012-24/4/2022	9/12/2009-23/4/2012	3.105	**8,500,000**	8,500,000
23/7/2011-22/7/2020	23/7/2011-22/7/2011	2.000	**3,360,000**	3,520,000
23/7/2012-22/7/2020	23/7/2012-22/7/2012	2.000	**3,360,000**	3,520,000
23/7/2013-22/7/2020	23/7/2013-22/7/2013	2.000	**3,560,000**	3,720,000
23/7/2014-22/7/2020	23/7/2014-22/7/2014	2.000	**4,160,000**	4,320,000
23/7/2015-22/7/2020	23/7/2015-22/7/2015	2.000	**8,977,000**	9,137,000
6/6/2013-5/6/2022	6/6/2013-5/6/2014	1.500	**4,168,000**	4,324,000
6/6/2014-5/6/2022	6/6/2014-5/6/2015	1.500	**5,370,000**	5,468,000
6/6/2015-5/6/2022	6/6/2015-5/6/2016	1.500	**15,923,000**	17,847,000
6/6/2016-5/6/2022	6/6/2016-5/6/2017	1.500	**16,816,000**	18,258,000
6/6/2017-5/6/2022	6/6/2017-5/6/2018	1.500	**16,962,000**	18,300,000
21/2/2015-20/2/2024	21/2/2015-20/2/2016	2.610	**1,200,000**	1,200,000
21/2/2016-20/2/2024	21/2/2016-20/2/2017	2.610	**1,200,000**	1,200,000
21/2/2017-20/2/2024	21/2/2017-20/2/2018	2.610	**1,200,000**	1,200,000
21/2/2018-20/2/2024	21/2/2018-20/2/2019	2.610	**1,200,000**	1,200,000
21/2/2019-20/2/2024	21/2/2019-20/2/2020	2.610	**1,200,000**	1,200,000
19/7/2018-18/7/2027	19/7/2018-18/7/2019	3.550	**59,000,000**	61,200,000
19/7/2019-18/7/2027	19/7/2019-18/7/2020	3.550	**59,000,000**	61,200,000
19/7/2020-18/7/2027	19/7/2020-18/7/2021	3.550	**59,000,000**	61,200,000
19/7/2021-18/7/2027	19/7/2021-18/7/2022	3.550	**118,000,000**	122,400,000
22/9/2018-21/9/2027	22/9/2018-21/9/2019	6.660	**4,000,000**	4,000,000
22/9/2019-21/9/2027	22/9/2019-21/9/2020	6.660	**4,000,000**	4,000,000
22/9/2020-21/9/2027	22/9/2020-21/9/2021	6.660	**4,000,000**	4,000,000
22/9/2021-21/9/2027	22/9/2021-21/9/2022	6.660	**8,000,000**	8,000,000
29/11/2018-28/11/2027	29/11/2018-28/11/2019	4.370	**5,600,000**	5,600,000
29/11/2019-28/11/2027	29/11/2019-28/11/2020	4.370	**5,600,000**	5,600,000
29/11/2020-28/11/2027	29/11/2020-28/11/2021	4.370	**5,600,000**	5,600,000
29/11/2021-28/11/2027	29/11/2021-28/11/2022	4.370	**11,200,000**	11,200,000
3/4/2019-2/4/2028	3/4/2019-2/4/2020	4.320	**4,000,000**	–
3/4/2020-2/4/2028	3/4/2020-2/4/2021	4.320	**4,000,000**	–
3/4/2021-2/4/2028	3/4/2021-2/4/2022	4.320	**4,000,000**	–
3/4/2022-2/4/2028	3/4/2022-2/4/2023	4.320	**8,000,000**	–
12/6/2019-11/6/2028	12/6/2019-11/6/2020	4.370	**8,600,000**	–
12/6/2020-11/6/2028	12/6/2020-11/6/2021	4.370	**8,600,000**	–
12/6/2021-11/6/2028	12/6/2021-11/6/2022	4.370	**8,600,000**	–
12/6/2022-11/6/2028	12/6/2022-11/6/2023	4.370	**17,200,000**	–
			516,756,000	470,514,000

The Company offered to grant several directors and employees (the "July 2010 Grant") of 179,750,000 share options of HK$0.10 each in the capital of the Company on 23 July 2010.

On 6 June 2012, the Company further offered to grant several directors and employees (the "June 2012 Grant") of 326,790,000 share options respectively of HK$0.10 each in the capital of the Company.

During the year ended 31 December 2014, the Company offered to grant an employee and a consultant (the "February 2014 Grant") total of 11,000,000 share options and an employee (the "August 2014 Grant") total of 3,000,000 share option respectively of HK$0.10 each in the capital of the Company on 21 February 2014 and 21 August 2014 respectively.

41. SHARE OPTION (Continued)

Share Option Scheme (Continued)

On 19 July 2017, the Company offered to grant to the directors of the Company and certain employees of the Company and its subsidiaries (the "July 2017 Grant") of 64,000,000 and 250,300,000 share options respectively, of HK$0.1 each in the capital of the Company. The Company further granted a director of the Company (the "September 2017 Grant") and (the "November 2017 Grant") of 20,000,000 and 28,000,000 shares options on 22 September 2017 and 29 November 2017 respectively of HK$0.1 each in the capital of the Company.

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

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

	March 2010 Grant	July 2010 Grant	June 2012 Grant	February 2014 Grant	August 2014 Grant	July 2017 Grant	September 2017 Grant	November 2017 Grant	April 2018 Grant	June 2018 Grant
Fair value under binomial option pricing model (HK'000)	22,355	142,362	198,688	8,514	2,592	543,168	68,887	61,987	37,218	77,023
Closing share price at grant date	HK$2.56	HK$1.71	HK$1.39	HK$2.60	HK$2.83	HK$3.55	HK$6.66	HK$4.26	HK$4.31	HK$4.35
Exercise price	HK$3.105	HK$2.00	HK$1.50	HK$2.61	HK$2.84	HK$3.55	HK$6.66	HK$4.37	HK$4.32	HK$4.37
Annual risk free interest rate	1.82%-2.33%	2.29%	1.04%	2.30%	1.94%	2.05%	2.01%	2.23%	2.64%	2.94%
Expected volatility	40%	40%	44%	45%	43%	42%	43%	44%	44%	44%
Expected option life	5-7 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Expected dividend yield	Nil	Nil	Nil	6.0%	5.0%	Nil	Nil	Nil	2.5%	2.5%

Expected volatility was determined by using the historical volatility of the Company's share price from the listing date to the grant date. The risk-free interest rate is equal to Hong Kong Dollar swap rate over the exercise period at the grant date.

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised a share option expense of RMB260,612,000 (2017: RMB141,281,000) during the year ended 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per consolidated statement of financial position

	2018 RMB'000	2017 RMB'000
Financial assets at amortised cost		
Debtors, deposits and other receivables, excluding prepayments and prepaid other taxes	**18,196,025**	–
Long-term bank deposits (note 29)	**400,000**	–
Restricted cash (note 28)	**6,792,292**	–
Short-term bank deposits (note 29)	**252,718**	–
Cash and bank balances (note 29)	**15,479,139**	–
Loans and receivables		
Debtors, deposits and other receivables, excluding prepayments and prepaid other taxes	–	11,122,965
Restricted cash (note 28)	–	7,939,574
Short-term bank deposits (note 29)	–	1,232,206
Cash and bank balances (note 29)	–	11,998,423
	41,120,174	32,293,168
Available-for-sale financial assets (note 19)	–	4,400,796
Financial assets at fair value through profit or loss (note 20)	**6,895,826**	96,467

Liabilities as per consolidated statement of financial position

	2018 RMB'000	2017 RMB'000
Financial liabilities at amortised cost		
Accrued construction costs	**12,599,547**	15,170,791
Borrowings (note 31)	**108,765,952**	111,173,187
Other payables, excluding deed tax and other tax payables	**19,039,975**	16,521,886
	140,405,474	142,865,864

43. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Controlling shareholder

Mr. Kwok Ying Shing

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. RELATED PARTY TRANSACTIONS (Continued)

(a) Name and relationship with related parties (Continued)

Associates

Guangdong Kaisa Jiayun Technology Co., Ltd.* (formerly known as "Guangdong Mingjia Lianhe Mobile Technology Co., Ltd."*) ("廣東佳兆業佳雲科技股份有限公司，前稱廣東明家聯合移動科技股份有限公司")
Guan Kongqueting Real Estate Development Co., Ltd.* ("固安孔雀亭房地產開發有限公司")
Kaisa United Financial (Beijing) Co., Ltd.* ("佳兆業聯合金控(北京)有限公司")
Shenzhen Qianhai Gold – Earth Wealth Management Co., Ltd.* ("深圳前海金土財富管理有限公司")
Guangdong Kaisa Property Development Co., Ltd and its subsidiaries ("廣東佳兆業房地產開發有限公司及其附屬公司")
Shenzhen Longcheng Plaza Property Development Co., Ltd.* ("深圳市龍城廣場房地產開發有限公司")
Shenzhen Shenxin Chanye Holding Co., Ltd.* (formerly known as "Shenzhen Shenxin Financial Holding Co., Ltd."*) ("深圳深信產業控股有限公司，前稱深圳深信金融控股有限公司")
Shenzhen Shenxin Financial Services Co., Ltd.* ("深圳深信金融服務有限公司")
Shenzhen Shenxin Capital Management Co., Ltd.* ("深圳市深信資本管理有限公司")
Shenzhen Tianjia Industrial Development Co., Ltd.*("深圳市天佳實業發展有限公司")
E zhou Liangtai Real Estate Co., Ltd. *("鄂州梁泰地產有限公司")
Wuhan City Quan Hai Ji Xing Agricultural Products Logistics Co., Ltd. *("武漢城市圈海吉星農產品物流有限公司")
Lejie Electronic Products (Shenzhen) Co., Ltd. *("樂捷電子產品(深圳)有限公司")

Joint ventures

Guangzhou Nantian Company Limited* ("廣州南天商業大廣場建設發展有限公司")
Holy Joint Management Consultants Limited* ("浩霖管理顧問有限公司")
Huizhou City Kaileju Company Limited* ("惠州市愷樂居置業有限公司")
Shenzhen Jiaxian Property Development Co., Ltd.* ("深圳市佳賢置業發展有限公司")
Shenzhen Ligao Property Development Company Limited* ("深圳力高宏業地產開發有限公司")
Shenzhen Jiademeihuan Traveling Development Co., Limited* ("深圳市佳德美奐旅遊開發有限公司"), Shenzhen Jiafu East Tourism Development Co., Ltd.* ("深圳市佳富東部旅遊開發有限公司"), Shenzhen Zhaofude Tourism Development Co., Ltd.* ("深圳市兆富德旅遊開發有限公司") together named as JVs for Dapeng Xiasha Development Project* ("大鵬下沙合營發展項目")
Shenzhen Tiandi Tongchang Investment Development Co., Ltd.* ("深圳市天地同昌投資發展有限公司")
Shenzhen Longhua Kaisa Property Development Company Limited* ("深圳市龍華佳兆業置業發展有限公司")
Shenzhen Gongming Kaisa Property Development Company Limited* ("深圳市公明佳兆業置業發展有限公司")
Shenzhen Mingyang Kaisa Development Co., Ltd. * ("深圳市銘揚佳兆業實業發展有限公司")
Shenzhen Kaisa Xinxiu City Geng Xin Co., Ltd. * ("深圳市佳兆業新秀城市更新有限公司")
Shenzhen Baoan Kaisa Real Estate Development Co., Ltd. * ("深圳市寶安佳兆業房地產開發有限公司")
Guangdong Jiasheng Property Development Co., Ltd. * ("廣東佳盛房地產開發有限公司")

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

(b) Key management compensation

	2018 RMB'000	2017 RMB'000
Salaries and other short-term employee benefits	**129,800**	174,864
Discretionary bonuses	**3,259**	–
Retirement scheme contributions	**700**	453
Share-based payments	**151,773**	48,293
	285,532	223,610

43. RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions

	Notes	2018 RMB'000	2017 RMB'000
Advertising income received from an associate		**9,434**	9,434
Property management fee income received from an associate		**9,170**	–
Advisory income received from a joint venture		**–**	15,727
Financial advisory fees paid to an associate		**74,551**	8,411
Interest income received from associates	i	**3,535**	32,067
Interest expense paid to a related company	ii	**29,852**	439,252
Interest expense paid to an associate	iii	**54,273**	21,858
Rental expenses paid to a controlling shareholder	iv	**1,140**	1,071

Note:

(i) Interest income was charged at interest rate of 12.0% (2017: 12.0%) per annum on amounts due to associates.

(ii) Interest expense was charged at interest rate of 12.0% (2017: 12.0%) per annum on loan from a related company.

(iii) Interest expense was charged at interest rates ranging from 4.35% to 14.0% (2017: 4.35% to 12.5%) per annum on loans from associates.

(iv) This represents payment of rental expense for various office premises to a controlling shareholder, Mr. Kwok Ying Shing. The rental expense paid during the year was determined at prevailing market rate of respective office premise.

(d) Balances with related parties

	2018 RMB'000	2017 RMB'000
Loans from associates (note 31(e))	**(1,240,550)**	(1,227,200)
Loan from a related company (note 31(d))	**(108,781)**	(108,781)
Advertising income from an associate	**–**	9,000
Advisory income from a joint venture	**–**	13,337
Prepaid financial advisory fee to an associate – included in prepayments	**153,253**	–
Amounts due from associates (note 25)	**4,045,190**	20,498
Amounts due from joint ventures (note 25)	**891,612**	879,210
Amounts due to associates (note 32)	**(1,018,000)**	(925,721)
Amounts due to joint ventures (note 32)	**(2,246,498)**	–
Interest payable to a related company – included in accrued interest in other payables	**(235,535)**	(205,683)

44. EVENTS AFTER REPORTING PERIOD

1. On 28 December 2018, the Company has entered into a placing agency and subscription agreement pursuant to which the Group has engaged the placing agent as with the placement for the convertible bonds in an aggregate principal amount of USD100,000,000 (equivalent to approximately RMB686,320,000) due 2021. The convertible bonds were issued on 14 January 2019.

2. On 19 February 2019, the Company issued Senior Notes with a principal amount of USD400,000,000 (approximately RMB2,745,280,000) due 2021. The Senior Notes are interest-bearing at 11.75% per annum which is payable semi-annually in arrears. The maturity date of the Senior Notes is 26 February 2021.

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

Statement of financial position of the Company as at 31 December 2018

	2018 RMB'000	2017 RMB'000
Non-current assets		
Investments in subsidiaries	**43,543,979**	38,897,195
Financial assets at fair value through profit or loss	**1,008,181**	–
Available-for-sale financial assets	**–**	218,067
	44,552,160	39,115,262
Current assets		
Financial assets at fair value through profit or loss	**6,637**	–
Deposits and other receivables	**2,075,346**	2,005,175
Cash and bank balances	**179,307**	1,244,328
	2,261,290	3,249,503
Current liabilities		
Borrowings	**3,409,648**	835,900
Other payables	**197,948**	44,905
	3,607,596	880,805
Net current (liabilities)/assets	**(1,346,306)**	2,368,698
Total assets less current liabilities	**43,205,854**	41,483,960
Non-current liability		
Borrowings	**38,270,346**	34,752,933
Net assets	**4,933,508**	6,731,027
EQUITY		
Share capital (note 34)	**533,389**	532,865
Share premium (note 34)	**6,168,607**	6,913,069
Reserves (note (a))	**(1,766,488)**	(714,907)
Total equity	**4,933,508**	6,731,027

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

Kwok Ying Shing
Director

Mai Fan
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Note (a) Reserve movement of the Company

	Share option reserve RMB'000 (note 35(c))	Retained earnings/ (Accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2017	54,369	202,711	257,080
Loss and total comprehensive loss for the year	–	(1,087,716)	(1,087,716)
Issue of shares upon exercise of share options	(25,552)	–	(25,552)
Share-based payment	141,281	–	141,281
Share options lapsed	(2,126)	2,126	–
Balance at 31 December 2017 and 1 January 2018	167,972	(882,879)	(714,907)
Adjustment on adoption of HKFRS 9 , net of tax	–	(40,104)	(40,104)
Restated balance as at 1 January 2018	**167,972**	**(922,983)**	**(755,011)**
Loss and total comprehensive loss for the year	–	(1,257,647)	(1,257,647)
Issue of shares upon exercise of share options	(2,727)	–	(2,727)
Share-based payment	257,263	–	257,263
Share options lapsed	(8,366)	–	(8,366)
Balance at 31 December 2018	**414,142**	**(2,180,630)**	**(1,766,488)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Jinsheng Engineering Management Consulting (Shenzhen) Co., Ltd. 今盛工程管理諮詢(深圳)有限公司	the PRC, 27 July 2001	HK$714,000,000	**100%**	100%	Property development
Kaisa Urban Redevelopment Group (Shenzhen) Co., Ltd. 佳兆業城市更新集團 (深圳) 有限公司	the PRC, 26 March 2004	RMB10,000,000	**100%**	100%	Property development
Kaisa Group (Shenzhen) Co., Ltd. 佳兆業集團(深圳)有限公司	the PRC, 3 June 1999	RMB2,826,163,980	**100%**	100%	Property development
Shenzhen Naiao Kaisa Property Development Co., Ltd. 深圳市南澳佳兆業房地產開發有限公司	the PRC, 15 February 2004	RMB640,000,000	**100%**	100%	Property development
Huizhou Canrong Property Ltd 惠州燦榮房產有限公司	the PRC, 14 January 1994	RMB35,926,506	**100%**	100%	Property development
Woodland Height Property (Yingkou) Co., Ltd 桂芳園地產(營口)有限公司	the PRC, 14 December 2010	RMB495,750,000	**100%**	100%	Property development
Kaisa Property (Yingkou) Co., Ltd. 佳兆業地產(營口)有限公司	the PRC, 14 December 2010	RMB372,570,000	**100%**	100%	Property development
Zhaoruijing Hotel Zhiye Management (Suizhong) Co., Ltd. 兆瑞景酒店置業管理(綏中)有限公司	the PRC, 20 December 2010	HK$68,300,000	**100%**	100%	Hotel management
Leisure Land Hotel Zhiye Management (Suizhong) Co.,Ltd. 可域酒店置業管理(綏中)有限公司	the PRC, 20 December 2010	RMB144,653,000	**100%**	100%	Hotel management
Zhuzhou Kaisa Zhiye Co., Ltd 株洲佳兆業置業有限公司	the PRC, 13 January 2011	HK$600,000,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Kaisa Zhiye (Nanchong) Co., Ltd. 佳兆業置業(南充)有限公司	the PRC, 28 December 2010	RMB850,000,000	**100%**	100%	Property development
Kasia Real Estate (Benxi) Co., Ltd. 佳兆業地產(本溪)有限公司	the PRC, 7 March 2011	HK$210,000,000	**100%**	100%	Property development
Zhuhai Kaisa Property Development Co.,Ltd. 珠海市佳兆業房地產開發有限公司	the PRC, 9 June 2011	RMB518,000,000	**100%**	100%	Property development
Bakai Property Development (Weifang) Co., Ltd 八凱房地產開發(濰坊)有限公司	the PRC, 22 June 2011	USD50,000,000	**100%**	100%	Property development
Kaisa Property (Wuhan) Co., Ltd 佳兆業地產(武漢)有限公司	the PRC, 1 July 2011	RMB547,528,247	**100%**	100%	Property development
Kaisa Tourism Development Co., Ltd 佳兆業旅遊開發有限公司	the PRC, 15 July 2011	HK$93,600,000	**100%**	100%	Property development
Kaisa Property (Suizhong) Co., Ltd 佳兆業地產(綏中)有限公司	the PRC, 15 July 2011	HK$246,500,000	**100%**	100%	Property development
Kaisa Property (Liaoyang) Co., Ltd. 佳兆業地產(遼陽)有限公司	the PRC, 24 August 2011	USD31,000,000	**100%**	100%	Property development
Anshan Kaisa Commerce Operation Management Co., Ltd 鞍山佳兆業商業管理有限公司	the PRC, 26 September 2011	USD26,582,581	**100%**	100%	Commerce management
Kaisa Xindu Zhiye (Qingdao) Co., Ltd 佳兆業新都置業(青島)有限公司	the PRC, 18 February 2013	USD60,000,000	**100%**	100%	Property development
Zhuhai Zhanda Property Development Co., Ltd. 珠海市展大房地產開發有限公司	the PRC, 11 April 1992	RMB98,040,000	**100%**	100%	Property development
Huizhou Kaisa Property Development Co., Ltd. 惠州市佳兆業房地產開發有限公司	the PRC, 29 January 2007	RMB50,000,000	**100%**	100%	Property development
Kaisa Property Management (Shenzhen) Co., Ltd 佳兆業物業管理(深圳)有限公司	the PRC, 20 October 1999	RMB310,000,000	**100%**	100%	Property management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Kaisa Commerce Group Co., Ltd. 佳兆業商業集團有限公司	the PRC, 19 July 2004	RMB1,000,000,000	**100%**	100%	Commerce management
Shenzhen Jililong Shiye Co., Ltd. 深圳市吉利隆實業有限公司	the PRC, 21 March 1997	RMB12,000,000	**100%**	100%	Property development
Guangzhou Jinmao Property Development Co., Ltd. 廣州金貿房地產開發有限公司	the PRC, 27 October 2005	RMB202,500,000	**100%**	100%	Property development
Dongguan Kaisa Property Development Co., Ltd. 東莞市佳兆業房地產開發有限公司	the PRC, 6 September 2004	RMB38,000,000	**100%**	100%	Property development
Dongguan Yingsheng Property Development Co., Ltd. 東莞市盈盛房地產開發有限公司	the PRC, 3 March 2006	RMB20,000,000	**100%**	100%	Property development
Huizhou Jiabo Property Development Co., Ltd. 惠州市佳博房地產開發有限公司	the PRC, 14 September 2007	RMB1,000,000	**100%**	100%	Property development
Dongguan Yingyan Property Development Co., Ltd. 東莞市盈雁房地產開發有限公司	the PRC, 4 July 2008	RMB10,000,000	**100%**	100%	Property development
Chengdu Kaisa Investment Co., Ltd. 成都佳兆業投資有限公司	the PRC, 22 June 2007	RMB20,000,000	**100%**	100%	Property development
Dongguan Yingtai Property Development Co., Ltd. 東莞市盈泰房地產開發有限公司	the PRC, 4 January 2007	RMB10,000,000	**100%**	100%	Property development
Jiangyin Taichang Property Development Co., Ltd. 江陰市泰昌房地產開發有限公司	the PRC, 22 November 2007	RMB155,000,000	**100%**	100%	Property development
Nanchong Kaisa Property Co., Ltd. 南充市佳兆業房地產有限公司	the PRC, 10 December 2010	RMB10,000,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Zhaoruijing Property (Yingkou) Co., Ltd. 兆瑞景地產(營口)有限公司	the PRC, 14 December 2010	USD21,056,200	**100%**	100%	Property development
Kaisa Property (Anshan) Co., Ltd. 佳兆業地產(鞍山)有限公司 ("Kaisa Anshan")	the PRC, 16 December 2010	USD67,000,000	**N/A (note iii)**	100%	Property development
Shenzhen Henggang Kaisa Investment Consulting Co., Ltd. 深圳市橫崗佳兆業投資諮詢有限公司	the PRC, 3 June 2011	RMB10,000,000	**100%**	100%	Property development
Anshan Junhuishangpin Property Development Co., Ltd. 鞍山君匯上品房地產開發有限公司	the PRC, 28 June 2011	USD24,210,830	**100%**	100%	Property development
Wan Rui Fa Property (Anshan) Co., Ltd. 萬瑞發地產(鞍山)有限公司	the PRC, 28 June 2011	USD19,115,864	**100%**	100%	Property development
Dongguan City Oasis Garden Property Development Co., Ltd. 東莞市城市綠洲花園房地產開發有限公司	the PRC, 21 October 2011	RMB10,000,000	**100%**	100%	Property development
Shanghai Xiangyi Management Consulting Co., Ltd. 上海向益管理諮詢有限公司	the PRC, 3 November 2011	RMB25,000,000	**100%**	100%	Property development
Chongqing Shenlian Investment Co., Ltd. 重慶深聯投資有限公司	the PRC, 22 August 2012	RMB20,000,000	**100%**	100%	Property development
Dongguan Yulongshan Property Development Co., Ltd. 東莞市御龍山房地產開發有限公司	the PRC, 9 April 2013	RMB20,000,000	**100%**	100%	Property development
Chongqing Tanxun Wulianwang Technology Co., Ltd. 重慶談訊物聯網科技有限公司	the PRC, 13 November 2013	RMB10,000,000	**100%**	100%	Property development

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Kaisa E-Commerce (Shenzhen) Co., Ltd. 佳兆業電子商務(深圳)有限公司	the PRC, 24 February 2014	RMB20,000,000	**100%**	100%	Property development
Shenzhen no.1 Warehouse Fast Network Co., Ltd. 深圳市一號倉佳速網絡有限公司	the PRC, 9 December 2014	RMB10,000,000	**100%**	100%	Property development
Boluo Guifangyuan Real Estate Development Co., Ltd. 博羅縣桂芳園房地產開發有限公司	the PRC, 17 November 2017	RMB10,000,000	**100%**	100%	Property development
Wuhan Haiding Property Co., Ltd. 武漢市海鼎置業有限責任公司	the PRC, 22 November 2002	RMB30,000,000	**100%**	100%	Property development
Shanghai Yuwan Mega Real Estate Development Co., Ltd. 上海裕灣兆業房地產開發有限公司	the PRC, 10 November 2016	RMB30,000,000	**75%**	75%	Property development
Chongqing Xintong Real Estate Development Co., Ltd. 重慶市新事通房地產開發有限公司	the PRC, 27 December 2016	RMB20,000,000	**100%**	100%	Property development
Shenzhen Zhenhua Harbour Enterprise Limited 深圳圳華港灣企業有限公司	the PRC, 3 May 1984	RMB21,000,000	**51%**	51%	Property development
Shenzhen Nanao Hotel Co., Ltd. 深圳市南澳大酒店有限公司	the PRC, 4 September 2000	RMB5,000,000	**100%**	100%	Property development
Shenzhen Sanlian Kendu Pharmaceutical Co., Ltd. 深圳三聯肯渡製藥股份有限公司	the PRC, 25 September 1995	RMB100,000,000	**70%**	70%	Property development
Shaoxing Hongjia Housing Co., Ltd. 紹興鴻佳置業有限公司	the PRC, 25 July 2016	RMB30,000,000	**70%**	70%	Property development
Foshan Jinyue Investment Co., Ltd. 佛山市京粵投資有限公司	the PRC, 15 July 1990	RMB1,500,000	**N/A (note i)**	100%	Property development
Guangzhou International Toys and Gift City Co., Ltd. 廣州國際玩具禮品城有限公司	the PRC, 31 October 2003	RMB370,000,000	**N/A (note i)**	90%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Zhuhai Jia Jun Investment Company Limited 珠海市佳駿投資有限公司	the PRC, 18 May 2016	RMB50,000,000	**100%**	100%	Property development
Hunan Xian Yong Real Estate Development Co., Ltd. 湖南湘永房地產開發有限公司	the PRC, 12 October 2009	RMB408,160,000	**100%**	100%	Property development
Nanjing Kaisa Jiayu Real Estate Development Company Limited 南京佳兆業佳御房地產開發有限公司	the PRC, 21 July 2016	RMB50,000,000	**100%**	100%	Property development
Xinzheng Henderson Real Estate Development Company Limited 新鄭市佳兆業房地產開發有限公司	the PRC, 14 July 2017	RMB400,000,000	**100%**	100%	Property development
Suzhou Tongjia Real Estate Development Co., Ltd. 蘇州市同佳房地產開發有限公司	the PRC, 17 July 2016	RMB50,000,000	**100%**	100%	Property development
Zhongshan Real Estate Development Co., Ltd. Tomizawa 中山富澤房地產開發有限公司	the PRC, 17 March 2015	RMB10,000,000	**80%**	80%	Property development
Hangzhou Jiaxin Zhiye Co., Ltd. 杭州佳欣置業有限公司	the PRC, 18 September 2016	RMB4,093,000	**100%**	100%	Property development
Hangzhou Wance Zhiye Co., Ltd. 杭州萬冊置業有限公司	the PRC, 11 August 2016	RMB50,000,000	**100%**	100%	Property development
Hunan Ding Cheng Da Real Estate Development Co., Ltd. 湖南鼎誠達房地產開發有限公司	the PRC, 26 September 2012	RMB100,000,000	**100%**	100%	Property development
Zhongshan Fugang Real Estate Development Co., Ltd 中山富港房地產開發有限公司	the PRC, 16 March 2017	RMB150,600,000	**80%**	80%	Property development
Jiashan Shangwan Real Estate Development Co., Ltd. 嘉善尚灣房地產開發有限公司	the PRC, 13 October 2017	RMB8,000,000	**51%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Shenzhen Woodland Height Shiye Co., Ltd. 深圳市桂芳園實業有限公司	the PRC, 13 October 2003	RMB500,000,000	**100%**	100%	Property development
Huizhou Jinhu Property Development Co., Ltd. 惠州市金湖房地產有限公司	the PRC, 26 March 1993	RMB100,000,000	**100%**	100%	Property development
Shenzhen Longgang Kaisa Property Development Co., Ltd. 深圳市龍崗佳兆業房地產開發有限公司	the PRC, 14 November 2006	RMB204,680,000	**100%**	100%	Property development
Chengdu Nanxing Property Development Co., Ltd. 成都南興銀基房地產開發有限公司	the PRC, 5 November 2004	RMB420,000,000	**100%**	100%	Property development
Guangdong Kaisa Property Development Co., Ltd. ("Guangdong Kaisa") 廣東佳兆業房地產開發有限公司	the PRC, 12 July 2007	RMB10,000,000	**N/A (note i)**	100%	Property development
Hunan Kaisa Property Development Co., Ltd 湖南佳兆業房地產開發有限公司	the PRC, 21 August 2007	RMB220,000,000	**100%**	100%	Property development
Shenzhen Dapeng Kaisa Property Development Co., Ltd 深圳市大鵬佳兆業房地產開發有限公司	the PRC, 17 November 2000	RMB100,000,000	**100%**	100%	Property development
Chengdu Kaisa Investment Co., Ltd. 成都佳兆業投資有限公司	the PRC, 22 June 2007	RMB20,000,000	**100%**	100%	Property development
Shenzhen Taijian Construction & Engineering Co., Ltd. 深圳市泰建建築工程有限公司	the PRC, 19 July 2007	RMB1,000,000,000	**100%**	100%	Construction engineering
Shenzhen Xingwoer Property Development Co., Ltd. 深圳市興沃爾房地產開發有限公司	the PRC, 29 January 1999	RMB10,000,000	**100%**	100%	Property development
Shanghai Xinwan Investment Development Co., Ltd. 上海新灣投資發展有限公司	the PRC, 17 January 2007	RMB35,000,000	**100%**	100%	Property development
Huizhou Huasheng Investment Co., Ltd. 惠州市華盛投資有限公司	the PRC, 29 August 2007	RMB60,000,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Boluo Kaisa Real Estate Development Co., Ltd. 博羅縣佳兆業房地產開發有限公司	the PRC, 2 June 2008	RMB10,000,000	**100%**	100%	Property development
Shenzhen Golden Bay Hotel Co., Ltd. 深圳市金沙灣大酒店有限公司	the PRC, 17 June 1997	RMB50,000,000	**100%**	100%	Hotel management
Leisure Land Hotel Property Management Jiangyin Co., Ltd 可域酒店置業管理江陰有限公司	the PRC, 15 October 2009	RMB150,000,000	**100%**	100%	Property development
Shenzhen Tianlian Industry Development Co., Ltd. 深圳市天利安實業發展有限公司	the PRC, 4 September 2002	RMB46,000,000	**100%**	100%	Property development
Jiangsu Kaisa Investment Co.,Ltd. 江蘇佳兆業投資有限公司	the PRC, 18 May 2010	RMB15,000,000	**100%**	100%	Property development
Baoji Crafts (Shenzhen) Co.,Ltd. 寶吉工藝品(深圳)有限公司	the PRC, 28 December 1988	RMB877,725,000	**100%**	100%	Property development
Jiangyin Washington Waterfront Property Development Co., Ltd. 江陰水岸華府房地產開發有限公司	the PRC, 10 December 2010	RMB20,000,000	**100%**	100%	Property development
Zhejiang Wufeng Zhiye Co., Ltd. 浙江伍豐置業有限公司	the PRC, 7 January 2010	RMB260,000,000	**100%**	100%	Property development
Jiangyin Juicui Garden Property Development Co., Ltd. 江陰金翠園房地產開發有限公司	the PRC, 22 February 2011	RMB20,000,000	**100%**	100%	Property development
Foshan Shunde Ideal City Real Estate Investment Co.,Ltd. 佛山市順德區理想城房地產投資有限公司	the PRC, 9 October 2010	RMB775,510,000	**N/A (note i)**	100%	Property development
Dalian Kaisa Commerce Operation Management Co., Ltd 大連市佳兆業商業經營管理有限公司	the PRC, 18 March 2011	RMB120,000,000	**100%**	100%	Commerce management

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Shenzhen Yantian Kaisa Property Development Co., Ltd. 深圳市鹽田佳兆業房地產開發有限公司	the PRC, 19 April 2011	RMB800,000,000	**100%**	100%	Property development
Kaisa Dai River East Property Development Co.,Ltd. 佳兆業東戴河房地產開發有限公司	the PRC, 6 July 2011	RMB50,000,000	**100%**	100%	Property development
Hunan Mingtai Zhiye Development Co., Ltd 湖南明泰置業發展有限公司	the PRC, 12 October 2000	RMB310,000,000	**100%**	100%	Property development
Shenzhen YueFeng Investment Co., Ltd 深圳市悦峰投資有限公司	the PRC, 25 April 2012	RMB100,000,000	**100%**	100%	Property development
Guangzhou Yaxiang Property Development Co., Ltd. 廣州市雅翔房地產開發有限公司	the PRC, 7 May 2012	RMB918,370,000	**N/A (note i)**	100%	Property development
Taizhou Kaisa Jiangshan Property Development Co., Ltd 泰州佳兆業江山房地產開發有限公司	the PRC, 30 December 2011	RMB50,000,000	**100%**	100%	Property development
Kaisa Property (Shanghai) Co., Ltd. 佳兆業地產(上海)有限公司	the PRC, 17 July 2012	RMB30,000,000	**100%**	100%	Property development
Wuhan Kaisa Investment Co., Ltd 武漢市佳兆業投資有限公司	the PRC, 13 July 2012	RMB250,000,000	**100%**	100%	Property development
Shanghai Jinwan Zhaoye Property Development Co., Ltd. 上海金灣兆業房地產開發有限公司	the PRC, 2 August 2012	RMB30,000,000	**100%**	100%	Property development
Jiangyin Binjiangyayuan Property Development Co., Ltd 江陰濱江雅園房地產開發有限公司	the PRC, 14 September 2012	RMB20,000,000	**100%**	100%	Property development
Dalian Huapu Zhiye Co., Ltd. 大連華普置業有限公司	the PRC, 9 December 2009	RMB100,000,000	**100%**	100%	Property development
Shanghai Jiawan Zhaoye Property Co., Ltd 上海嘉灣兆業房地產有限公司	the PRC, 24 December 2012	RMB30,000,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Kaisa Culture and Sports Investment Development (Shenzhen) Co., Ltd. 佳兆業文化體育(深圳)有限公司	the PRC, 25 January 2013	RMB72,000,000	**90%**	90%	Commerce management
Kaisa Property (Hangzhou) Co., Ltd. 佳兆業房地產(杭州)有限公司	the PRC, 6 March 2013	RMB40,820,000	**100%**	100%	Property development
Chengdu Tianjia Zhiye Co., Ltd. 成都天佳置業有限公司	the PRC, 19 April 2013	RMB200,000,000	**100%**	100%	Property development
Shenzhen Jiawangji Property Development Co., Ltd. 深圳市佳旺基房地產開發有限公司	the PRC, 5 February 2010	RMB50,000,000	**70%**	70%	Property development
Guangzhou Jiayu Property Development Co., Ltd. 廣州市佳宇房地產開發有限公司	the PRC, 21 May 2013	RMB50,000,000	**N/A (note i)**	100%	Property development
Guangzhou Jiarui Property Development Co., Ltd. 廣州市佳瑞房地產開發有限公司	the PRC, 5 June 2013	RMB200,000,000	**N/A (note i)**	100%	Property development
Wuhan Junhui Property Development Co., Ltd. 武漢市君匯房地產開發有限公司	the PRC, 20 May 2013	RMB50,000,000	**100%**	100%	Property development
Shanghai Yingwan Zhaoye Property Development Co., Ltd. 上海贏灣兆業房地產有限公司	the PRC, 20 June 2013	RMB50,000,000	**100%**	100%	Property development
Shanghai Rongwan Zhaoye Property Development Co., Ltd. 上海榮灣兆業房地產開發有限公司	the PRC, 17 October 2013	RMB30,000,000	**100%**	100%	Property development
Wan Tai Chang Property Development (Suizhong) Co., Ltd. 萬泰昌房地產開發(綏中)有限公司	the PRC, 15 October 2013	HK$428,999,750	**100%**	100%	Property development
Hangxilongye Property (Hangzhou) Co., Ltd. 杭溪隆業房地產(杭州)有限公司	the PRC, 26 June 2013	RMB98,000,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Shanghai Chengwan Zhaoye Property Development Co., Ltd. 上海誠灣兆業房地產有限公司	the PRC, 2 August 2013	RMB58,820,000	**100%**	100%	Property development
Hunan Daye Property Development Co., Ltd. 湖南達業房地產開發有限公司	the PRC, 9 August 2013	RMB100,000,000	**100%**	100%	Property development
Chongqing Kaisa Property Development Co., Ltd. 重慶佳兆業房地產開發有限公司	the PRC, 13 November 2013	RMB946,675,000	**100%**	100%	Property development
Guanzhou Zhaochang Property Development Co., Ltd. 廣州市兆昌房地產開發有限公司	the PRC, 21 June 2013	RMB30,000,000	**N/A (note i)**	100%	Property development
Sichuan Tianzi Zhiye Co., Ltd. 四川天姿置業有限公司	the PRC, 15 September 2006	RMB20,000,000	**100%**	100%	Property development
Fenglong Group Co., Ltd. 豐隆集團有限公司	the PRC, 29 October 1993	RMB168,000,000	**100%**	100%	Property development
Huizhou Weitong Property Co., Ltd. 惠州緯通房產有限公司	the PRC, 14 January 1994	HK$256,026,685	**100%**	100%	Property development
Kaisa Technology (Huizhou) Co., Ltd. 佳兆業科技(惠州)有限公司	the PRC, 24 March 2008	USD3,794,256	**100%**	100%	Property development
Kaisa Real Estate Jiangyin Co., Ltd. 佳兆業地產江陰有限公司	the PRC, 15 October 2009	RMB450,000,000	**100%**	100%	Property development
Kaisa Real Estate (Liaoning) Co., Ltd. 佳兆業地產(遼寧)有限公司	the PRC, 28 January 2010	RMB1,086,670,000	**100%**	100%	Property development
Kaisa Commerce Property Management (Panjin) Co., Ltd 佳兆業商業置業管理(盤錦)有限公司 ("Kaisa Panjin")	the PRC, 16 March 2011	USD61,660,000	**N/A (note iii)**	100%	Property development
Shenzhen Zhengchangtai Investment Consulting Co., Ltd 深圳市正昌泰投資諮詢有限公司	the PRC, 13 June 2007	RMB10,000,000	**100%**	100%	Property development

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Wan Rui Chang Property Development Co., Ltd 萬裕昌計算機技術開發(深圳)有限公司	the PRC, 26 October 2001	HK$2,000,000	**100%**	100%	Commerce management
Kaisa Holdings Limited 佳兆業集團有限公司	HK, 16 July 1999	HK$10,000	**100%**	100%	Property development
Beijing Jinmao Caixun Xinci Co., Ltd 北京金貿財迅信息有限公司	the PRC, 5 December 2005	RMB24,400,000	**100%**	100%	Commerce management
Dong Sheng Investment Company Limited 東升投資有限公司	BVI, 25 July 2007	USD1	**100%**	100%	Investment holding
Rui Jing Investment Company Limited 瑞景投資有限公司	BVI, 23 July 2007	HK$1	**100%**	100%	Investment holding
Kaisa (Huizhou) Road Construction Development Co., Ltd 佳兆業(惠州)道路建設發展有限公司	the PRC, 2 February 2008	USD40,000,000	**100%**	100%	Commerce management
Tai An Da Investment Company Limited 泰安達投資有限公司	BVI, 2 March 2010	USD2	**100%**	100%	Investment holding
Wan Rui Fa Investment Company Limited 萬瑞發投資有限公司	HK, 2 March 2010	HK$10,000	**100%**	100%	Investment holding
Tai He Sheng Investment Company Limited 泰和盛投資有限公司	BVI, 2 March 2010	USD1	**100%**	100%	Investment holding
Tai Chong Li Investment Company Limited 泰昌利投資有限公司	BVI, 2 March 2010	USD1	**100%**	100%	Investment holding
Wan Jin Chang Investment Limited 萬晉昌投資有限公司	HK, 2 March 2010	HK$1	**100%**	100%	Investment holding
Wan Rui Chang Investment Company Limited 萬瑞昌投資有限公司	HK, 2 March 2010	HK$1	**100%**	100%	Investment holding
Wan Tai Chang Investment Company Limited 萬泰昌投資有限公司	HK, 2 March 2010	HK$1	**100%**	100%	Investment holding
Shenzhen Kaisa hotel Management Co., Ltd 深圳市佳兆業酒店管理有限公司	the PRC, 15 September 2010	RMB110,750,000	**100%**	100%	Hotel management

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Hong Kong Kaisa Industry Co.,Limited 香港佳兆業實業有限公司	HK, 24 November 2010	USD1,000	**100%**	100%	Investment holding
Changzhou Kaisa Property Development Co., Ltd 常州佳兆業房地產開發有限公司	the PRC, 8 December 2010	RMB506,958,095	**100%**	100%	Property development
Sunny Sino Investments Limited 熙華投資有限公司	HK, 21 September 2011	USD1	**100%**	100%	Investment holding
Xifeng Management Consulting (Shenzhen) Co,. Ltd. 熙豐管理諮詢(深圳)有限公司	the PRC, 17 November 2011	RMB1,000,000	**100%**	100%	Commerce management
Shenzhen Denghong Management Consulting Co., Ltd 深圳市德弘管理諮詢有限公司	the PRC, 8 November 2011	RMB500,000,000	**100%**	100%	Commerce management
Action Enrich Limited 行裕有限公司	BVI, 2 May 2012	USD1,000	**100%**	100%	Investment holding
Chengdu Dingchengda Property Development Co., Ltd 成都市鼎誠達房地產開發有限公司	the PRC, 6 July 2012	RMB10,000,000	**100%**	80%	Property development
Zuobo Management Consulting (Shenzhen) Co., Ltd 佳兆業左博置業(深圳)有限公司	the PRC, 21 August 2012	RMB20,000,000	**100%**	100%	Property development
Wan Rui Chang Property Development (Suizhong) Co., Ltd 萬瑞昌房地產開發(綏中)有限公司	the PRC, 1 August 2012	HK$244,000,000	**100%**	100%	Property development
Kaisa Property (Dandong) Co., Ltd 佳兆業地產(丹東)有限公司	the PRC, 30 October 2012	USD50,500,000	**100%**	100%	Property development
Shenzhen Cixiang Kaisa Property Development Co., Ltd. 深圳市西鄉佳兆業房地產開發有限公司	the PRC, 27 May 2013	RMB50,000,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Splendid Maple Limited 燁楓有限公司	BVI, 21 May 2013	USD10,000	**100%**	100%	Investment holding
Huidong Kaisa Property Development Limited 惠東縣佳兆業房地產開發有限公司	the PRC, 13 February 2014	RMB50,000,000	**100%**	100%	Property development
Suzhou Kaisa Property Development Co., Ltd. 蘇州市佳兆業房地產開發有限公司	the PRC, 20 February 2014	RMB196,000,000	**100%**	100%	Property development
Suzhou Kaisa Shangpin Property Development Co., Ltd. 蘇州市佳兆業上品房地產開發有限公司	the PRC, 21 February 2014	RMB98,000,000	**100%**	100%	Property development
Chengdu Jincheng Jiaye Property Development Co., Ltd. 成都錦城佳業房地產開發有限公司	the PRC, 24 February 2014	RMB10,000,000	**100%**	100%	Property development
Nanjing Aoxin Property Development Co., Ltd. 南京奧信房地產開發有限公司	the PRC, 11 November 2013	RMB50,000,000	**100%**	100%	Property development
Shanghai Qingwan Zhaoye Property Development Co., Ltd. 上海青灣兆業房地產開發有限公司	the PRC, 21 August 2014	RMB50,000,000	**100%**	100%	Property development
Chengdu Jinxinrui Property Development Co., Ltd. 成都市錦新瑞房地產開發有限公司	the PRC, 7 November 2012	RMB50,000,000	**100%**	100%	Property development
Shenzhen Chuangzhan Hotel Development Co., Ltd. 深圳市創展酒店發展有限公司	the PRC, 12 June 2012	RMB10,000,000	**51%**	51%	Property development
Shenzhen Guanyang Property Development Co., Ltd. 深圳冠洋房地產有限公司	the PRC, 5 June 2009	RMB100,000,000	**51%**	51%	Property development
Shenzhen Jielingzixun Co., Ltd. 深圳市杰領信息諮詢有限公司	the PRC, 3 November 2014	RMB1,000,000	**100%**	100%	Commerce management
Kaisa Health Group Holdings Limited (formerly known as "Mega Medical Technology Limited") 佳兆業健康集團控股有限公司（前稱美加醫學科技有限公司）	Bermuda, 23 January 1997	HK$6,377,000	**42.99% (note ii)**	41.24%	Investment holding
Kaisa Property Holdings Limited 佳兆業物業集團有限公司	Cayman Islands, 13 October 2017	RMB1,232,000	**75%**	N/A	Investment holding
Zhongshan Runbang Real Estate Development Co., Ltd. 中山市潤邦房地產開發有限公司	the PRC, 24 May 2012	RMB1,000,000	**100.00% (note iv)**	N/A	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2018	2017	Principal activities
Chengdu Shengshi Phoenix Nest Property Co., Ltd. 成都盛世凰巢置業有限公司	the PRC, 7 January 2014	RMB30,000,000	**100.00% (note iv)**	N/A	Property development
Chongqing Dingzhu Development Co., Ltd. 重慶鼎鑄實業發展有限公司	the PRC, 28 June 2018	RMB18,000,000	**100.00% (note iv)**	N/A	Property development
Zhuhai Hao Hui Business Service Co., Ltd. 珠海浩輝商務服務有限公司	the PRC, 28 May 2015	RMB10,000,000	**100.00% (note iv)**	N/A	Commerce management
Chongqing Yasheng Industry Co., Ltd. 重慶渝盛業實業有限公司	the PRC, 28 August 2018	RMB2,000	**100.00%**	N/A	Commerce management
Xinxing Kaisa Real Estate Development Co., Ltd. 新鄉市佳兆業房地產開發有限公司	the PRC, 23 August 2018	RMB10,000	**100.00%**	N/A	Property development
Suizhong Jialin Real Estate Development Co., Ltd. 綏中佳霖房地產開發有限公司	the PRC, 21 August 2018	RMB5,000	**100.00% (note iv)**	N/A	Property development
Suizhong Jia Yue Real Estate Development Co., Ltd. 綏中佳悦房地產開發有限公司	the PRC, 21 August 2018	RMB5,000	**100.00%**	N/A	Property development
Yanjiang Jiayin Development Co., Ltd. 陽江市佳盈發展有限公司	the PRC, 29 June 2018	RMB1,000	**100.00%**	N/A	Property development
Yanjiang Zhaoxiang Development Co., Ltd. 陽江市兆翔發展有限公司	the PRC, 29 June 2018	RMB1,000	**100.00%**	N/A	Property development
Zhangjiang Kaisa Top Quality Real Estate Development Co., Ltd. 張家港市佳兆業上品房地產開發有限公司	the PRC, 2 July 2018	RMB5,000	**100.00%**	N/A	Property development
Xuzhou Jiale Real Estate Development Co., Ltd. 徐州佳樂房地產開發有限公司	the PRC, 27 June 2018	RMB17,500,000	**80.00%**	N/A	Property development
Shaoxing Ming Yue Real Estate Co., Ltd. 紹興明悦置業有限公司	the PRC, 10 May 2018	RMB2,000	**100.00%**	N/A	Property development

Notes:

(i) The Group entered into agreements with a number of investors for the capital injection in certain subsidiaries operating in Guangzhou region. Upon capital injection, the Group's equity interest in these subsidiaries have been diluted from 100% to 49%. These companies ceased to be subsidiaries of the Group, and were there accounted for as associates of the Group, using equity method, see note 40.

(ii) During the year ended 31 December 2018, the Group further acquired 63,000,000 shares of Kaisa Health, at a consideration approximately of RMB14,795,000, the Group's equity interest in Kaisa Health increased from 41.24% as at 31 December 2017 to 42.99% as at 31 December 2018.

(iii) The Group sell its completed properties held for sales and properties under development of Kaisa Anshan and Kaisa Panjin to an independent third party through disposals of companies. The consideration of approximately RMB6,313,620,000 in aggregate was recorded as revenue during the year ended 31 December 2018.

(iv) The Group acquired assets through acquisitions of subsidiaries. See note 39(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests:

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiaries	Place of incorporation	Proportion of ownership interests and voting rights held by non-controlling interests 2018	2017	Total comprehensive income/(losses) allocated to non-controlling interests 2018 RMB'000	2017 RMB'000	Accumulated non-controlling interests 2018 RMB'000	2017 RMB'000
Shenzhen Marine and its subsidiaries ("Shenzhen Marine Group") (note i)	the PRC	**30%**	30%	**60,344**	39,326	**10,298,042**	10,237,698
Kaisa Health Group (note ii)	Bermuda	**57.01%**	58.76%	**(23,578)**	(7,029)	**605,468**	629,046
Shenzhen Kaisa Health Care Service Co., Ltd.* ("Shenzhen Kaisa Health") 深圳市佳兆業健康養老服務有限公司 (note iii)	the PRC	**49%**	N/A	**–**	N/A	**1,568,000**	–

Note:

i As at 31 December 2018, the Group held 70% (2017: 70%) equity interest in Shenzhen Marine, which indirectly held 51% (2017: 51%) equity interest in Shenzhen Zhenhua Harbour Enterprise Limited* ("深圳圳華港灣企業有限公司").

ii Kaisa Health Group is listed on the Stock Exchange. During the year ended 31 December 2018, the Group further acquired 63,600,000 shares, at a consideration of approximately RMB14,795,000, the Group's equity interest in Kaisa Health increased from 41.24% as at 31 December 2017 to 42.99% as at 31 December 2018. Although the Group had only 42.99% (2017: 41.24%) ownership in Kaisa Health Group, the directors concluded that the Group has sufficiently dominant voting interest to direct the relevant activities on the basis of the Group's absolute size of shareholding and the relevant size and dispersion of the shareholdings owned by the other shareholders. The remaining 57.01% (2017: 58.76%) ownership are owned by thousands of shareholders that are unrelated to the Group, none of individually holding more than 10%.

iii During the year ended 31 December 2018, the Group entered into cooperation agreement with an independent third party, it is agreed that the Group and the investor contributed RMB1,632,000,000 and RMB1,568,000,000, respectively to obtain the land for the further development. After capital injection, the Group and the investor had 51% and 49% equity interest in this Shenzhen Kaisa Health.

* The english translation of the name of the company established in the PRC is for reference only. The official name of the Company is in Chinese.

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests as set out below. The summarised financial information below represents amounts before intra-group eliminations.

	2018 Shenzhen Kaisa Health RMB'000	2018 Kaisa Health Group RMB'000	2018 Shenzhen Marine Group RMB'000	2017 Kaisa Health Group RMB'000	2017 Shenzhen Marine Group RMB'000
Current assets	**3,200,000**	**500,447**	**16,957,815**	569,541	16,343,660
Non-current assets	**–**	**688,714**	**771,977**	647,603	563,193
Current liabilities	**–**	**(54,633)**	**(2,693,926)**	(47,455)	(625,621)
Non-current liabilities	**–**	**(105,350)**	**(27,695)**	(99,154)	(187,948)
Equity	**3,200,000**	**1,029,178**	**15,008,171**	1,070,535	16,093,284
Equity attributable to owners of the Company	**1,632,000**	**423,710**	**4,710,129**	441,489	5,855,586
Equity attributable to non-controlling interests	**1,568,000**	**605,468**	**10,298,042**	629,046	10,237,698

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

	Shenzhen Kaisa Health since capital injection to 31 December 2018 RMB'000	Kaisa Health Group for the year ended 31 December 2018 RMB'000	Shenzhen Marine Group for the year ended 31 December 2018 RMB'000	Kaisa Health Group since acquisition to 31 December 2017 RMB'000	Shenzhen Marine Group for the year ended 31 December 2017 RMB'000
Revenue	–	**205,704**	**826,598**	15,123	553,056
(Loss)/Profit for the year/period	–	**(75,617)**	**187,923**	(3,831)	140,637
Other comprehensive income/(loss) for the year/period	–	**34,260**	**13,227**	(8,131)	(15,983)
Total comprehensive (loss)/income attributable to owners of the Company	–	**(17,779)**	**140,806**	(4,933)	85,328
Total comprehensive (loss)/income attributable to the non-controlling interests	–	**(23,578)**	**60,344**	(7,029)	39,326
Total comprehensive (loss)/income for the year/period	–	**(41,357)**	**201,150**	(11,962)	124,654
Net cash from operating activities	–	**6,022**	**632,826**	5,958	157,045
Net cash used in investing activities	–	**(298,572)**	**(664,883)**	(13,523)	(335,695)
Net cash (used in)/from financing activities	–	**(15,031)**	**57,076**	508,611	46,299
Net cash (outflow)/inflow	–	**(307,581)**	**25,019**	501,046	(132,351)

INDEPENDENT AUDITOR'S REPORT

Grant Thornton
致同

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

OPINION

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

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

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

KEY AUDIT MATTERS (Continued)

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

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27 March 2018

Lin Ching Yee Daniel
Practising Certificate No.: P02771

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

Kwok Ying Shing
Director

Mai Fan
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION

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

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(i) Amended standards adopted by the Group

The following amended standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2017:

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

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

(ii) Issued but not yet effective HKFRSs

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

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

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

HKFRS 9, Financial instruments

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

HKFRS 9, Financial instruments (Continued)

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

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

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

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

HKFRS 15, Revenue from contracts with customers

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

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

(a) Timing of revenue recognition

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

HKFRS 15, Revenue from contracts with customers (Continued)

(a) Timing of revenue recognition (Continued)

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

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

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

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

(b) Significant financing component

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

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

(c) Sales with a right of return

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

HKFRS 16, Leases

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

(i) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(i) Business combinations (Continued)

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

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

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

(iii) Disposal of subsidiaries

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

(iv) Separate financial statements

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

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

2.3 Associates

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates (Continued)

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

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

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

2.4 Joint arrangements

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

(i) Joint operations

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

(ii) Joint ventures

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

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

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

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

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

2.5 Segment reporting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment

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

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

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

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

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

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

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

2.8 Intangible assets and goodwill

(i) Contracts with sports players

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets and goodwill (Continued)

(iii) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

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

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

2.9 Land use rights

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

2.10 Impairment of non-financial assets

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

2.11 Investment properties

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

Investment properties are measured initially at its cost, including related transaction costs and where applicable borrowing costs.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investment properties (Continued)

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

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

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

2.12 Financial assets

(i) Classification

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Available-for-sale financial assets

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

Convertible bonds receivable

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the consolidated statement of financial position at cost less impairment losses (see note 2.13). Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

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

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

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

(iii) Offsetting financial instruments

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets

(i) Assets carried at amortised cost

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

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

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

(ii) Assets classified as available-for-sale

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. For equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists, the cumulative loss – measured at the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

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

2.14 Inventories

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Properties under development

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

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

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

2.16 Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

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

2.17 Trade and other receivables

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

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

2.18 Financial derivatives

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

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

2.19 Cash and cash equivalents

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

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

2.20 Share capital

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Trade and other payables

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

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

2.22 Borrowings

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Convertible bonds

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

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

2.24 Borrowing costs

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

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

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

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

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

(iii) Offsetting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefits

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

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

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

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

(iii) Bonus entitlements

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

(iv) Termination benefits

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Employee benefits (Continued)

(v) Share-based payments

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

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

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

2.27 Provisions and contingent liabilities

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Revenue recognition

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

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

(i) Sales of properties

(1) Completed properties held for sale

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

(2) Proposed development project

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

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

(ii) Rental income

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

(iii) Property management

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

(iv) Hotel operation income

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

(v) Catering income

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

(vi) Hire income from charter

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

(vii) Passenger transportation agency service

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Revenue recognition (Continued)

(viii) Sales of goods

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

(ix) Interest income

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

2.29 Leases

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

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

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

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

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

(iii) The Group is the lessor

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

2.30 Dividend distribution

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

2.31 Financial guarantee liabilities

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.32 Government grants

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

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

2.33 Related parties

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

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

(i) has control or joint control over of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

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

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

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group (if the Group is itself such a plan) and the sponsoring employers are also related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

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

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

3. FINANCIAL RISK MANAGEMENT

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

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

3.1 Financial risk factors

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and borrowings to fund its operations. The Group has alternative plans to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

Risk management is carried out by the Group's management under the supervision of the Board. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Board provides guidance for overall risk management.

(i) Market risk

(1) Foreign exchange risk

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

The Company and certain of its subsidiaries' functional currency is RMB, so the convertible bonds receivable, debtors and other receivables, restricted cash, cash and bank balances and borrowings denominated in foreign currencies are subject to retranslation at each reporting date. Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Market risk (Continued)

(1) *Foreign exchange risk* (Continued)

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

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

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

(2) *Interest rate risk*

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

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

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Market risk (Continued)

(3) Price risk

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

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

(ii) Credit risk

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

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

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk

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

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

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

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand or within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2017					
Accrued construction costs	**15,170,791**	**–**	**–**	**–**	**15,170,791**
Borrowings	**27,625,826**	**19,923,358**	**53,932,771**	**23,785,230**	**125,267,185**
Other payables	**16,417,715**	**104,171**	**–**	**–**	**16,521,886**
	59,214,332	**20,027,529**	**53,932,771**	**23,785,230**	**156,959,862**
Financial guarantees issued:					
Maximum amount guaranteed (note 36)	**30,094,885**	**–**	**–**	**–**	**30,094,885**

	On demand or within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2016					
Accrued construction costs	10,704,790	–	–	–	10,704,790
Borrowings	14,451,809	33,154,732	60,760,105	1,052,734	109,419,380
Other payables	7,152,317	–	–	–	7,152,317
	32,308,916	33,154,732	60,760,105	1,052,734	127,276,487
Financial guarantees issued:					
Maximum amount guaranteed (note 36)	21,843,192	–	–	–	21,843,192

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings (note 29) less cash and bank balances, short-term bank deposits (note 27) and restricted cash (note 26) and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company assess the annual budget prepared by the treasury department which reviews the planned construction projects proposed by engineering department and prepare the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings, as shown in the consolidated statement of financial position) less cash and bank balances, bank deposits and restricted cash. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

The gearing ratios of the Group at 31 December 2017 and 2016 were as follows:

	2017 RMB'000	2016 RMB'000
Total borrowings (note 29)	**111,173,187**	87,536,816
Less: Cash and bank balances, short-term bank deposits (note 27) and restricted cash (note 26)	**(21,170,203)**	(16,572,631)
Net debt	**90,002,984**	70,964,185
Total equity	**29,998,150**	23,046,399
Gearing ratio	**300.03%**	307.92%

The gearing ratio for 2017 was lower than that for 2016 as a result of the increase in profit for the year during the year.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

The different levels of the financial instruments carried at fair value, by valuation method, have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2017				
Assets				
Financial assets at fair value through profit or loss	**96,467**	**–**	**–**	**96,467**
As at 31 December 2016				
Assets				
Available-for-sale financial assets (note 18)	1,104	–	–	1,104
Liabilities				
Financial derivatives (note 30)	–	–	(263,822)	(263,822)

There were no transfers between level 1, 2 and 3 during the year.

The nominal value less impairment provisions of debtors and other receivables and the nominal value of accrued construction costs and other payables approximate their fair value due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(i) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(ii) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use-of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(iii) Financial instruments in level 3

Information about level 3 financial derivatives' fair value measurements

The reconciliation of the carrying amounts of the Group's financial derivatives within level 3 of the fair value hierarchy is as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	**263,822**	–
Additions	**–**	285,322
Derecognition	**(1,129,652)**	–
Loss/(Gain) recognised in profit or loss	**969,204**	(21,500)
Transferred to other payables	**(104,171)**	–
Exchange differences	**797**	–
At 31 December	**–**	263,822

For the financial derivative, RMB969,204,000 (2016: RMB21,500,000) are included in "changes in fair value of financial derivatives" in the profit or loss.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(iii) Financial instruments in level 3 (Continued)

The fair value of financial derivatives are determined by using the Binominal option pricing model. The valuation techniques and significant unobservable inputs of the financial derivatives are as follows:

Valuation techniques	Significant unobservable inputs	Sensitivity relationship of unobservable inputs to fair value
Binominal option pricing model		
– Contingent value rights ("CVRs")	Volatility of nil (2016: 45.51%) (note)	The higher of the volatility, the higher of the fair value, and vice versa
	Risk free rate of nil (2016: 1.62%) (note)	The higher of the risk free rate, the higher of the fair value, and vice versa
– Derivative component of Mandatorily exchange bonds ("MEBs")	Volatility of nil (2016: 45.62%) (note)	The higher of the volatility, the higher of the fair value, and vice versa
– MEBs	Risk free rate of nil (2016: 1.29%) (note)	The higher of the risk free rate, the higher of the fair value, and vice versa

Note: During the year ended 31 December 2017, the financial instruments of CVRs, derivative component of MEBs and MEBs were derecognised.

Since one or more of the significant inputs are not based on observable market data, the fair value measurement of these instruments are categorised as level 3. For disclosures of fair value measurement of the Group's investment properties, details are disclosed in note 15 to the consolidated financial statements.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2017 and 2016 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	2017		2016	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Borrowings:				
– Host liability component of MEB	–	–	1,453,020	1,602,050
– Senior notes (note 29(a))	**34,752,933**	**34,795,711**	18,799,783	17,790,421

The Group does not have any financial assets/liabilities that are subject to offsetting, enforceable master netting arrangement and similar agreements during the years ended 31 December 2017 and 2016.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Fair value of investment properties

Investment properties, including those completed investment properties and investment properties under construction, are carried at fair value in the consolidated statement of financial position and the changes in the fair value recognised in the profit or loss. It obtains independent valuations at least annually. In making the judgement, consideration is given to assumptions that are mainly based on market conditions existing at the reporting date, expected rental from future leases in the light of current market conditions and appropriate capitalisation rates. Changes in subjective input assumptions can materially affect the fair value estimate. The key assumptions used in the valuation in determining fair value for the Group's portfolio of properties are set out in note 15 to the consolidated financial statements.

As at 31 December 2017, the aggregate fair value of the Group's investment properties amounted to RMB32,025,830,000 (2016: RMB30,690,680,000) based on the valuation performed by an independent professional valuers.

4.2 Provision for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their recoverable amounts based on the realisability of these properties, taking into account estimated costs to completion based on past experience (properties under development only) and committed contracts and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

As at 31 December 2017, based on management's best estimates, the Group has made a provision of RMB1,733,708,000 (2016: RMB1,931,814,000) for properties under development and completed properties held for sale.

4.3 Prepayments for proposed development projects and deposits for land acquisitions

The Group assesses the carrying amounts of deposits for land acquisitions and prepayments for proposed development projects according to their recoverable amounts based on the realisability of these land use rights and property development projects, taking into account estimated net sales values based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

As at 31 December 2017, the carrying amounts of prepayments for proposed development projects and deposits for land acquisitions are RMB15,925,608,000 (2016: RMB13,620,415,000) and RMB21,422,522,000 (2016: RMB17,693,750,000) respectively.

4.4 Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

As at 31 December 2017, based on management's best estimates, the Group has made a provision of RMB161,565,000 (2016: RMB164,452,000) for property, plant and equipment and land use rights.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.5 Income taxes, land appreciation taxes, withholding taxes and deferred income taxes

The Group's subsidiaries that operate in the PRC are subject to income tax in the PRC. Significant judgement is required in determining the provision for income taxes and withholding taxes on undistributed earnings of PRC subsidiaries. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred income tax provision in the period in which such determination is made.

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. If those undistributed earnings of the PRC subsidiaries are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred tax liabilities would have been increased by the same amount of approximately RMB971,605,000 (2016: RMB848,362,000).

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised certain of its land appreciation taxes calculation and payments with any local tax authorities in the PRC for most of its property projects. Accordingly, judgement is required in determining the amount of the land appreciation tax. The Group recognises these land appreciation taxes based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

4.6 Intangible assets – contracts with various sports players

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

The life of the intangible assets ranges from 1 to 4 years based on the respective sports players' contract. These are reviewed annually on a player by player basis to determine whether there are indicators of impairment. Determining whether the intangible asset should be impaired at the reporting date, factors such as whether the sports player will remain an active member of the playing squad and an assessment of the league that the football team will be playing in, will be taken into account.

As at 31 December 2017, the carrying amount of the intangible asset is RMB276,823,000 (2016: RMB96,019,000).

4.7 Fair value of derivative financial instruments

As described in note 30, the derivative component of MEBs, convertible bonds and CVRs are measured at fair value. The Group engaged an independent professional valuer to determine the fair values of these derivative financial instruments. The determination was based on generally accepted valuation procedures and practices that rely extensively on numerous assumptions taking into consideration of many uncertainties, including risk-free interest rate, discount rate and volatility of the Group's share price, some of which cannot be easily quantified or ascertained. Changes in subjective input assumptions can materially affect the fair value estimate.

As at 31 December 2017, the fair value of derivative financial instruments is nil (2016: RMB263,822,000).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.8 Business combinations and control over Kaisa Health Group Holdings Limited (formerly known as "Mega Medical Technology Limited") ("Kaisa Health Group")

As disclosed in note 38(b), the Group has de facto control over Kaisa Health Group in November 2017 and since then the Group's 41.24% interest at the completion date of right issue of Kaisa Health Group (2016: 21.72%) is accounted for and consolidated into the consolidated financial statements of the Group as a subsidiary. The directors of the Company assessed whether the Group has control over Kaisa Health Group based on whether the Group has the practical ability to direct the relevant activities of Kaisa Health Group unilaterally. Key judgments adopted in concluding the Group has obtained control in Kaisa Health Group are: the Group has held a majority of the voting rights exercised at Kaisa Health Group's shareholders' meetings and no other single shareholder directly or indirectly controls more voting rights than the Group; the shareholding of other non-controlling interests is dispersed and the chance of all other shareholders getting together to vote against the Group is remote; and the Group has obtained effective control over majority of the board of Kaisa Health Group.

The valuation of the fair value of the net identifiable assets and liabilities was determined by reference to valuation conducted by an independent professional valuer using valuation technique. The valuation included certain key assumptions that involved significant management judgements and estimation.

The Group recognised, inter alia, intangible assets of RMB589,140,000 and other net assets excluding intangible assets of RMB493,357,000 and goodwill of RMB203,931,000, details of which is set out in note 38(b).

4.9 Classification of available-for-sale financial assets

The available-for-sale financial assets are measured at cost less impairment loss if they do not have a quoted market price in an active market. The directors of the Company are of the opinion that their fair values cannot be reliably measured and hence such unquoted equity investments are measured at cost less impairment losses at the reporting date.

Note 18 describes that the investment in an unlisted entity is treated as available-for-sale investment although the Company has 21.98% effective equity interest in this investee. The Group is entitled to appoint a director of the investee's board of directors out of a total of seven. In making their judgment, the directors of the Company considered the majority ownership of the investee is concentrated by a major shareholder who operate the investee and direct all the relevant financing and operating decisions relating to daily investment activities for the investee by simple majority votes without regard to the views of the Group and concluded that it is not sufficient significant influence over the relevant activities of this investee or to participate in their operations. Accordingly, the investee is classified as available-for-sales financial assets.

4.10 Classification of joint arrangements as joint ventures

The Group assesses the existing business structure and terms of contractual arrangement of the joint arrangement agreements and classified the development project transferred to various joint arrangements as joint ventures during the year ended 31 December 2017. Accordingly, the rights to assets and obligations for liabilities in relation to the joint operation is reclassified to the joint ventures, each party involved in these companies determines its equity shareholding based on their relative interest in the joint venture under the contractual terms of the joint arrangement agreements. Details of the joint ventures are set out in note 17(b) to the consolidated financial statements.

4.11 Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of CGU is determined based on value-in-use calculations which require the use of assumptions. Details of impairment assessment and key assumptions are disclosed in note 19(a).

5. SEGMENT INFORMATION

The CODM has been identified as the executive directors of the Company who are responsible for reviewing the Group's internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on these reports. The executive directors assessed the performance of each single operating segment based on a measure of segment results. Fair value of financial derivatives, corporate and other unallocated expenses, gain on extinguishment of financial liabilities, finance income, finance costs and income tax expenses are not included in the result for each operating segment.

The CODM identified the segments based on the nature of business operations. Specifically, the CODM assessed the performance of sales of properties, rental income, property management services, hotel and catering operations and cinema, department store and cultural centre operations, and regarded these being the reportable segments. During the year ended 31 December 2017, water-way passenger and cargo transportation operation becomes a new reportable and operating segment of the Group. Following the step acquisition of Kaisa Health Group, the Group commenced to involve in healthcare business and grouped under other operating segments which was insignificant to present as a separate segment.

As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market primarily in the PRC, and over 90% of the Group's assets are located in the PRC, no geographical segment information is presented.

Revenue for the year ended 31 December 2017 consists of the following:

	2017 **RMB'000**	2016 RMB'000
Sales of properties		
– Completed properties held for sale	**29,126,460**	16,739,010
– Proposed development project	**2,079,641**	–
Rental income (note 15)	**249,569**	228,054
Property management services	**315,862**	271,622
Hotel and catering operations	**162,617**	81,967
Cinema, department store and cultural centre operations	**235,463**	253,270
Water-way passenger and cargo transportation	**536,491**	–
Others	**73,244**	197,594
	32,779,347	17,771,517

5. SEGMENT INFORMATION (Continued)

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2017 is as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Total RMB'000
Revenue	31,206,101	283,862	669,159	180,390	434,801	551,721	1,038,328	34,364,362
Less: inter-segment revenue	–	(34,293)	(353,297)	(17,773)	(199,338)	(15,230)	(965,084)	(1,585,015)
Revenue from external customers	31,206,101	249,569	315,862	162,617	235,463	536,491	73,244	32,779,347
Segment results before changes in fair value of investment properties, share of results of associates and joint ventures and loss on step acquisition of a subsidiary	6,554,591	135,956	19,222	(78,158)	(540,780)	153,889	(370,647)	5,874,073
Share of results of associates	74,066	–	(1,946)	–	(300)	2,246	(42,381)	31,685
Share of results of joint ventures (note 17(b))	(382)	–	–	–	–	–	419	37
Changes in fair value of investment properties (note 15)	–	2,088,849	–	–	–	–	–	2,088,849
Loss on step acquisition of a subsidiary (note 38(b))	–	–	–	–	–	–	(146,258)	(146,258)
Segment results	6,628,275	2,224,805	17,276	(78,158)	(541,080)	156,135	(558,867)	7,848,386
Changes in fair value of financial derivatives								(969,204)
Corporate and other unallocated expenses								(460,553)
Finance income								1,486,084
Finance costs								(1,238,286)
Finance income – net (note 8)								247,798
Profit before income tax								6,666,427
Income tax expenses (note 9)								(3,622,579)
Profit for the year								3,043,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Other information:									
Depreciation (notes 6 and 14)	42,305	10,134	1,108	5,938	7,772	36,161	1,478	4,228	109,124
Amortisation of intangible assets (notes 6 and 19)	–	–	–	–	119,027	–	–	–	119,027
Amortisation of land use rights (notes 6 and 16)	3,695	–	–	1,521	2,144	–	–	–	7,360
Write-down of completed properties held for sale and properties under development (note 7)	262,332	–	–	–	–	–	–	–	262,332
Written off of trade and other receivables (note 7)	51,321	–	89,189	–	–	–	–	–	140,510
Written off of intangible assets (note 7)	–	–	–	–	10,468	–	–	–	10,468
Reversal of impairment loss on land use rights (notes 7 and 16)	(2,887)	–	–	–	–	–	–	–	(2,887)

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	329,842,097	37,616,411	1,553,818	2,964,885	2,484,709	27,386,862	4,032,470	(197,850,546)	208,030,706
Unallocated									5,357,461
Total assets									213,388,167
Segment liabilities	252,222,094	5,361,023	1,210,529	2,384,989	1,641,563	16,257,045	3,508,674	(173,424,949)	109,160,968
Unallocated									74,229,049
Total liabilities									183,390,017
Other information:									
Capital expenditure (notes 14, 15 ,16 and 19)	872,510	2,818,865	2,769	803,666	354,788	107,041	9,524	–	4,969,163
Investments in associates	1,211,110	–	–	–	300	–	3,120,537	–	4,331,947
Investments in joint ventures (note 17(b))	1,405,500	–	–	–	–	–	5,275	–	1,410,775

5. SEGMENT INFORMATION (Continued)

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2016 is as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Others RMB'000	Total RMB'000
Revenue	16,739,010	242,829	524,384	88,702	257,905	197,594	18,050,424
Less: inter-segment revenue	–	(14,775)	(252,762)	(6,735)	(4,635)	–	(278,907)
Revenue from external customers	16,739,010	228,054	271,622	81,967	253,270	197,594	17,771,517
Segment results before changes in fair value of investment properties and share of results of associates and joint ventures	(867,614)	126,243	104,537	(37,746)	(68,146)	115,222	(627,504)
Share of results of associates	(4,030)	–	–	–	–	(36,548)	(40,578)
Share of results of joint ventures (note 17(b))	(346)	–	–	–	–	8,569	8,223
Changes in fair value of investment properties (note 15)	–	4,161,371	–	–	–	–	4,161,371
Segment results	(871,990)	4,287,614	104,537	(37,746)	(68,146)	87,243	3,501,512
Changes in fair value of financial derivatives							(21,500)
Corporate and other unallocated expenses							(208,994)
Finance income							39,236
Finance costs							(2,159,602)
Finance costs – net (note 8)							(2,120,366)
Gain on extinguishment of financial liabilities							716,143
Profit before income tax							1,866,795
Income tax expenses (note 9)							(2,214,306)
Loss for the year							(347,511)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Other information:								
Depreciation (note 6 and 14)	45,085	3,740	3,116	4,841	10,838	1,117	32,632	101,369
Amortisation of intangible assets (notes 6 and 19)	–	–	–	–	85,796	–	–	85,796
Amortisation of land use rights (notes 6 and 16)	2,160	–	–	1,808	2,318	–	–	6,286
Write-down of completed properties held for sale and properties under development (note 7)	670,615	–	–	–	–	–	–	670,615

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	267,711,662	17,032,340	3,400,867	2,650,132	908,139	25,309,894	(152,112,532)	164,900,502
Unallocated								921,465
Total assets								165,821,967
Segment liabilities	174,256,468	5,601,559	1,595,338	1,868,984	1,030,745	10,177,772	(148,199,829)	46,331,037
Unallocated								96,444,531
Total liabilities								142,775,568
Other information:								
Capital expenditure (notes 14, 15, 16 and 19)	4,671	3,404,525	2,101	3,696	100,354	6,522	–	3,521,869
Investments in associates	–	–	–	–	–	579,611	–	579,611
Investments in joint ventures (note 17(b))	922,728	–	–	–	–	800	–	923,528

For the year ended 31 December 2017 and 31 December 2016, none of the Group's customer accounted for more than 10% of the Group's total revenue.

Sales between segments are carried out at agreed terms amongst relevant parties. The revenue from external parties reported to the management is measured in a manner consistent with that in the profit or loss.

5. SEGMENT INFORMATION (Continued)

As at 31 December 2017, segment assets of property development segment, cinema, department store and cultural centre operations segment and others segment included the investments in associates accounted for using the equity method totalling approximately RMB2,040,453,000, RMB300,000 and RMB3,244,082,000 (2016: RMB760,274,000, nil and RMB570,847,000) respectively. In addition, the segment assets of property development segment and other segment included the investments in joint ventures accounted for using the equity method totalling RMB6,812,423,000 and RMB5,695,000 (2016: RMB922,382,000 and RMB9,369,000) respectively.

Segment assets consist primarily of property, plant and equipment, investment properties, investments in joint ventures, investments in associates, goodwill and intangible assets, convertible bonds receivable, land use rights, properties under development, completed properties held for sale, inventories, debtors, deposits and other receivables, deposits for land acquisition, prepayments for proposed development projects, restricted cash, short-term bank deposits, and cash and bank balances. They exclude available-for-sale financial assets, financial assets at fair value through profit or loss, deferred tax assets and prepaid taxes.

Segment liabilities consist primarily of advance proceeds received from customers and deposits received, accrued construction costs, operating borrowings and other payables. They exclude deferred tax liabilities, financial derivatives, income tax payable and corporate borrowings.

6. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	2017 RMB'000	2016 RMB'000
Auditor's remunerations		
– Audit services	**5,500**	5,000
– Non-audit services	**1,900**	2,300
Advertising and other promotional costs	**453,372**	418,101
Agency fee	**253,538**	131,252
Amortisation of land use rights (note 16)	**7,360**	6,286
Amortisation of intangible assets (note 19)	**119,027**	85,796
Bank charges	**45,791**	34,028
Business taxes and other levies	**680,981**	737,201
Cost of properties sold	**21,775,815**	13,947,887
Depreciation (note 14)	**109,124**	101,369
Direct operating expenses arising from		
– investment properties (note 15)	**23,582**	9,613
– property management services	**220,069**	153,151
– hotel and catering operations	**51,286**	29,306
– cinema, department store, and cultural centre operations	**182,414**	158,540
– water-way passenger and cargo transportation	**335,413**	98,126
Donations (note)	**136,589**	25,989
Entertainment	**57,467**	31,095
Legal and professional fees	**339,985**	265,586
Office expenses	**119,852**	106,805
Operating lease rental	**37,630**	35,509
Others	**624,000**	721,244
Staff costs – including directors' emoluments (note 12)	**1,627,862**	921,334
Travelling	**33,816**	21,985
	27,242,373	18,047,503

Note:

The Group made donations amounted to RMB136,589,000 during the year ended 31 December 2017.

7. OTHER GAINS AND (LOSSES) – NET

	2017 RMB'000	2016 RMB'000
Bad debt recovery of other receivable	**450,000**	–
Dividend income received from		
– listed available-for-sale financial assets	**55**	–
– unlisted available-for-sale financial assets	**22,214**	20,801
Forfeited customer deposits	**16,300**	9,099
Government subsidy income (note)	**89,620**	80,104
Gain on deemed disposal of an associate (note 38(e))	**429**	–
Gain on disposal of available-for-sale financial assets	**–**	38,505
Gain/(loss) on disposal of property, plant and equipment (note 35(a))	**3,427**	(793)
Reversal of impairment loss on land use rights (note 16)	**2,887**	–
Compensation for breach of the contract	**(254,048)**	–
Others	**(16,242)**	(37,613)
Net fair value loss on financial assets at fair value through profit or loss	**(24,786)**	–
Write-down of completed properties held for sale and properties under development	**(262,332)**	(670,615)
Written off of trade and other receivables	**(140,510)**	–
Written off of intangible assets	**(10,468)**	–
	(123,454)	(560,512)

Note:

The amount represented the subsidy received from the local government bureau in the PRC as an incentive for the development in the region. There was no unfulfilled conditions and other contingencies attached to the receipt of the subsidy.

8. FINANCE INCOME/(COSTS) – NET

	2017 RMB'000	2016 RMB'000
Finance income		
Interest income on bank deposits	**131,708**	39,236
Interest income from associates	**32,067**	–
Interest income from loans to third parties	**22,043**	–
Net exchange gains	**1,300,266**	–
	1,486,084	39,236
Finance costs		
Interest expense		
– Bank borrowings	**3,725,923**	3,661,536
– Senior Notes	**2,481,915**	1,615,848
– Convertible Bonds	**99,888**	89,610
– MEBs	**–**	79,405
– Other borrowings	**1,668,835**	1,493,656
Total interest expense	**7,976,561**	6,940,055
Less: interest capitalised (note)	**(6,738,275)**	(6,017,783)
	1,238,286	922,272
Net exchange losses	**–**	1,237,330
	1,238,286	2,159,602
Finance income/(costs) – net	**247,798**	(2,120,366)

Note: The capitalisation rate of borrowings is 13.32% (2016: 14.37%) for the year.

9. INCOME TAX EXPENSES

	2017 RMB'000	2016 RMB'000
Current income tax		
– PRC enterprise income tax	**1,919,823**	674,476
– PRC land appreciation tax	**1,611,358**	465,003
Under provision in prior years		
– PRC land appreciation tax	**–**	28,819
Deferred income tax	**91,398**	1,046,008
	3,622,579	2,214,306

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	2017 RMB'000	2016 RMB'000
Profit before income tax	**6,666,427**	1,866,795
Share of results of associates and joint ventures, net	**(31,722)**	32,355
	6,634,705	1,899,150
Calculated at PRC enterprise income tax rate of 25% (2016: 25%)	**1,658,676**	474,787
Effect of different income tax rates of subsidiaries	**(16,850)**	335,746
Income not subject to tax	**(564,729)**	(395,498)
Expenses not deductible for tax purposes	**203,919**	189,601
Tax losses not recognised	**713,361**	1,110,184
Utilisation of previously unrecognised tax losses	**16,844**	5,664
PRC enterprise income tax	**2,011,221**	1,720,484
PRC land appreciation tax	**1,611,358**	493,822
Income tax expenses	**3,622,579**	2,214,306

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax. The Group companies in the British Virgin Islands ("BVI") were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, exempted from British Virgin Islands income tax.

9. INCOME TAX EXPENSES (Continued)

Hong Kong profits tax

No Hong Kong profits tax has been provided for the years ended 31 December 2017 and 2016 as the Group has no assessable profits arising in or derived from Hong Kong for the years.

PRC enterprise income tax

PRC enterprise income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2016: 25%).

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

10. DIVIDEND

	2017 **RMB'000**	2016 RMB'000
Proposed final dividend of HK11.8 cents (2016: nil) per share	**598,103**	–

The Board recommended the payment of a 2017 final dividend of HK11.8 cents per share, totalling HK$715,520,000 (equivalent to RMB598,103,000). Such dividend is to be approved by the shareholders at the forthcoming annual general meeting. These consolidated financial statements do not reflect this dividend payable.

11. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share are calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2017	2016
Profit/(Loss) attributable to owners of the Company (RMB'000)	**3,284,889**	(612,380)
Weighted average number of ordinary shares in issue	**5,459,531,620**	5,135,427,910
Basic earnings/(loss) per share (RMB)	**0.602**	(0.119)

The calculation of basic earnings/(loss) per share is based on the Group's profits attributable to owners of the Company of RMB3,284,889,000 (2016: loss of RMB612,380,000) and the weighted average number of 5,459,531,620 (2016: 5,135,427,910) ordinary shares, after adjusting for the issue of shares on exercise of share options and the conversion of convertible bonds during the year ended 31 December 2017.

11. EARNINGS/(LOSS) PER SHARE (Continued)

(b) Diluted

	2017 RMB'000	2016 RMB'000
Profit/(Loss) attributable to owners of the Company	**3,284,889**	(612,380)

	2017	2016
Weighted average number of ordinary shares in issue during the year	**5,459,531,620**	5,135,427,910
Effect of issue of shares under adjustment for share option scheme	**80,310,257**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**5,539,841,877**	5,135,427,910
Diluted earnings/(loss) per share (RMB)	**0.593**	(0.119)

Diluted earnings per share for the year ended 31 December 2017 is calculated based on the weighted average number of ordinary shares outstanding adjusted to assume conversion all dilutive potential ordinary shares.

The Company's dilutive potential ordinary shares consist of share options. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise in full of the share options. The potential shares arising from the conversion of the Company's convertible bonds would increase the earnings per share attributable to owners of the Company and is not taken into account as they had an anti-dilutive effects.

12. STAFF COSTS – INCLUDING DIRECTORS' EMOLUMENTS

	2017 RMB'000	2016 RMB'000
Wages and salaries	**923,999**	638,073
Discretionary bonuses	**274,747**	–
Pension costs – statutory pension	**48,643**	32,151
Medical benefits	**19,815**	13,441
Share-based payment	**141,281**	5,881
Other allowances and benefits	**219,377**	231,788
	1,627,862	921,334

12. STAFF COSTS – INCLUDING DIRECTORS' EMOLUMENTS (Continued)

Contribution to pension plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal governments. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal governments to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund ("MPF") Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% eligible employees' relevant aggregate income.

13. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S REMUNERATION

(a) Directors' and chief executive's emoluments

Details of emoluments paid to each director and chief executive for the year ended 31 December 2017 are as follows:

	Year ended 31 December 2017					
	Fees RMB'000	Salary RMB'000 (note vi)	Other benefits RMB'000	Contribution to pension scheme RMB'000	Share option benefits RMB'000 (note v)	Total RMB'000
Name of director						
Chairman						
Mr. Kwok Ying Shing (Chairman)	–	3,598	1,437	15	–	5,050
Executive Directors						
Mr. Sun Yuenan (Vice Chairman)	–	11,403	60	36	9,205	20,704
Mr. Yu Jianqing (note iv)	–	8,465	46	36	6,468	15,015
Mr. Zheng Yi *	–	6,645	46	36	9,697	16,424
Mr. Mai Fan * (note iii)	–	5,066	45	36	3,036	8,183
Non-Executive Director						
Ms. Chen Shaohuan	–	258	–	–	–	258
Independent Non-Executive Directors						
Mr. Rao Yong	258	–	–	–	429	687
Mr. Zhang Yizhao	258	–	–	–	430	688
Mr. Liu Xuesheng (note ii)	215	–	–	–	364	579
Total	731	35,435	1,634	159	29,629	67,588

13. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(a) Directors' and chief executive's emoluments (Continued)

	Year ended 31 December 2016					
	Fees RMB'000	Salary RMB'000 (note vi)	Other benefits RMB'000	Contribution to pension scheme RMB'000	Share option benefits RMB'000 (note v)	Total RMB'000
Name of director						
Chairman						
Mr. Kwok Ying Shing	–	3,739	–	18	–	3,757
Executive Directors						
Mr. Sun Yuenan (Vice Chairman)	–	7,021	57	32	361	7,471
Mr. Yu Jianqing (note iv)	–	5,749	42	32	716	6,539
Mr. Zheng Yi*	–	4,440	42	32	35	4,549
Mr. Lei Fugui (note i)	–	1,119	–	–	–	1,119
Non-Executive Director						
Ms. Chen Shaohuan	–	255	–	–	–	255
Independent Non-Executive Directors						
Mr. Rao Yong	268	–	–	–	18	286
Mr. Zhang Yizhao	268	–	–	–	18	286
Total	536	22,323	141	114	1,148	24,262

* On 19 September 2017, Mr. Zheng Yi resigned as the chief executive officer of the Company and Mr. Mai Fan has been appointed as the chief executive officer of the Company.

Notes:

(i) Resigned on 1 November 2016.

(ii) Appointed on 28 February 2017.

(iii) Appointed on 4 July 2017.

(iv) Resigned on 16 January 2018.

(v) Share option benefits represent fair value of share options granted to the relevant director which was charged to the consolidated statement of profit or loss and other comprehensive income in accordance with HKFRS 2.

(vi) Salary paid to a director is generally an emolument paid or receivable in respect of the person's other services in connection with the management of the affairs of the Company and its subsidiary undertakings.

13. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S REMUNERATION

(Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included 4 (2016: 3) directors whose emoluments are reflected in note (a) above. The emoluments for the remaining 1 (2016: 2) individual are as follows:

	2017 RMB'000	2016 RMB'000
Salaries and other benefits	**3,971**	7,580
Contribution to pension schemes	**15**	64
Share option benefits	**2,429**	301
	6,415	7,945

The emoluments fell within the following bands:

	2017	2016
HK$4,000,001 to HK$4,500,000	–	1
HK$4,500,001 to HK$5,000,000	–	1
HK$7,000,001 to HK$7,500,000	**1**	–
	1	2

During the years ended 31 December 2017 and 2016, none of the above individuals has received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office; none of the above individuals has waived or has agreed to waive any emoluments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties RMB'000	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Vessels RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2016								
Cost	434,973	378,916	–	61,085	374,681	–	–	1,249,655
Accumulated depreciation and impairment	(68,858)	(122,275)	–	(42,159)	(256,192)	–	–	(489,484)
Net carrying amounts	366,115	256,641	–	18,926	118,489	–	–	760,171
Year ended 31 December 2016								
Opening net carrying amounts	366,115	256,641	–	18,926	118,489	–	–	760,171
Additions	–	–	–	5,829	43,999	56,261	–	106,089
Acquisitions of subsidiaries (note 38)	–	33,354	–	8,647	14,651	209,620	56,694	322,966
Disposals	–	–	–	(171)	(622)	–	–	(793)
Depreciation (notes 5 and 6)	(17,381)	(14,405)	–	(8,452)	(61,131)	–	–	(101,369)
Closing net carrying amounts	348,734	275,590	–	24,779	115,386	265,881	56,694	1,087,064
At 31 December 2016								
Cost	434,973	412,270	–	73,374	430,558	265,881	56,694	1,673,750
Accumulated depreciation and impairment	(86,239)	(136,680)	–	(48,595)	(315,172)	–	–	(586,686)
Net carrying amounts	348,734	275,590	–	24,779	115,386	265,881	56,694	1,087,064
Year ended 31 December 2017								
Opening net carrying amounts	**348,734**	**275,590**	**–**	**24,779**	**115,386**	**265,881**	**56,694**	**1,087,064**
Additions	**560,123**	**6,232**	**2,335**	**12,260**	**513,067**	**40,814**	**116,433**	**1,251,264**
Acquisitions of subsidiaries (note 38)	**–**	**301,737**	**10,215**	**2,109**	**24,680**	**–**	**–**	**338,741**
Transfer	**–**	**–**	**–**	**–**	**–**	**56,694**	**(56,694)**	**–**
Transfer to joint ventures	**–**	**–**	**–**	**–**	**(448)**	**–**	**–**	**(448)**
Disposals	**(6,784)**	**(683)**	**–**	**(935)**	**(1,404)**	**(65)**	**–**	**(9,871)**
Depreciation (notes 5 and 6)	**(20,175)**	**(15,264)**	**(513)**	**(3,301)**	**(30,409)**	**(39,462)**	**–**	**(109,124)**
Exchange realignment	**–**	**95**	**–**	**(889)**	**(234)**	**(5,018)**	**–**	**(6,046)**
Closing net carrying amounts	**881,898**	**567,707**	**12,037**	**34,023**	**620,638**	**318,844**	**116,433**	**2,551,580**
At 31 December 2017								
Cost	**986,520**	**731,689**	**12,550**	**85,680**	**954,726**	**363,324**	**116,433**	**3,250,922**
Accumulated depreciation and impairment	**(104,622)**	**(163,982)**	**(513)**	**(51,657)**	**(334,088)**	**(44,480)**	**–**	**(699,342)**
Net carrying amounts	**881,898**	**567,707**	**12,037**	**34,023**	**620,638**	**318,844**	**116,433**	**2,551,580**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2017, hotel properties and buildings with net carrying amounts of approximately RMB590,673,000 (2016: RMB344,139,000) were pledged as collateral for the Group's borrowings (note 29).

As at 31 December 2017, included in hotel properties and buildings, there was a land and building with net carrying amounts of approximately RMB288,570,000 (2016: nil) was located in Hong Kong and under medium-term lease, and the remaining balances of hotel properties and buildings of approximately RMB1,161,035,000 (2016: RMB624,324,000) was located in the PRC and under medium-term and long-term lease.

Depreciation expenses were charged to the following categories in the consolidated statement of profit or loss:

	2017 RMB'000	2016 RMB'000
Cost of sales	**60,150**	17,381
Administrative expenses	**48,974**	83,988
	109,124	101,369

There was no impairment loss provided for the years ended 31 December 2017 and 2016.

15. INVESTMENT PROPERTIES

	Under construction RMB'000	Completed RMB'000	Total RMB'000
At 1 January 2016	14,184,200	6,554,503	20,738,703
Additions	3,334,880	–	3,334,880
Transfer from completed properties held for sale (note 22)	–	12,971	12,971
Transfer from deposits for land acquisition (note 24)	2,481,508	–	2,481,508
Disposals	–	(38,753)	(38,753)
Increase in fair value (note 5)	2,675,558	1,485,813	4,161,371
Transfer upon completion	(701,646)	701,646	–
At 31 December 2016 and 1 January 2017	**21,974,500**	**8,716,180**	**30,690,680**
Additions	**3,169,299**	**–**	**3,169,299**
Transfer from completed properties held for sale (note 22)	**–**	**932,202**	**932,202**
Increase in fair value (note 5)	**1,625,401**	**463,448**	**2,088,849**
Transfer to joint ventures	**(4,855,200)**	**–**	**(4,855,200)**
At 31 December 2017	**21,914,000**	**10,111,830**	**32,025,830**

15. INVESTMENT PROPERTIES (Continued)

The following amounts have been recognised in the consolidated statement of profit or loss and other comprehensive income for investment properties:

	2017 RMB'000	2016 RMB'000
Rental income (note 5)	**249,569**	228,054
Direct operating expenses arising from investment properties that generate rental income (note 6)	**23,582**	9,613

Valuation processes of the Group

The Group obtains independent valuations from Savills Valuation and Professional Services Limited, for its investment properties at least annually. For all investment properties, their current use equates to the highest and best use.

Discussions of valuation processes and results are held between the management, audit committee and the valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each of half year-end, the management:

- Verifies major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

Valuation techniques

Fair value measurements using significant unobservable inputs

Fair values of completed commercial properties are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' estimates of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Significant inputs used to determine fair value

	2017		2016	
	Commercial	**Carpark**	Commercial	Carpark
Capitalisation rate	**3.0%-6.0%**	**4.5%**	3.0%-5.5%	6.5%
Expected vacancy rate	**0.0%-10.0%**	**N/A**	0.0%-10.0%	N/A
Monthly rental	**RMB56-574 per sq.m.**	**RMB2,400 per number**	RMB80-551 per sq.m.	RMB2,200 per number

Capitalisation and discount rates are estimated by the valuer based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

15. INVESTMENT PROPERTIES (Continued)

Valuation techniques (Continued)

Fair values of commercial properties under development are generally derived using the combination of direct comparison method by making reference to the comparable market transactions for the land portion as available in the market and the income capitalisation method by capitalising market rent derived from the properties. This valuation method is essentially a means of valuing the land and properties under development by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

Significant inputs used to determine fair value

	2017	2016
Interest rate	**4.75%**	4.75%
Budgeted construction cost (RMB/sq.m.)	**2,500-9,500**	4,907-8,977
Anticipated developer's profit margin	**10.0%-20.0%**	5.0%-20.0%

Prevailing market rents per square meter are estimated based on recent lettings of the subject properties and other comparable properties. The lower the rents, the lower the fair value.

Estimated costs to complete per square meter and developer's profit margin required are estimated by the valuer based on market conditions at the year end dates. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the costs, the lower the fair value.

As at 31 December 2017 and 2016, the fair value measurement of the Group's investment properties are categorised at level 3. During the years ended 31 December 2017 and 2016, there were no transfer into or out of level 3.

The Group's investment properties are analysed as follows:

	2017 **RMB'000**	2016 RMB'000
In the PRC, held on:		
Leases of between 10 to 50 years	**29,576,620**	30,673,480
Leases of over 50 years	**2,449,210**	17,200
	32,025,830	30,690,680

As at 31 December 2017, the investment properties amounting to RMB15,410,689,000 (2016: RMB13,758,986,000) were pledged as collateral for the Group's borrowings (note 29).

16. LAND USE RIGHTS

	2017 RMB'000	2016 RMB'000
At 1 January	**163,178**	162,942
Additions	**238,301**	6,522
Amortisation – expensed in administrative expenses (notes 5, 6)	**(7,360)**	(6,286)
Reversal of impairment loss (note 7)	**2,887**	–
Transfer	**(1,191)**	–
At 31 December	**395,815**	163,178
In PRC, held on:		
Leases of over 50 years	**22,802**	24,488
Leases of between 10-50 years	**373,013**	138,690
As 31 December	**395,815**	163,178

As at 31 December 2017, land use rights with net carrying amounts totalling RMB287,829,000 (2016: RMB52,471,000) were pledged as collateral for the Group's borrowings (note 29).

As at 31 December 2017, land use rights amounted to RMB12,249,000 (2016: RMB15,136,000) were impaired.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investments in associates

	2017 RMB'000	2016 RMB'000
Cost of investments in associates, less accumulated impairment		
– Listed	**2,677,741**	386,920
– Unlisted	**2,620,207**	988,999
Share of post-acquisition loss and other comprehensive loss, net of dividend received	**(13,113)**	(44,798)
	5,284,835	1,331,121
Fair value of listed investments	**1,871,289**	327,045

As at 31 December 2017, the fair value of the Group's interests in associates, which are listed in the Main Board of Hong Kong Stock Exchange, Shenzhen Stock Exchange and New York Stock Exchange was RMB1,871,289,000 (2016: RMB327,045,000) based on the market prices available on the respective stock exchanges, which is level 1 input in terms of HKFRS 13, Fair value measurement.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

Set out below are details of the associates of the Group as at 31 December 2017 which, in the opinion of the directors, are material to the Group.

Name of entity	Place of business/ country of incorporation	Proportion of issued capital/interest held by the Group	Principal activity
Kaisa Health Group (note i)	the PRC/Bermuda	N/A (2016: 21.72%)	Investment holding, manufacturing and trading of electronic components and dental prosthetics
Nam Tai Property Inc. (Nam Tai) (note ii)	the PRC/ British Virgin Islands	24.50% (2016: Nil)	Property development and management
Guangdong Mingjia Lianhe Mobile Technology Co., Ltd.* ("Mingjia Lianhe") (note ii)	the PRC	21.25% (2016: Nil)	Internet marketing

* The English translation of the name of the company established in the PRC is for reference only. The official name of this company is in Chinese.

Notes:

(i) On 13 November 2017, Kaisa Health Group, listed on the Main Board of the Hong Kong Stock Exchange, completed a right issue of 1,275,402,343 shares to the shareholders of Kaisa Health Group at the subscription of HK$0.4 per share, on the basis of one Kaisa Health Group share for every three Kaisa Health Group shares held on 15 September 2017. Upon the completion of right issue, an aggregate 1,273,050,748 shares were allotted to and subscribed by the Group. As a result, the Group's equity interests in Kaisa Health Group increased from 21.72% to 41.24%. The Group is able to control over Kaisa Health Group by directing the relevant activities of Kaisa Health Group. Kaisa Health Group became a subsidiary of the Company. Further details of this transaction are set out in note 38(b) to the consolidated financial statements.

(ii) During the year ended 31 December 2017, the Group completed the acquisition of 24.50% and 21.25% equity interests in Nam Tai and Mingjia Lianhe at the total consideration of RMB919,705,000 and RMB1,758,036,000 respectively. Nam Tai and Mingjia Lianhe are listed on the New York Stock Exchange and the Shenzhen Stock Exchange, respectively.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

The following table illustrates of the summarised financial information in respect of Kaisa Health Group for the period up to 13 November 2017, when the step acquisition of Kaisa Health Group was completed, and has been adjusted to reflect the fair values of identifiable assets and liabilities of Kaisa Health Group at the completion dates of acquisition by the Group in prior years, and reconciled to the carrying amount in the consolidated financial statements:

	Kaisa Health Group	
	2017	2016
	RMB'000	RMB'000
Current assets	–	158,420
Non-current assets	–	366,132
Current liabilities	–	(64,968)
Non-current liabilities	–	(6,518)
Net assets	–	453,066
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**n/a**	21.72%
Carrying amount of the investment	–	98,406
Goodwill	–	283,399
Carrying amount of the Group's investment	–	381,805
Revenue	**179,915**	25,114
Profit/(loss) for the period/since acquisition from continuing operations	**8,604**	(7,990)
Loss for the period/since acquisition from discontinued operations	**(2,446)**	(16,994)
Profit/(loss) for the period/since acquisition	**6,158**	(24,984)
Other comprehensive income/(loss) for the period/since acquisition	**6,621**	(9,531)
Total comprehensive income/(loss) for the period/since acquisition	**12,779**	(34,515)

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

The following table illustrates the summarised financial information in respect of Nam Tai and Mingjia Lianhe for the period since acquisition, and has been adjusted to reflect the fair values of identifiable assets and liabilities of Nam Tai and Mingjia Lianhe at the completion dates of acquisition by the Group during the year, and reconciled to the carrying amount in the consolidated financial statements:

	Nam Tai 2017 RMB'000	**Mingjia Lianhe 2017 RMB'000**
Current assets	**4,289,073**	**1,103,611**
Non-current assets	**253,796**	**763,877**
Current liabilities	**(121,620)**	**(449,832)**
Non-current liabilities	**(685,988)**	**(98,755)**
Net assets	**3,735,261**	**1,318,901**
Reconciliation to the Group's interest in the associates:		
Proportion of the Group's ownership	**24.50%**	**21.25%**
Carrying amount of the investment	**915,139**	**280,266**
Goodwill	**–**	**1,477,770**
Carrying amount of the Group's investment	**915,139**	**1,758,036**
Revenue	**1,272**	**–**
Loss for the period since acquisition	**(16,844)**	**–**
Other comprehensive income for the period since acquisition	**15,361**	**–**
Total comprehensive loss for the period since acquisition	**(1,483)**	**–**
Dividend received from associates	**4,203**	**–**

The following table illustrates the aggregate summarised financial information of the Group's associates that are not individually material:

	2017 RMB'000	2016 RMB'000
Share of the associates profit/(losses) for the year/period since acquisitions	**30,271**	(32,897)
Aggregate carrying amounts of the Group's interests in these associates	**2,611,660**	949,316

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures

	2017 RMB'000	2016 RMB'000
At 1 January	**931,751**	–
Additions	**1,410,775**	923,528
Reclassification	**4,484,925**	–
Disposal	**(9,370)**	–
Share of results of joint ventures	**37**	8,223
At 31 December	**6,818,118**	931,751

For the year ended 31 December 2017, the Group entered into agreements with third parties to acquire four immaterial joint ventures in aggregate amounts of RMB10,775,000 and a material joint venture namely Guangzhou Nantian Company Limited* ("Nantian") of RMB1,400,000,000. Nantian is engaged in property leasing and development.

Currently, the Group assesses the existing business structure of the joint arrangement in relation to acquisition and development of a parcel of land located in Dapeng Xiasha in Shenzhen, which the Group and the joint arrangement partner agreed to set up three entities, namely Shenzhen Jiade Travelling Company Limited*, Shenzhen Jiafu Travelling Company Limited* and Shenzhen Zhaofu Travelling Company Limited*. These companies share similar risk characteristics, and therefore these companies are collectively referred to as "JVs for Dapeng Xiasha Development Project" and present in aggregate. In accordance with the joint arrangement, the decisions about relevant activities in these entities require unanimous consent of the parties sharing control. During the preliminary stage of development, the respective land was owned by the Group and the joint arrangement partner separately, and therefore the management accounted for joint operation under this joint arrangement.

During the year ended 31 December 2017, the Group and the joint arrangement partner transferred their respective lands to these three entities, the Group is entitled to share the net asset of these three entities according to its interests in the ownership set out in the joint venture agreement. Accordingly, the management decided to reclassify the assets and liabilities of the former joint operation to the interests in joint ventures.

* The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures (Continued)

Set out below are details of joint ventures of the Group as at 31 December 2017 which, in the opinion of the directors, are material to the Group.

Name of entity	Place of business/ country of incorporation	Proportion of the issued capital/interest held by the Group	Principal activity
Huizhou City Kaileju Company Limited* ("Kaileju") 惠州市愷樂居置業有限公司	the PRC	51% (2016: 51%)	Property development
Guangzhou Nantian Company Limited* ("Nantian") 廣州南天商業大廣場建設發展有限公司	the PRC	50% (2016: Nil)	Property leasing and development
JVs for Dapeng Xiasha Development Project 大鵬下沙合營發展項目	the PRC	51% (2016: Nil)	Property development

* The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

The Group shares control in the above entities with other shareholders, accordingly they are classified as joint ventures of the Group. All the joint ventures in which the Group held interest are unlisted corporate entities whose quoted market prices are not available.

There are no contingent liabilities relating to the Group's interests in the joint venture.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures (Continued)

The following table illustrates of the summarised financial information in respect of Nantian for the period since acquisition and Kaileju for the year, and has been adjusted to reflect the fair values of identifiable assets and liabilities of Nantian at the completion dates of acquisition by the Group during the year and Kaileju as of 31 December 2017, and reconciled to the carrying amount in the consolidated financial statements:

	JVs for Dapeng Xiasha Development Project 2017 RMB'000	Nantian 2017 RMB'000	Kaileju 2017 RMB'000	Kaileju 2016 RMB'000
Current assets	989,029	3,182,375	2,783,507	2,408,625
Non-current assets	12,238,863	52,748	652	2
Current liabilities	(3,219,623)	(104,889)	(981,790)	(600,034)
Non-current liabilities	(1,214,299)	(323,646)	–	–
Net assets	8,793,970	2,806,588	1,802,369	1,808,593
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	367	6,745	57,301	4,624
Current financial liabilities (excluding trade and other payables and provision)	–	–	(47,937)	–
Non current financial liabilities (excluding trade and other payables and provision)	(1,214,299)	(323,554)	–	–
Reconciliation to the Group's interest in the joint ventures				
Proportion to the Group's ownership	51%	50%	51%	51%
Carrying amount of the Group's investment	4,484,925	1,403,294	919,208	922,382
Revenue	–	71,652	–	–
Profit/(Loss) for the period/year and total comprehensive income/(loss) for the year/period since acquisition	–	6,588	(6,224)	(678)
The above profit/(loss) for the period/year including the following:				
Income tax expenses	–	2,298	–	–

Set out below are the aggregate financial information of joint ventures that are not individually material:

	2017 RMB'000	2016 RMB'000
The Group's share of (loss)/profit for the year/period since acquisition	(83)	8,569
Carrying amount of the Group's interest in these joint ventures	10,691	9,369

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

	2017 RMB'000	2016 RMB'000
At 1 January	**167,642**	10,000
Acquisitions of subsidiaries (note 38(g))	**–**	96,903
Additions (notes)	**4,234,258**	274,686
Disposals	**(1,104)**	(213,667)
Net gain recognised in other comprehensive income	**–**	(280)
At 31 December	**4,400,796**	167,642
Less: non-current portion	**(4,400,796)**	(154,538)
Current portion	**–**	13,104

Available-for-sale financial assets include the following:

	2017 RMB'000	2016 RMB'000
Listed equity investments, at fair value	**–**	1,104
Unlisted equity investments, at cost	**4,400,796**	166,538
	4,400,796	167,642

Notes:

(a) During the year ended 31 December 2017, the Group's investment in an unlisted entity engaged in financial service business amounting to RMB3,976,000,000. At the date of acquisition, the Group obtained 21.98% equity interest in this entity. As discussed in note 4.9 to the consolidated financial statements, the directors of the Company consider that the Group has no sufficient significant influence on the entity and classified as available-for-sale financial assets.

(b) The Group invested an unlisted investment of RMB199,131,000 in a private equity fund which invest in the automobiles business, and other unlisted investment of RMB59,127,000 (2016: RMB274,686,000) mainly represents the Group's cost of investment in private enterprise funds. The directors consider the principal activities of the investees are investment holding.

As at 31 December 2017, unlisted equity investments with an aggregate carrying amount of RMB4,400,796,000 (2016: RMB166,538,000) were stated at cost less accumulated impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that the fair value cannot be measured reliably. The Group does not intend to dispose of these investments in the near future. During the years ended 31 December 2017 and 2016, no impairment loss was recognised.

The Group did not have significant influence nor participate in the policy-making process and the operating and financial decisions of these unlisted investments as at 31 December 2017 and 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. GOODWILL AND INTANGIBLE ASSETS

	Goodwill RMB'000 (note a)	Contracts with sports players RMB'000 (note b)	Trademarks and patent RMB'000 (note c)	Customer relationship RMB'000 (note c)	Technology RMB'000 (note c)	Distribution network RMB'000 (note c)	Others RMB'000	Total RMB'000
Cost								
At 1 January 2016	–	–	–	–	–	–	–	–
Acquisitions of subsidiaries (note 38)	121,779	107,437	–	–	–	–	–	229,216
Additions	–	74,378	–	–	–	–	–	74,378
At 31 December 2016 and 1 January 2017	**121,779**	**181,815**	**–**	**–**	**–**	**–**	**–**	**303,594**
Acquisitions of subsidiaries (note 38)	**210,600**	**–**	**23,600**	**59,700**	**8,440**	**497,400**	**7,895**	**807,635**
Additions	**–**	**310,299**	**–**	**–**	**–**	**–**	**–**	**310,299**
Written off	**–**	**(18,856)**	**–**	**–**	**–**	**–**	**–**	**(18,856)**
At 31 December 2017	**332,379**	**473,258**	**23,600**	**59,700**	**8,440**	**497,400**	**7,895**	**1,402,672**
Accumulated amortisation								
At 1 January 2016	–	–	–	–	–	–	–	–
Amortisation – expensed in administrative expenses (note 6)	–	(85,796)	–	–	–	–	–	(85,796)
At 31 December 2016 and 1 January 2017	**–**	**(85,796)**	**–**	**–**	**–**	**–**	**–**	**(85,796)**
Amortisation – expensed in administrative expenses (notes 6)	**–**	**(119,027)**	**–**	**–**	**–**	**–**	**–**	**(119,027)**
Written off	**–**	**8,388**	**–**	**–**	**–**	**–**	**–**	**8,388**
At 31 December 2017	**–**	**(196,435)**	**–**	**–**	**–**	**–**	**–**	**(196,435)**
Net carrying amounts								
At 31 December 2017	**332,379**	**276,823**	**23,600**	**59,700**	**8,440**	**497,400**	**7,895**	**1,206,237**
At 31 December 2016	121,779	96,019	–	–	–	–	–	217,798

19. GOODWILL AND INTANGIBLE ASSETS (Continued)

Note:

(a) The Group's goodwill arose from business combinations in connection with the acquisition of (i) Kaisa Health Group, (ii) Fujian Jianke Insurance Brokers Co. Ltd.* ("Fujian Jianke") and (iii) Shenzhen Qijia Internet Technology Co. Ltd.* ("Qijia") for the year ended 31 December 2017; and (iv) Shanghai Yitao Sports Culture Communication Co. Ltd* and its subsidiary (collectively referred to as the "Shanghai Yitao Group") and (v) Shenzhen Football Club Co. Ltd.* ("Shenzhen Football Club") for the year ended 31 December 2016.

For the purpose of impairment testing, goodwill has been allocated to five cash-generating units ("CGUs") of RMB121,493,000 in sports operations included in cinema, department store and cultural centre operations segment, RMB286,000 in entertainment operations included in cinema, department store and cultural centre operations, RMB203,931,000 in healthcare operations included in other segment, RMB2,462,000 in financial service operations included in other segment and RMB4,207,000 in property management operations included in property management segment.

The recoverable amounts of the CGUs are determined by directors of the Company based on value-in-use calculations. These calculations use in cash flow projections in relation to the CGU of sports operations based on financial budgets approved by management covering a 9-year (2016: 10-year) period and assumed the growth rate and inflation rate of 8% (2016: 8%) per annum and 3% (2016: 3%) per annum respectively. The cash flow discounted using a pre-tax discount rate of 12% (2016: 12.68%) and reflects specifics risks relating to the relevant segments. The financial budgets are prepared based on 9-year (2016: 10-year) business plan which is appropriate after considering the sustainability of business growth and achievement of business target extrapolated from a track record of financial results. The value assigned to the key assumptions on market development and discount rates are consistent with external information sources. As at 31 December 2017, the directors of the Company conducted a review on goodwill and no impairment loss in respect of goodwill has been recognised (2016: nil).

In relation to the health business, the recoverable amount of the CGU is determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by the management for the year ending 31 December 2018 and the following four years based on average growth rate of 38.1% per annum. Cash flows beyond the five-year period are extrapolated using 3% growth rate. A discount rate of 19.5% is used for this CGU and derived using risk-free rate, the market return and CGU specific factors. The key assumptions are annual growth rates, estimated future selling prices and direct costs which are estimated based on past practices and expectations of future changes in the market. The directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU to exceed the aggregate recoverable amount of CGU.

(b) The amounts represent the costs to acquire sports players' contracts or to extend their contracts, including the related agent's fees. The amortisation period ranged from 1 to 4 years.

(c) The trademarks and patent, customer relationship, technology and distribution network were measured at their fair values at the date of acquisition and the valuation of the intangible assets is performed by D&P China (HK) Limited, an independent professional valuer not related to the Group. The fair value of these intangible assets at the date of acquisition was determined based on the income approach by estimating the future income arising from these intangible assets and the cost approach by reference to the financial information provided by the Group. The expected useful lives of these intangible assets ranged from 5 to 11 years.

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20. CONVERTIBLE BONDS RECEIVABLE

Convertible bonds was subscribed by Kaisa Health Group in 2016 with an aggregate principal amount of EUR5,000,000. The bonds carried interest of 5% per annum payable on the third anniversary of the date of issue, and are denominated in Euro. As at 31 December 2017, the Group can either redeem the bond or exercise the right to subscribe equity securities from the issuers.

The convertible bonds were initially measured at transaction price, which was also the fair value resulted from arm's length market transaction, and subsequently stated at cost, accrued interest less impairment as the conversion option of the hybrid instrument is sufficiently significant to preclude the Group from obtaining a reliable estimate of the entire instrument.

Details of movement is set out below:

	RMB'000
Acquisition of subsidiaries (note 38(b))	**39,794**
Exchange realignment	**146**
Interest income	**1,388**
At 31 December 2017	**41,328**

21. PROPERTIES UNDER DEVELOPMENT

	2017 RMB'000	2016 RMB'000
Amount comprises:		
Construction costs	**16,984,725**	17,269,019
Interest capitalised	**12,409,299**	10,287,223
Land use rights	**39,152,558**	33,571,451
	68,546,582	61,127,693
Less: Provisions for properties under development	**(480,169)**	(567,854)
	68,066,413	60,559,839

The properties under development were located in the PRC and are stated at cost.

During the year ended 31 December 2017, the provision for properties under development of RMB63,853,000 (2016: RMB309,150,000) in aggregate were transferred to the provision for completed properties held for sale.

As at 31 December 2017, the net aggregate amount of properties under development of approximately RMB35,769,533,000 (2016: RMB40,017,551,000) were pledged as collateral for the Group's borrowings (note 29).

22. COMPLETED PROPERTIES HELD FOR SALE

	2017 RMB'000	2016 RMB'000
Completed properties held for sale	**19,424,505**	17,610,193
Less: Provision for completed properties held for sale	**(1,253,539)**	(1,363,960)
	18,170,966	16,246,233

The completed properties for sale were located in the PRC under medium-term and long-term lease. Completed properties held for sale which are expected to be recovered in more than twelve months after the reporting date are classified under current assets as it is expected to be realised in the Group's normal operating cycle.

During the year ended 31 December 2017, certain items of the Group's completed properties held for sale with an aggregate carrying value of approximately RMB932,202,000 (2016: RMB12,971,000) (note 15) were transferred to investment properties.

For the year ended 31 December 2017, completed properties held for sale of RMB346,129,000 (2016: RMB860,868,000) were impaired to reflect the decrease in net realisable value of certain completed properties located in certain regions of the PRC. In addition, the provision for completed properties held for sale of RMB63,853,000 (2016: RMB309,150,000) in aggregate were transferred from the provision for properties under development during the year ended 31 December 2017.

As at 31 December 2017, the net aggregate amount of completed properties held for sale of approximately RMB12,786,413,000 (2016: RMB5,760,042,000) were pledged as collateral for the Group's borrowings (note 29).

23. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables (note a)	**1,964,390**	328,002
Other receivables (note b)	**2,268,769**	1,268,750
Other deposits (note c)	**3,979,177**	612,242
Prepayments (note d)	**2,531,677**	1,432,918
Prepaid other taxes	**1,293,895**	1,144,740
Restricted deposit for borrowings from non-financial institution (note e)	**1,960,203**	–
Amounts due from associates (note f)	**20,498**	400,000
Amounts due from joint ventures (note g)	**879,210**	599,390
Amount due from non-controlling interest of a subsidiary (note g)	**50,718**	–
	14,948,537	5,786,042
Less: non-current portion		
Other receivables (note b)	**(584,880)**	–
Other deposits (note c)	**(238,980)**	–
	(823,860)	–
Current portion	**14,124,677**	5,786,042

As at 31 December 2017 and 2016, the carrying amounts of debtors, deposits, other receivables, amounts due from associates, amounts due from joint ventures and amount due from non-controlling interest of a subsidiary approximates their fair values.

(a) Trade receivables mainly arise from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade receivables as at the respective reporting dates is as follows:

	2017 RMB'000	2016 RMB'000
Within 90 days	**240,801**	250,634
91-180 days	**10,512**	–
181-270 days	**1,612,128**	7,825
271-365 days	**1,006**	6
Over 365 days	**99,943**	69,537
	1,964,390	328,002

Included in the Group's trade receivables balances of RMB40,831,000 and nil as at 31 December 2017 and 2016, respectively, were not yet due. The balances mainly represented receivables from sales of commercial and residential properties, and proposed development project from independent third parties. These receivables were repayable within one year after the completion of certain legal documents, which were expected to be settled in the next year.

23. DEBTORS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(a) (Continued)

Ageing of trade receivables which were past due but not impaired:

	2017 RMB'000	2016 RMB'000
Overdue within 90 days	**1,797,872**	250,634
Overdue within 91-180 days	**10,512**	–
Overdue within 181-270 days	**14,226**	7,825
Overdue within 271-365 days	**1,006**	6
Overdue over 365 days	**99,943**	69,537
	1,923,559	328,002

Receivables that were past due but not impaired related to the balances primarily represented receivables from residential properties to independent third parties of which the majority of the balances were due from customers in the process of applying mortgage loans, and sales of proposed development project. Significant concentration of risk exists where the Group has material exposures to the trade receivables from sales of proposed development project from one customer located in Mainland China which accounted for 81.3% of the total trade receivables at 31 December 2017 (2016: nil).

Generally, no credit terms were granted to the customers of residential properties. These relate to a number of independent customers of residential properties for whom there was no recent history of default. The receivable from sale of proposed development project was repayable within 180 days from the agreement date.

The Group did not hold any collateral as security or other credit enhancements over the trade receivables.

Up to the date when these consolidated financial statements are authorised for issue, the amounts of RMB931,628,000 and RMB100,590,000 of the trade receivables as at 31 December 2017 and 2016 have been settled, respectively.

(b) These receivables mainly included bills receivables, amounts to be refunded by the government in relation to the land acquisition in the PRC and advances to third parties.

As at 31 December 2017, there are amounting to RMB895,256,000 are unsecured, carry at interest rate ranging from 3.8% to 12% p.a. and repayable in 2018.

Included in advances to third parties, those which are repayable over 1 year amounting to RMB584,880,000 are classified as non-current assets.

(c) Other deposits mainly represented deposits for acquisition of a subsidiary amounted to RMB144,402,000 (2016: nil), acquisition of an associate amounted to RMB238,980,000 (2016: nil), refundable deposit to redevelopment project partner for the purpose of the project amounted to RMB2,940,376,000 (2016: nil) and other deposits amounted to RMB655,419,000 (2016: RMB612,242,000).

(d) Prepayments mainly represent prepayments for purchase of construction materials and services.

(e) The amount represented restricted deposit for borrowings from non-financial institution.

(f) The amounts are unsecured, carry at interest rate of 12% p.a. and repayable in 2018.

(g) The amounts are unsecured, interest-free and repayable on demand, and expected to be recovered within 12 months from the reporting date and is therefore classified as current asset.

(h) The maximum credit risk exposure is the amount shown on the consolidated statement of financial position.

(i) The carrying amounts of the Group's receivables are mainly denominated in RMB and USD.

24. DEPOSITS FOR LAND ACQUISITION

Deposits for land acquisition arise from the acquisition of land in various regions in the PRC. These deposits would be converted into land use rights when the rights to use the lands have been obtained. The carrying amounts of the Group's deposits for land acquisition are mainly denominated in Renminbi.

During the year ended 31 December 2016, certain items of the Group's deposits with land acquisition with an aggregate carrying value of approximately RMB2,481,508,000 (note 15) were transferred to investment properties.

25. PREPAYMENTS FOR PROPOSED DEVELOPMENT PROJECTS

The Group has entered into a number of contractual arrangements relating to redevelopment of certain areas and other development projects with independent third parties and has made prepayments in accordance with the terms of these respective contracts. These prepayments would be converted into properties under development upon the completion of the contracts.

26. RESTRICTED CASH

Restricted cash mainly comprised of:

(a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain subsidiaries of the Group engaged in property development are required to place in designated bank accounts certain amount of proceeds from pre-completion sale of properties as guaranteed deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and construction of the relevant property projects when approvals are obtained from local State-Owned Land and Resource Bureau. As at 31 December 2017, such guaranteed deposits amounted to RMB3,598,458,000 (2016: RMB3,326,240,000). They will be released after the construction of the relevant properties is completed or the related property ownership certificates are issued, whichever is earlier.

(b) As at 31 December 2017, the Group's cash of RMB193,632,000 (2016: RMB502,626,000) was deposited in certain banks as guaranteed deposits for the benefit of mortgage loan facilities (note 36) granted by the banks to the purchasers of the Group's properties.

(c) As at 31 December 2017, the Group's cash of RMB4,136,943,000 (2016: RMB1,856,280,000) was deposited in certain banks as guaranteed deposits for borrowings (note 29).

(d) As at 31 December 2017, the Group's cash of RMB10,541,000 (2016: RMB11,451,000) was deposited in certain banks as guaranteed deposits for issuance of bills payables and settlement of tax.

27. RESTRICTED CASH, SHORT-TERM BANK DEPOSITS AND CASH AND BANK BALANCES

	2017 RMB'000	2016 RMB'000
Restricted cash (note 26)	**7,939,574**	5,696,597
Short-term bank deposits	**1,232,206**	56,917
Cash and bank balances	**11,998,423**	10,819,117
	21,170,203	16,572,631

Note:

The effective interest rates and maturities of bank deposits in the PRC are ranged from 2.00% to 3.75% (2016: 2.25% to 3.25%) per annum and from 6 to 12 months (2016: 6 to 12 months) as at 31 December 2017.

As at 31 December 2017, short-term bank deposit of RMB1,021,949,000 (2016: nil) was pledged as collateral for the Group's borrowings (note 29).

Restricted cash, short-term bank deposits and cash and bank balances are denominated in the following currencies:

	2017 RMB'000	2016 RMB'000
Denominated in – RMB	**17,499,846**	16,484,602
Denominated in – HKD	**1,716,425**	68,817
Denominated in – USD	**1,951,373**	19,212
Denominated in – EUR	**2,559**	–
	21,170,203	16,572,631
Less: Restricted cash (note 26)	**(7,939,574)**	(5,696,597)
Less: Short-term bank deposits	**(1,232,206)**	(56,917)
Cash and bank balances	**11,998,423**	10,819,117

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

28. ADVANCE PROCEEDS RECEIVED FROM CUSTOMERS AND DEPOSITS RECEIVED

The amount of RMB29,564,933,000 (2016: RMB27,973,395,000) represents deposits and instalments received on properties sold to independent third parties after the issuance of pre-sale certificates by local government authorities.

29. BORROWINGS

	Notes	2017 RMB'000	2016 RMB'000
Borrowings included in current liabilities:			
Bank borrowings – secured	(c)	**6,824,887**	112,815
Bank borrowings – unsecured	(c)	**1,606,325**	2,643,664
Other borrowings – secured	(c)	**6,255,979**	300,000
Other borrowings – unsecured	(c)	**6,273,065**	1,828,822
Loans from a related company	(d)	**108,781**	2,877,000
Loans from associates	(e)	**1,104,000**	–
		22,173,037	7,762,301
Borrowings included in non-current liabilities:			
Senior Notes	(a)	**34,752,933**	18,799,783
MEBs	(b)	**–**	1,453,020
Bank borrowings – secured	(c)	**36,469,412**	43,896,382
Bank borrowings – unsecured	(c)	**2,442,000**	3,454,040
Other borrowings – secured	(c)	**14,905,519**	10,931,290
Other borrowings – unsecured	(c)	**307,086**	1,240,000
Loans from associates	(e)	**123,200**	–
		89,000,150	79,774,515
Total borrowings		**111,173,187**	87,536,816

29. BORROWINGS (Continued)

Notes:

(a) Senior Notes

On 21 July 2016, the Debt Restructuring (as defined in the Company's announcement dated 22 July 2016 (the "Announcement")) was effected whereby the Group's offshore debts, including various senior notes, convertible bonds, bank and other borrowings (collectively and individually referred to as the "Original Offshore Debts") were exchanged for new notes, being Series A-E Senior Notes and Mandatorily Exchangeable Notes as described in the Announcement (collectively and individually referred to as the "New Offshore Debts"). For those exchanges with substantially different terms, the Original Offshore Debts were derecognised and the New Offshore Debts were recognised at their fair values at the effective date. A gain of approximately RMB716,143,000 was recognised for the year ended 31 December 2016, representing the difference between the carrying amount of the related Original Offshore Debts derecognised and the fair value of the related New Offshore Debts recognised, net of the related fees paid and transaction costs. For the remaining exchanges, the consent fees amounting to RMB104,346,000 in aggregate were adjusted against the carrying amounts of the related Original Offshore Debts and amortised over the remaining terms of the related New Offshore Debts.

On 30 June 2017, the Company completed an exchange offer (the "Exchange Offer") pursuant to which the Senior Notes Series A-E were exchanged for 7.25% senior notes due 2020 (the "New 2020 Notes"), 7.875% senior notes due 2021 (the "New 2021 Notes"), 8.50% senior notes due 2022 (the "New 2022 Notes") and 9.375% senior notes due 2024 (the "New 2024 Notes") (together with the New 2020 Notes, the New 2021 Notes and the New 2022 Notes, the "Senior Notes"). USD2,657,937,000 of the Senior Notes Series A-E, representing approximately 93.08% of the total aggregate principal amounts of the outstanding Senior Notes Series A-E, have been validly tendered for exchange and accepted pursuant to the Exchange Offer. Up to 31 December 2017, the Company issued additional Senior Notes that form a single series with the corresponding Senior Notes issued in the Exchange Offer (the "New Money Issuance").

The major terms and conditions of the Senior Notes include redemption at the option of the Company and the repurchase of the Senior Notes upon a change of control. As the estimated fair value of the early redemption rights is insignificant at initial recognition, the embedded derivative is not separately accounted for. The effective interest rates of the Senior Notes ranged from 7.33% to 10.36% per annum after the adjustment for transaction costs.

According to the purchase agreement in relation to the exchange offer for the existing notes, each USD1,000 principal amount of outstanding Senior Notes Series A-E was eligible to exchange for Senior Notes. As of 31 December 2017, the Exchange Offer and the New Money Issuance mainly included:

	New 2020 Notes USD'000	New 2021 Notes USD'000	New 2022 Notes USD'000	New 2024 Notes USD'000
Exchange Offer	228,130	215,385	796,919	1,417,503
New Money Issuance	231,870	109,615	458,081	1,701,497
	460,000	325,000	1,255,000	3,119,000

The New 2020 Notes, New 2021 Notes, New 2022 Notes and New 2024 Notes are listed on the Singapore Exchange Securities Trading Limited.

The Exchange Offer did not constitute a substantial modification, the consent fees paid to the holders of the Senior Notes Series A-E and the transaction costs in connection with the exchange portion amounting to RMB179,304,000 in aggregate attributable to the Exchange Offer adjusted the carrying amounts of the related Senior Notes and amortised over the remaining term of the related Senior Notes. As of 31 December 2017, certain holders of the Senior Notes Series A-E with principal amounts of USD197,570,000 (equivalent to RMB1,338,416,000) in aggregate were redeemed in full pursuant to the Exchange Offer, and the settlement is completed on 3 August 2017.

The fair values of these Senior Notes recognised, net of the transaction costs of RMB31,087,252,000, were calculated based on the present value of contractually determined stream of future cash flows discounted at the market borrowing rates as at the nearest date to the date of initial recognition, as of that date and remaining time to maturity.

In additions, the Company issued 6.1% senior notes due 2019 with an aggregated principal amount of HK$2,325,000,000 (equivalent to approximately RMB1,943,000,000) at 100% of the face value ("2019 Private Notes") on 22 December 2017. The effective interest rate of the 2019 Private Notes is 6.05% per annum after the adjustment for transaction costs of RMB1,646,000.

The Senior Notes are secured by the pledge of shares of the Group's subsidiaries incorporated outside the PRC, and are jointly and severally guaranteed by certain subsidiaries of the Group.

29. BORROWINGS (Continued)

Notes: (Continued)

(a) Senior Notes (Continued)

The movement of the Senior Notes is as follow:

	2017 RMB'000	2016 RMB'000
Carrying amount as at 1 January	**18,799,783**	17,034,527
Accrued interests (note 8)	**2,481,915**	1,615,848
Interests paid	**(2,102,894)**	–
Redemption of Senior Notes/Derecognition of certain Existing Senior Notes and other facilities	**(1,340,423)**	(5,030,137)
Senior Notes recognised	**18,353,584**	4,480,668
Consent fee attributable to certain Existing Senior Notes and other facilities	**–**	(104,355)
Transaction costs	**(179,304)**	(43,381)
Exchange difference	**(1,259,728)**	846,613
Carrying amount as at 31 December	**34,752,933**	18,799,783

(b) MEBs/Convertible Bonds

On 21 July 2016, the Company cancelled the 2015 Convertible Bonds and issued, among other things, the MEBs. Under the terms of the MEBs, the MEBs will be automatically exchanged into the convertible bonds upon satisfaction of the mandatory exchange conditions.

On 30 June 2017, all the mandatory exchange conditions pursuant to the terms of the convertible bonds have been fulfilled and the Company issued the Exchange Convertible Bonds in exchange for the MEBs in an aggregate principal amount of USD265,898,440 due 31 December 2019 ("Maturity Date"). At the option of the Company, the Maturity Date may be extended by one year to 31 December 2020 (the "Extended Maturity Date"). The exchange of MEBs to convertible bonds did not constitute a substantial modification.

Pursuant to the terms of the convertible bonds, the number of shares to be issued on conversion of convertible bonds will be determined by dividing the principal amount of the convertible bonds converted at the fixed rate of HKD7.80 = USD1.00 by HKD2.34 per share (initial "Conversion Price"), subject to adjustment, then in effect. The Conversion Price may be adjusted subject to several events.

The convertible bonds holder may require the Company to redeem the convertible bonds at the option of the convertible bonds holder on the Extended Maturity Date; or following the occurrence of delisting, suspension of trading or change of control.

The Company may redeem the convertible bonds if (i) the Company has or will become obliged to pay additional tax amounts as a result of amendment to certain laws or regulations; or (ii) the closing price of the shares of the Company for 20 out of 30 consecutive trading days prior to the date upon which notice of such redemption is published was at least 130% of the Conversion Price then in effect; or (iii) at least 90% convertible bonds originally issued has already been converted, redeemed or purchased and cancelled.

As the estimated fair value of the option for the Extended Maturity Date is insignificant at initial recognition, the embedded derivative is not separately accounted for.

The conversion option and the redemption options mentioned above are considered as embedded derivative component of the convertible bonds and revalued at each reporting date.

During the year ended 31 December 2017, certain convertible bonds were converted by the bondholders into 884,126,419 new ordinary shares at HKD2.34 per share. The weighted average share price at the date of exercise for the convertible bonds during that year was HKD4.03.

The convertible bonds and MEBs are secured by the pledge of shares of the Group's subsidiaries incorporated outside the PRC, and are jointly and severally guaranteed by certain subsidiaries of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. BORROWINGS (Continued)

Notes: (Continued)

(b) MEBs/Convertible Bonds (Continued)

The derivative component was valued at fair value by the directors with reference to valuation carried out by an independent professional valuer, Savills Valuation and Professional Services Limited. The fair values of derivative component is derived by deducting the fair value of the liability component from the fair value of convertible bonds as a whole which is calculated using Binomial Option Pricing Model. The aggregate amounts of fair values changes of conversion option and redemption option are RMB1,129,652,000 as at each of conversion dates were charged to profit or loss for the year ended 31 December 2017.

The major inputs used in the models as at the conversion dates were as follows:

	Conversion dates
Stock price	HK$3.00-HK$6.66
Exercise price	HK$2.34
Time to maturity	2.2-2.5 years
Risk-free rate	0.71%-1.06%
Volatility	35.97%-43.19%

Any changes in the major inputs in the model may result in changes in the fair value of the derivative component.

The MEBs/convertible bonds recognised in the consolidated statement of financial position is calculated as follows:

	Host liability component RMB'000	Derivative component RMB'000	Total RMB'000
Initial fair value of convertible bonds issued	1,324,519	248,487	1,573,006
Less: transaction costs	(14,957)	–	(14,957)
Carrying amount at initial recognition	1,309,562	248,487	1,558,049
Carrying amount at initial recognition	1,309,562	248,487	1,558,049
Accrued interest (note 8)	79,405	–	79,405
Exchange difference	64,053	–	64,053
As at 31 December 2016 and 1 January 2017	**1,453,020**	**248,487**	**1,701,507**
Accrued interest (note 8)	**99,888**	–	**99,888**
Derecognition of financial derivative liability upon Exchange Offer	–	**(248,487)**	**(248,487)**
Initial fair value of financial derivative liability recognised	–	**482,264**	**482,264**
Interests paid	**(41,945)**	–	**(41,945)**
Changes in fair value during the year	–	**646,591**	**646,591**
Exchange difference	**30,510**	**797**	**31,307**
Derecognition of convertible bonds	**(1,541,473)**	**(1,129,652)**	**(2,671,125)**
As at 31 December 2017	–	–	–

(c) Bank and other borrowings

The Group's bank and other borrowings of RMB64,455,797,000 (2016: RMB55,240,487,000) were secured by certain properties, investment properties, land use rights, properties under development and completed properties held for sale of the Group (notes 14, 15, 16, 21 and 22) and shares of certain of the Group's subsidiaries and joint ventures.

29. BORROWINGS (Continued)

Notes: (Continued)

(c) Bank and other borrowings (Continued)

The pledged assets for the Group's bank and other borrowings are as follows:

	2017 RMB'000	2016 RMB'000
Property, plant and equipment	**590,673**	344,139
Investment properties	**15,410,689**	13,758,986
Land use rights	**287,829**	52,471
Properties under development	**35,769,533**	40,017,551
Completed properties held for sale	**12,786,413**	5,760,042
Short-term bank deposits	**1,021,949**	–
Restricted cash	**4,136,943**	1,856,280
Restricted deposit	**1,960,203**	–
	71,964,232	61,789,469

The Group's bank and other borrowings are guaranteed by certain subsidiaries of the Group:

	2017 RMB'000	2016 RMB'000
Group companies		
– guaranteed and secured by the Group's assets	**56,584,662**	49,210,913
– guaranteed by the Company	**6,110,830**	6,852,238
	62,695,492	56,063,151

The Group's other borrowings comprised of the loans from certain non-bank financial institutions.

(d) Loans from a related company

The amounts due are unsecured, carry interest rate at 12.0% and repayable in 2018. The related company is controlled by a substantial shareholder of the Company.

(e) Loans from associates

Loans from associates amounted to RMB123,200,000 are unsecured, carry interest rate at 10.0% per annum and repayable in 2019 and accordingly are classified as non-current liabilities. The remaining balance amounted to RMB1,104,000,000 are unsecured, carry interest rate ranging from 4.35% to 12.5% per annum and repayable on demand.

(f) The effective interest rates at each of the reporting dates were as follows:

	2017	2016
Bank borrowings, included in non-current liabilities	**6.7%**	6.8%
Bank borrowings, included in current liabilities	**7.0%**	6.7%
Other borrowings, included in non-current liabilities	**9.6%**	10.5%
Other borrowings, included in current liabilities	**11.2%**	9.8%
Loans from associates, included in non-current liabilities	**10.0%**	–
Loans from associates, included in current liabilities	**9.4%**	–
Loans from a related company, included in current liabilities	**12.0%**	12.0%
Senior Notes	**6.05%-10.36%**	8.27%-12.05%
MEBs	**–**	13.58%

(g) The amounts of the Group's borrowings are denominated in RMB except for New Senior Notes, MEBs and certain bank and other borrowings with aggregate amounts of RMB33,494,022,000 and RMB2,643,489,000 (2016: RMB20,673,857,000 and RMB280,066,000), which are denominated in USD and HKD respectively.

30. FINANCIAL DERIVATIVES

	2017 RMB'000	2016 RMB'000
Measured at fair value at each reporting date and included in the consolidated statement of financial position as liabilities:		
CVRs	–	(34,032)
Derivative component of MEBs	–	(229,790)
	–	(263,822)

Note: CVRs represents 232,621 contingent value rights with a notional amount of US$70 each that entitle the holders to the payment of US$14 for each CVR they hold upon occurrence of certain triggering events as specified in the related agreements. Such CVRs are classified as derivative liabilities.

During the year ended 31 December 2017, the derivative of CVRs was derecognised and reclassified as other payable following to the occurrence of all triggering events.

31. OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Other payables and accruals (note (i))	**6,248,743**	3.451.509
Accrued interest	**1,605,623**	664,659
Accrued staff costs	**258,782**	87,400
Bills payables	**213,030**	321,662
Compensation payable	**154,048**	–
Consideration payables related to acquisitions of subsidiaries	**2,731,979**	695,105
Consideration payables related to acquisitions of associate and joint venture	**1,857,937**	–
Consideration payables related to available-for-sale financial assets	**2,011,935**	–
Deed tax and other taxes payables	**897,896**	500,535
Deposits received	**198,391**	171,806
Amounts due to associates (note (ii))	**925,721**	924,157
Amounts due to non-controlling interests of subsidiaries (note (ii))	**315,697**	836,019
	17,419,782	7,652,852
Less: non-current portion		
Other payables and accruals	**(104,171)**	–
Current portion	**17,315,611**	7,652,852

The carrying amounts of other payables are denominated in RMB and approximate to their fair values.

Notes:

(i) Other payables and accruals mainly included accrued operating expenses, and advance from third parties for operations and amounts due to former shareholders in relation to newly acquired subsidiaries which are interest-free, unsecured and repayable on demand.

(ii) The amounts due are unsecured, interest-free and repayable on demand.

32. DEFERRED INCOME TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when the deferred income taxes relate to the same tax authority. The offset amounts are as follows:

	2017 RMB'000	2016 RMB'000
Deferred tax assets	**9,699**	26,543
Deferred tax liabilities	**(4,411,645)**	(4,203,433)
The net movement on the deferred income tax is as follows:		
Beginning of the year	**(4,176,890)**	(3,130,882)
Acquisitions of subsidiaries (note 38)	**(133,658)**	–
Recognised in profit or loss (note 9)	**(91,398)**	(1,046,008)
End of the year	**(4,401,946)**	(4,176,890)

The movements in deferred tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, were as follows:

Deferred tax assets arose from:

	Tax losses RMB'000
At 1 January 2016	118,803
Charged to profit or loss	(5,664)
At 31 December 2016 and 1 January 2017	113,139
Charged to profit or loss	(16,844)
At 31 December 2017	**96,295**

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise tax losses amounting to RMB15,018,605,000 (2016: RMB12,020,382,000) that can be carried forward against future taxable income. These tax losses have no expiry date except that approximately RMB648,689,000 (2016: RMB457,286,000) will expiry from 2018 to 2021.

32. DEFERRED INCOME TAX (Continued)

Deferred tax liabilities arose from:

	Properties acquired in business combination RMB'000	Intangible assets acquired in business combination RMB'000	Revaluation of investment properties RMB'000	Total RMB'000
At 1 January 2016	–	–	3,188,248	3,188,248
Charged to profit or loss	–	–	1,040,344	1,040,344
At 31 December 2016 and 1 January 2017	–	–	4,228,592	4,228,592
Acquisitions of subsidiaries (note 38)	34,389	99,269	–	133,658
Charged to profit or loss	–	–	522,212	522,212
Derecognition – transfer from joint operation to joint ventures	–	–	(447,658)	(447,658)
At 31 December 2017	34,389	99,269	4,303,146	4,436,804

At 31 December 2017, the unrecognised deferred tax liabilities were RMB971,605,000 (2016: RMB848,362,000), relating to withholding tax that would be payable for undistributed profits of PRC subsidiaries, as the directors consider that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these PRC subsidiaries as at 31 December 2017 amounted to RMB19,432,100,000 (2016: RMB16,967,239,000).

33. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised:					
Ordinary share of HKD0.10 each					
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	50,000,000,000	5,000,000	4,405,545	–	4,405,545
Issue and fully paid:					
At 1 January 2016, 31 December 2016, 1 January 2017	**5,135,427,910**	**513,543**	**450,450**	**4,253,704**	**4,704,154**
Issue of shares upon exercise of share options (notes (a) and 39)	**44,176,000**	**4,418**	**3,923**	**66,732**	**70,655**
Issue of shares upon conversion of convertible bonds (note (b))	**884,126,419**	**88,412,642**	**78,492**	**2,592,633**	**2,671,125**
At 31 December 2017	**6,063,730,329**	**88,930,603**	**532,865**	**6,913,069**	**7,445,934**

Changes in the share capital of the Company during the year ended 31 December 2017 are as follows:

(a) For the year ended 31 December 2017, 44,176,000 shares were issued upon exercise of share options. Total proceeds were HKD78,320,000 (equivalent to RMB70,655,000). The weighted average share price at the time of exercise was HKD1.773 (as at 31 December 2016: nil) per share. The related transactions costs were deducted from the proceeds received. For the year ended 31 December 2016, no share was issued.

(b) As stated in note 29(b) to the consolidated financial statements, the convertible bonds have been fully converted at the conversion price to 884,126,419 ordinary shares of the Company for the year ended 31 December 2017. The carrying amount of host liability and derivative components of convertible bonds, net of the par value of the shares, of RMB2,592,633,000 has been transferred to the share premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. THE GROUP'S RESERVES

	Merger reserve RMB'000 (note a)	Exchange reserve RMB'000	Statutory reserves RMB'000 (note b)	Share option reserve RMB'000 (note c)	Capital reserve RMB'000 (note d)	Other reserve RMB'000	Conversion option reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2016	382	24,835	834,530	55,328	(487,047)	–	220,824	8,196,538	8,845,390
Total comprehensive loss for the year	–	–	–	–	–	–	–	(612,590)	(612,590)
Share-based payments (note c)	–	–	–	5,881	–	–	–	–	5,881
Share options lapsed	–	–	–	(6,840)	–	–	–	6,840	–
Derecognition of conversion options included in the convertible bonds issued in 2010	–	–	–	–	–	–	(220,824)	220,824	–
Transfer to statutory reserves (note b)	–	–	79,068	–	–	–	–	(79,068)	–
Others	–	–	–	–	–	3,292	–	–	3,292
Balance at 31 December 2016 and 1 January 2017	**382**	**24,835**	**913,598**	**54,369**	**(487,047)**	**3,292**	**–**	**7,732,544**	**8,241,973**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,284,889**	**3,284,889**
Other comprehensive (loss)/income for the year	**–**	**(1,592)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,592)**
Total comprehensive (loss)/income for the year	**–**	**(1,592)**	**–**	**–**	**–**	**–**	**–**	**3,284,889**	**3,283,297**
Issue of shares upon exercise of share options	**–**	**–**	**–**	**(25,552)**	**–**	**–**	**–**	**–**	**(25,552)**
Share-based payments (note c)	**–**	**–**	**–**	**141,281**	**–**	**–**	**–**	**–**	**141,281**
Share options lapsed	**–**	**–**	**–**	**(2,126)**	**–**	**–**	**–**	**2,126**	**–**
Transfer to statutory reserves (note b)	**–**	**–**	**45,939**	**–**	**–**	**–**	**–**	**(45,939)**	**–**
Others	**–**	**–**	**–**	**–**	**4,281**	**(3,292)**	**–**	**–**	**989**
Balance at 31 December 2017	**382**	**23,243**	**959,537**	**167,972**	**(482,766)**	**–**	**–**	**10,973,620**	**11,641,988**

34. THE GROUP'S RESERVES (Continued)

Notes:

(a) The merger reserve of the Group represents the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the group reorganisation in December 2007 and the nominal value of the share capital of the Company issued in exchange thereof. The reorganisation qualifies as common control combinations and has been accounted for using merger accounting.

(b) In accordance with the relevant rules and regulations in the PRC and the provision of the articles of association of the PRC companies comprising the Group, before 1 January 2006, the local investment enterprises were required to appropriate at each year end 5% to 10% of the profit for the year after setting off the accumulated losses brought forward (based on figures reported in the statutory financial statements) to the statutory surplus reserve and the statutory public welfare fund (collectively the "Statutory Reserves"), respectively. After 1 January 2006, the local investment enterprises are allowed to appropriate 10% of the net profit to the Statutory Reserves until the accumulated appropriation exceeds 50% of the registered capital.

For Chinese-foreign entities, in accordance with the Law of the PRC on Chinese-foreign Equity Joint Ventures, the percentage of profits to be appropriated to the Statutory Reserves is solely determined by the Board of Directors of these foreign investment enterprises.

In accordance with the Laws of the PRC on Enterprises Operated Exclusively with Foreign Capital and the companies' articles of association, an appropriation to the Statutory Reserves, after net of accumulated losses of previous years, have to be made prior to profit distribution to the investor. The appropriation for the Statutory Reserve of these foreign investment enterprises shall be no less than 10% of the net profit until the accumulated appropriation exceeds 50% of the registered capital.

For the year ended 31 December 2017, the Board of Directors of the Company's subsidiaries in the PRC, including both local and foreign investment enterprises, appropriated RMB45,939,000 (2016: RMB79,068,000) to the Statutory Reserves.

(c) Share option reserve represents value of employee services in respect of share options granted under the Share Option Scheme (note 39).

(d) Capital reserve arose from the difference between the amount by which the non-controlling interests are adjusted and the consideration paid for the acquisition of additional interest in subsidiaries.

35. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	2017 RMB'000	2016 RMB'000
Profit/(Loss) for the year	**3,043,848**	(347,511)
Adjustments for:		
Income tax expenses (note 9)	**3,622,579**	2,214,306
Depreciation (notes 6 and 14)	**109,124**	101,369
Amortisation of land use rights (notes 6 and 16)	**7,360**	6,286
Amortisation of intangible assets (notes 6 and 19)	**119,027**	85,796
Bad debt recovery of other receivable (note 7)	**(450,000)**	–
Dividend income received from available-for-sale financial assets (note 7)	**(22,269)**	(20,801)
Gain on deemed disposal of an associate (notes 7 and 38(e))	**(429)**	–
Gain on disposal of available-for-sale financial assets (note 7)	**–**	(38,505)
Net exchange (gain)/losses (note 8)	**(1,300,266)**	1,237,330
Write-down of completed properties held for sale and properties under development (note 7)	**262,332**	670,615
Written off of intangible assets (note 7)	**10,468**	–
Reversal of impairment loss on land use rights (notes 7 and 16)	**(2,887)**	–
Loss on step acquisition of a subsidiary	**146,258**	–
Written off of trade and other receivables (note 7)	**140,510**	–
Interest income (note 8)	**(185,818)**	(39,236)
Interest expense (note 8)	**1,238,286**	922,272
Share of results of associates	**(31,685)**	40,578
Share of results of joint ventures (note 17(b))	**(37)**	(8,223)
(Gain)/loss on disposal of property, plant and equipment (note)	**(3,427)**	793
Changes in fair value of investment properties (note 15)	**(2,088,849)**	(4,161,371)
Changes in fair value of financial derivatives	**969,204**	21,500
Gain on extinguishment of financial liabilities (note 29(a))	**–**	(716,143)
Share-based payment (note 12)	**141,281**	5,881
Net fair value loss on financial assets at fair value through profit or loss (note 7)	**24,786**	–
Changes in working capital:		
Inventories	**222**	–
Properties under development and completed properties held for sale	**4,045,108**	10,091,625
Debtors, deposits and other receivables	**(3,620,629)**	7,662,800
Deposits for land acquisition	**(2,033,401)**	(597,244)
Convertible bonds interest income received	**(146)**	–
Prepayments for proposed development projects	**336,294**	(3,053,465)
Financial assets at fair value through profit or loss	**(121,253)**	–
Restricted cash	**37,686**	(2,918,519)
Advance proceeds received from customers and deposits received	**1,534,391**	13,447,636
Accrued construction costs	**4,753,355**	(3,886,930)
Other payables	**(4,014,832)**	(5,809,096)
Cash generated from operations	**6,666,191**	14,911,743

35. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Cash generated from operations (Continued)

Note:

(Gain)/loss on disposal of property, plant and equipment are as follows:

	2017 RMB'000	2016 RMB'000
Net carrying value disposed (note 14)	9,871	793
Proceeds received	(13,298)	–
(Gain)/loss on disposal (note 7)	(3,427)	793

(b) Reconciliation of liabilities arising from financing activities

	Borrowings RMB'000	Financial derivatives RMB'000	Other payables RMB'000
As at 1 January 2017	87,536,816	263,822	7,652,852
Changes from financing cash flows:			
Increase in other payables	–	–	2,824,985
Increase in amounts due to associates	–	–	1,564
Decrease in amounts due to non-controlling interests of subsidiaries	–	–	(571,040)
Proceeds from bank and other borrowings	32,383,752	–	–
Proceeds from loans from associates	1,227,200	–	–
Proceeds from issuance of Senior Notes	18,174,280	–	–
Repayments of bank and other borrowings	(21,706,492)	–	–
Repayments of loans from a related company	(2,768,219)	–	–
Repayments of Senior Notes	(1,340,423)	–	–
Total changes from financing cash flows	25,970,098	–	2,255,509
Non-cash changes			
– exchange differences	(1,229,218)	–	–
– finance expenses recognised	7,976,561	–	–
– convertible bonds derecognised	(1,541,473)	–	–
– financial derivative derecognised	–	(1,129,652)	–
– changes in fair value of financial derivatives	–	969,204	–
– transfer to joint venture	(765,000)	–	(94,583)
Other changes (note)	(8,125,983)	(103,374)	(2,345,796)
Acquisitions of subsidiaries, net of cash required	1,351,386	–	9,951,800
As at 31 December 2017	111,173,187	–	17,419,782

Note:

Other changes mainly represented the interest capitalisation, decrease in other payables included in operating activities and repayment for consideration payables related to acquisitions of subsidiaries included in investing activities.

36. FINANCIAL GUARANTEES CONTRACTS

The Group had the following financial guarantees as at 31 December 2017 and 2016:

	2017 RMB'000	2016 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the property units sold by the Group	**30,094,885**	21,843,192

The guarantees in respect of mortgage facilities granted by certain banks related to mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees expire or terminate upon the earlier of (i) issuance of the property ownership certificates which are generally be available within six months to one year after the purchasers take possession of the relevant properties; and (ii) the mortgage loans obtained by the purchasers of properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the consolidated financial statements for the guarantees.

37. COMMITMENTS

(a) Commitments for property development expenditures and acquisitions of subsidiaries and an associate

	2017 RMB'000	2016 RMB'000
Contracted but not provided for		
– Acquisitions of land use rights and property development activities	**31,849,843**	27,186,258
– Acquisitions of subsidiaries	**834,598**	461,400
– Acquisition of an associate	**1,947,851**	–
	34,632,292	27,647,658

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	2017 RMB'000	2016 RMB'000
Not later than one year	**37,528**	27,278
Later than one year and not later than five years	**46,439**	29,906
Later than five years	**3,005**	324
	86,972	57,508

37. COMMITMENTS (Continued)

(c) Operating lease rentals receivable

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	2017 RMB'000	2016 RMB'000
Not later than one year	**209,090**	176,819
Later than one year and not later than five years	**569,683**	427,198
Later than five years	**193,586**	236,789
	972,359	840,806

38. ACQUISITIONS OF SUBSIDIARIES

(a) Acquisition of Guangzhou International Toys and Gift City Co., Ltd.* ("Guangzhou Toys")

On 30 March 2017, the Group acquired 90% equity interest of Guangzhou Toys at a cash consideration of RMB885,146,000. Guangzhou Toys mainly owns properties under development and completed properties held for sales, and operates property development before they were acquired by the Group. The purpose of the acquisition was mainly for acquiring the land for future development. Thus, the directors are of the view that the acquisition is treated as acquisition of properties under development in substance.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquirer's identifiable net assets.

Details of the aggregate fair values of the identifiable assets and liabilities of Guangzhou Toys as at the date of acquisition are as follows:

	2017 RMB'000
Property, plant and equipment (note 14)	**422**
Properties under development	**3,054,585**
Debtors, deposits and other receivables	**142,527**
Cash and bank balances	**177**
Accrued construction costs	**(2,588)**
Other payables	**(2,211,627)**
Net assets	**983,496**
Less: non-controlling interests	**(98,350)**
Net assets acquired	**885,146**
Purchase consideration settled in cash	**885,146**
Cash and bank balances in a subsidiary acquired	**(177)**
Cash outflow on acquisition of a subsidiary	**884,969**

38. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisition of Kaisa Health Group

On 13 November 2017, Kaisa Health Group completed a right issue, enable the Group obtained the effective control over Kaisa Health Group, and became a subsidiary of the Group. The Group considers that the step acquisition provides a good opportunity to diversify the Group's business risk. The results of Kaisa Health Group is consolidated into the Group's financial statements commencing from the acquisition date (i.e. 13 November 2017).

The Group accordingly remeasured the fair value of its pre-existing interest in Kaisa Health Group at the date of completion and recognised the resulting loss of RMB146,258,000 on the remeasurement of the Group's pre-existing interest in Kaisa Health Group to acquisition date fair value.

Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the business acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose. The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Details of the carrying value and fair value of the Group's pre-existing interest in Kaisa Health Group at the acquisition date are summarised as follows:

	2017 RMB'000
Share of net assets	**381,376**
Less: Fair value of pre-existing interest	**(235,118)**
Loss on step acquisition of a subsidiary	**146,258**

38. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisition of Kaisa Health Group (Continued)

Details of the aggregate fair values of the identifiable assets and liabilities of Kaisa Health Group as at the date of acquisition are as follows:

	2017 RMB'000
Property, plant and equipment (note 14)	11,943
Intangible assets (note 19)	589,140
Convertible bonds receivable (note 20)	39,794
Inventories	2,936
Debtors, deposits and other receivables	113,529
Cash and bank balances	460,066
Other payables	(35,642)
Deferred tax liabilities (note 32)	(99,269)
Total identifiable net assets at fair value	1,082,497
Less: non-controlling interests	(636,075)
	446,422
Goodwill (note 19)	203,931
	650,353
Satisfied by:	
– Cash	415,235
– Fair value of pre-existing interest	235,118
	650,353
Purchase consideration settled in cash	415,235
Cash and bank balance in a subsidiary acquired	(460,066)
Cash inflow on acquisition of a subsidiary	(44,831)

Since the completion of step acquisition of Kaisa Health Group, Kaisa Health Group contributed total revenue of RMB15,123,000 and net loss of RMB3,831,000 included in the consolidated statement of profit and loss for the year ended 31 December 2017. Had the step acquisition of Kaisa Health Group been consolidated from 1 January 2017, the consolidated statement of profit or loss would show the increase in pro-forma revenue and profit for the year by RMB195,038,000 and RMB2,327,000, respectively.

38. ACQUISITIONS OF SUBSIDIARIES (Continued)

(c) Acquisition of Fujian Jianke Insurance Brokers Co. Ltd.*("Fujian Jianke")

On 29 September 2017, the Group acquired 84% equity interest in Fujian Jianke at a cash consideration of RMB8,400,000 to diversify its business. Fujian Jianke is principally engaged in insurance operation. Thus, the Directors of the Company are of the view that the acquisition constitutes acquisition of business.

Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the business acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The identifiable assets and liabilities arising from the acquisition are as follows:

	2017 RMB'000
Debtors, deposit and other receivables	**1,323**
Prepaid taxes	**61**
Cash and bank balances	**5,685**
Total identifiable net assets at fair value	**7,069**
Less: non-controlling interests	**(1,131)**
Net assets acquired	**5,938**
Goodwill (note 19)	**2,462**
Total purchase consideration	**8,400**
Total purchase consideration:	
– settled in cash during the year	**6,400**
– payable	**2,000**
	8,400
Purchase consideration settled in cash	**6,400**
Cash and bank balances in a subsidiary acquired	**(5,685)**
Cash outflow on acquisition of the subsidiary	**715**

Fujian Jianke contributed total revenue of RMB152,000 and net loss of RMB54,000 to the Group for the period from the acquisition date to 31 December 2017. Had Fujian Jianke been consolidated from 1 January 2017, the consolidated statement of profit or loss would show the increase in pro-forma revenue by RMB598,000 and the decrease in pro-forma profit for the year by RMB211,000.

38. ACQUISITIONS OF SUBSIDIARIES (Continued)

(d) Acquisitions of assets

For the year ended 31 December 2017, the Group acquired controlling equity interests of several individually immaterial subsidiaries at a total consideration of approximately RMB6,318,309,000. These companies did not operate any business prior to the acquisitions and only had property, plant and equipment, investments in associates, properties under development, prepayments for proposed development projects, and deposits for land acquisitions. Therefore, the Group considered this would be an acquisition of assets in substance and the difference between the purchase consideration paid and the net assets acquired would be recognised as adjustments to the carrying value of property, plant and equipment, investments in associates, properties under development, prepayments for proposed development project and deposits for land acquisitions.

The considerations of all these transactions were based on the fair value of the assets acquired.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

	2017 RMB'000
Property, plant and equipment (note 14)	326,056
Investments in associates	291,406
Properties under development	4,763,197
Deposits for land acquisition	2,024,550
Prepayment for proposed development projects	2,641,487
Debtors, deposits and other receivables	1,760,315
Prepaid taxes	529
Cash and bank balances	330,963
Accrued construction costs	(7,274)
Borrowings	(549,836)
Other payables	(4,950,952)
Net assets	6,630,441
Less: non-controlling interests	(312,132)
Net assets acquired	6,318,309
Total purchase consideration:	
– settled in cash during the year	3,785,647
– payable	2,532,662
	6,318,309
Purchase consideration settled in cash	3,785,647
Cash and bank balances in subsidiaries acquired	(330,963)
Cash outflow on acquisition of subsidiaries	3,454,684

38. ACQUISITIONS OF SUBSIDIARIES (Continued)

(e) Acquisition of Shenzhen Qijia Internet Technology Co. Ltd.*("Qijia")

On 31 December 2017, the Group acquired an additional equity interest of Qijia at the consideration of RMB5,382,000. Qijia was previously an associate of the Group. After the additional acquisition, the Group has 92.26% effective equity interest in Qijia.

The Group accordingly remeasured the fair value of its pre-existing interest in Qijia at the date of completion and recognised the resulting gain of RMB429,000 on the remeasurement of the Group's pre-existing interest in Qijia to acquisition date fair value.

Goodwill arose because the consideration paid included amounts in relation to the future market development of the business acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Details of the carrying value and fair value of the Group's pre-existing interest in Qijia at the acquisition date are summarised as follows:

	2017 RMB'000
Share of net assets	**7**
Less: Fair value of pre-existing interest	**(436)**
Gain on deemed disposal of an associate (note 7)	**(429)**

38. ACQUISITIONS OF SUBSIDIARIES (Continued)

(e) Acquisition of Shenzhen Qijia Internet Technology Co. Ltd.*("Qijia") (Continued)

Details of the aggregate fair values of the identifiable assets and liabilities of Qijia as at the date of acquisition are as follows:

	2017 RMB'000
Property, plant and equipment (note 14)	197
Intangible assets – other (note 19)	7,895
Debtors, deposits and other receivables	571
Cash and bank balances	122
Advance deposits received from customers and deposits received	(810)
Accrued construction costs	(54)
Other payables	(6,175)
Total identifiable net assets at fair value	1,746
Less: non-controlling interests	(135)
	1,611
Goodwill (note 19)	4,207
	5,818
Satisfied by:	
Cash	5,382
Fair value of pre-existing interest	436
	5,818
Purchase consideration settled in cash	5,382
Cash and bank balances in a subsidiary acquired	(122)
Cash outflow on acquisition of a subsidiary	5,260

Oijia contributed total revenue of RMBnil and net loss of RMBnil to the Group for the period from the acquisition date to 31 December 2017. Had Qijia been consolidated from 1 January 2017, the consolidated statement of profit or loss would show the increase in pro-forma revenue by RMB1,344,000 and the decrease in pro-forma profit for the year by RMB7,795,000.

38. ACQUISITIONS OF SUBSIDIARIES (Continued)

(f) Acquisition of Hunan Ding Cheng Da Real Estate Development Co., Ltd.*("Ding Cheng Da")

On 22 December 2017, the Group acquired 100% equity interest of Ding Cheng Da at a cash consideration of RMB235,047,000. Ding Cheng Da is principally engaged in property development. Thus, the directors of the Company are of the view that the acquisition constitutes acquisition of business.

Details of the aggregate fair values of the identifiable assets and liabilities of Ding Cheng Da as at the date of acquisition are as follows:

	2017 RMB'000
Property, plant and equipment (note 14)	123
Properties under development	878,683
Completed properties held for sales	208,957
Debtors, deposits and other receivables	74,408
Prepaid taxes	25,499
Cash and bank balances	232,723
Advance proceeds received from customers and deposits received	(56,337)
Accrued construction costs	(80,328)
Borrowings	(801,550)
Other payables	(212,742)
Deferred tax liabilities (note 32)	(34,389)
Net assets acquired	235,047
Purchase consideration settled in cash	235,047
Cash and bank balances in subsidiary acquired	(232,723)
Cash outflow on acquisitions of subsidiary	2,324

Ding Cheng Da contributed net profit of RMB4,289,000 to the Group for the period from the acquisition date to 31 December 2017. Has Ding Cheng Da been consolidated from 1 January 2017, the consolidated statement of profit or loss would show the increase in pro-forma revenue and profit for the year by RMB121,490,000 and RMB29,601,000, respectively.

(g) Acquisition of Shenzhen Marine Group Company Limited* ("Shenzhen Marine")

On 12 May 2016, the Group acquired 70% equity interest of Shenzhen Marine at a cash consideration of RMB5,822,438,000 to obtain control over Shenzhen Marine. Shenzhen Marine mainly held a piece of land located at Donjaotou in Nanshan District (the "Land") through a 51% owned subsidiary (the "entity") and operates water-way passenger and cargo transportation business through other subsidiaries before they were acquired by the Group. The purpose of the acquisition was mainly for acquiring the Land for future development, while the water-way passenger and cargo transportation business was insignificant as of 31 December 2016. Thus, the directors of the Company were of the view that the acquisition is treated as acquisition of land in substance.

38. ACQUISITIONS OF SUBSIDIARIES (Continued)

(g) Acquisition of Shenzhen Marine Group Company Limited* ("Shenzhen Marine") (Continued)

The business license of the entity has been expired in 2014 and the entity applied for liquidation to the court. Based on the PRC laws and regulations, after the expiry of the operation period, the legal identity of the entity still exists and its net assets (net of the liquidation expenses and repayment to the creditors) will be distributed to the shareholders in accordance with the respective proportion of equity contributions.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The assets and liabilities recognised at the date of acquisition are as follows:

	2016 RMB'000
Property, plant and equipment (note 14)	311,719
Investments in associates (note 17(a))	8,913
Available-for-sale financial assets (note 18)	96,903
Debtors, deposits and other receivables	864,926
Deposits for land acquisition	15,575,628
Cash and bank balances	263,521
Advance deposits received from customers and deposits received	(1,591)
Income tax payable	(19,278)
Borrowings	(510,740)
Other payables	(596,930)
Net assets	15,993,071
Less: non-controlling interests	(10,170,633)
Net assets acquired	5,822,438
Purchase consideration settled in cash	5,822,438
Cash and bank balances acquired	(263,521)
Cash outflow on acquisition of subsidiaries	5,558,917

38. ACQUISITIONS OF SUBSIDIARIES (Continued)

(h) Acquisition of Shenzhen Football Club Co., Ltd.* ("Shenzhen Football Club")

On 5 February 2016, the Group acquired 90% equity interest of Shenzhen Football Club at a cash consideration of RMB203,446,000. The directors are of the view that the acquisition constitutes acquisition of business.

Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the business acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets of Shenzhen Football Club.

The following table summarises the consideration paid for the acquisition, the fair value of the assets acquired and liabilities assumed at the acquisition date.

	2016 RMB'000
Property, plant and equipment (note 14)	1,446
Intangible assets – contracts with various sports players (note 19)	107,437
Debtors, deposits and other receivables	239,300
Cash and bank balances	358
Income tax payable	(14,806)
Other payables	(225,728)
Net assets	108,007
Less: non-controlling interests	(10,801)
Net assets acquired	97,206
Purchase consideration settled in cash	203,446
Cash and bank balances in subsidiary acquired	(358)
Cash outflow on acquisition of subsidiary	203,088
Total purchase consideration	203,446
Identifiable net assets acquired	(97,206)
Goodwill (note 19)	106,240

38. ACQUISITIONS OF SUBSIDIARIES (Continued)

(i) Acquisition of Shanghai Yitao Sports Culture Communication Co., Ltd* ("Shanghai Yitao") and Guangzhou Starshine Cinema Co., Ltd* ("Guangzhou Starshine")

On 26 August 2016, the Group acquired 70% equity interest in Shanghai Yitao at a cash consideration of RMB20,000,000 to diversify its business. Shanghai Yitao is principally engaged in sports operation. Thus, the directors of the Company are of the view that the acquisition constitutes acquisition of business.

On 22 July 2016, the Group acquired 100% equity interest in Guangzhou Starshine at a cash consideration of RMB9,000,000 to diversify its business. Guangzhou Starshine is principally engaged in entertainment operation. Thus, the directors of the Company are of the view that the acquisition constitutes acquisition of business.

Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the business acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The following table summarises the aggregated consideration paid for the acquisition, the fair value of the assets acquired and liabilities assumed of Shanghai Yitao and Guangzhou Starshine at the acquisition date.

	2016 RMB'000
Property, plant and equipment (note 14)	9,801
Debtors, deposits and other receivables	32,737
Cash and bank balances	1,223
Other payables	(26,347)
Income tax payable	(85)
Net assets	17,329
Less: non-controlling interests	(3,868)
Net assets acquired	13,461
Purchase consideration settled in cash	8,001
Cash and bank balances in subsidiaries acquired	(1,223)
Cash outflow on acquisition of the subsidiaries	6,778
Total purchase consideration	29,000
Identifiable net assets acquired	(13,461)
Goodwill (note 19)	15,539

* The English translation of the name of the companies established in the PRC is for reference only. The official name of these companies are in Chinese.

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39. SHARE OPTION

Share Option Scheme

Pursuant to the shareholders' resolution passed on 22 November 2009, a post-IPO share option scheme (the "Share Option Scheme") was conditionally adopted. Pursuant to the terms of the Share Option Scheme, the Company may grant options at its discretion, to any eligible person (including directors, employees, officers of any member of the Group, advisers, consultants, suppliers, agents and customers of any members of the Group). The maximum number of shares which may be issued upon exercise of all options (the "Share Option") granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company's shares in issue from time to time.

No options may be granted under the Share Option Scheme after 10 years since the adoption. The vesting periods, exercise periods and vesting conditions may be specified by the Company at the time of the grant, and the options expire no later than 10 years from the relevant date of grant. The exercise price of the option under the Share Option Scheme shall be no less than the highest of (i) the official closing price of the Company's shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average of the official closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; (iii) the nominal value of a share of the Company.

Details of the movement of the share options under Share Option Scheme are as follows:

	2017		2016	
	Weighted average exercise price in HK$ per share	**Number**	Weighted average exercise price in HK$ per share	Number
At 1 January	**1.908**	**162,498,000**	1.898	178,642,000
Granted during the year	**3.785**	**362,300,000**	–	–
Exercised during the year (note 33)	**1.773**	**(44,176,000)**	–	–
Lapsed during the year	**3.183**	**(10,108,000)**	1.802	(16,144,000)
At 31 December	**3.339**	**470,514,000**	1.908	162,498,000

As at 31 December 2017, 114,114,000 (2016: 133,776,000) outstanding options granted under the Share Option Scheme were exercisable (note).

39. SHARE OPTION (Continued)

Share Option Scheme (Continued)

Note: Terms of share options at the reporting date were as follows:

Exercised period	Vesting period	Exercise price per share HK$	Number of share options 2017	2016
10/6/2010-24/4/2022	9/12/2009-9/6/2010	3.105	**5,350,000**	8,250,000
30/3/2011-24/4/2022	9/12/2009-29/3/2011	3.105	**8,250,000**	8,250,000
24/4/2012-24/4/2022	9/12/2009-23/4/2012	3.105	**8,500,000**	8,500,000
23/7/2011-22/7/2020	23/7/2010-22/7/2011	2.000	**3,520,000**	6,620,000
23/7/2012-22/7/2020	23/7/2010-22/7/2012	2.000	**3,520,000**	6,620,000
23/7/2013-22/7/2020	23/7/2010-22/7/2013	2.000	**3,720,000**	6,820,000
23/7/2014-22/7/2020	23/7/2010-22/7/2014	2.000	**4,320,000**	7,420,000
23/7/2015-22/7/2020	23/7/2010-22/7/2015	2.000	**9,137,000**	11,540,000
6/6/2013-5/6/2022	6/6/2012-5/6/2013	1.500	**4,324,000**	7,862,000
6/6/2014-5/6/2022	6/6/2012-5/6/2014	1.500	**5,468,000**	9,250,000
6/6/2015-5/6/2022	6/6/2012-5/6/2015	1.500	**17,847,000**	25,122,000
6/6/2016-5/6/2022	6/6/2012-5/6/2016	1.500	**18,258,000**	25,122,000
6/6/2017-5/6/2022	6/6/2012-5/6/2017	1.500	**18,300,000**	25,122,000
21/2/2015-20/2/2024	21/2/2014-20/2/2015	2.610	**1,200,000**	1,200,000
21/2/2016-20/2/2024	21/2/2014-20/2/2016	2.610	**1,200,000**	1,200,000
21/2/2017-20/2/2024	21/2/2014-20/2/2017	2.610	**1,200,000**	1,200,000
21/2/2018-20/2/2024	21/2/2014-20/2/2018	2.610	**1,200,000**	1,200,000
21/2/2019-20/2/2024	21/2/2014-20/2/2019	2.610	**1,200,000**	1,200,000
19/7/2018-18/7/2027	19/7/2017-18/7/2018	3.550	**61,200,000**	–
19/7/2019-18/7/2027	19/7/2017-18/7/2019	3.550	**61,200,000**	–
19/7/2020-18/7/2027	19/7/2017-18/7/2020	3.550	**61,200,000**	–
19/7/2021-18/7/2027	19/7/2017-18/7/2021	3.550	**122,400,000**	–
22/9/2018-21/9/2027	22/9/2017-21/9/2018	6.660	**4,000,000**	–
22/9/2019-21/9/2027	22/9/2017-21/9/2019	6.660	**4,000,000**	–
22/9/2020-21/9/2027	22/9/2017-21/9/2020	6.660	**4,000,000**	–
22/9/2021-21/9/2027	22/9/2017-21/9/2021	6.660	**8,000,000**	–
29/11/2018-28/11/2027	29/11/2017-28/11/2018	4.370	**5,600,000**	–
29/11/2019-28/11/2027	29/11/2017-28/11/2019	4.370	**5,600,000**	–
29/11/2020-28/11/2027	29/11/2017-28/11/2020	4.370	**5,600,000**	–
29/11/2021-28/11/2027	29/11/2017-28/11/2021	4.370	**11,200,000**	–
			470,514,000	162,498,000

The Company offered to grant several directors and employees (the "July 2010 Grant") of 179,750,000 share options of HK$0.10 each in the capital of the Company on 23 July 2010.

On 6 June 2012, the Company further offered to grant several directors and employees (the "June 2012 Grant") of 326,790,000 share options respectively of HK$0.10 each in the capital of the Company.

During the year ended 31 December 2014, the Company offered to grant an employee and a consultant (the "February 2014 Grant") total of 11,000,000 share options and an employee (the "August 2014 Grant") total of 3,000,000 share option respectively of HK$0.10 each in the capital of the Company on 21 February 2014 and 21 August 2014 respectively.

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39. SHARE OPTION (Continued)

Share Option Scheme (Continued)

On 19 July 2017, the Company offered to grant to the directors of the Company and certain employees of the Company and its subsidiaries (the "July 2017 Grant") of 64,000,000 and 250,300,000 share options respectively, of HK$0.1 each in the capital of the Company. The Company further granted a director of the Company (the "September 2017 Grant") and (the "November 2017 Grant") of 20,000,000 and 28,000,000 shares options on 22 September 2017 and 29 November 2017 respectively of HK$0.1 each in the capital of the Company.

The valuations were based on the Binomial Option Pricing Model with the following data and assumptions:

	March 2010 Grant	July 2010 Grant	June 2012 Grant	February 2014 Grant	August 2014 Grant	July 2017 Grant	September 2017 Grant	November 2017 Grant
Fair value under binomial option pricing model	HK$22,355,000	HK$142,362,000	HK$198,688,000	HK$8,514,000	HK$2,592,000	HK$543,168,000	HK$68,887,000	HK$61,987,000
Closing share price at grant date	HK$2.56	HK$1.71	HK$1.39	HK$2.60	HK$2.83	HK$3.55	HK$6.66	HK$4.26
Exercise price	HK$3.105	HK$2.00	HK$1.50	HK$2.61	HK$2.84	HK$3.55	HK$6.66	HK$4.37
Annual risk free interest rate	1.82%-2.33%	2.29%	1.04%	2.30%	1.94%	2.05%	2.01%	2.23%
Expected volatility	40%	40%	44%	45%	43%	42%	43%	44%
Expected option life	5-7 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Expected dividend yield	Nil	Nil	Nil	6.0%	5.0%	Nil	Nil	Nil

Expected volatility was determined by using the historical volatility of the Company's share price from the listing date to the grant date. The risk-free interest rate is equal to Hong Kong Dollar swap rate over the exercise period at the grant date.

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised a share option expense of RMB141,281,000 (2016: nil) during the year ended 31 December 2017.

40. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per consolidated statement of financial position

	2017 RMB'000	2016 RMB'000
Loans and receivables		
Debtors, deposits and other receivables, excluding prepayments and prepaid other taxes	**11,122,965**	3,208,384
Restricted cash (note 26)	**7,939,574**	5,696,597
Short-term bank deposits (note 27)	**1,232,206**	56,917
Cash and bank balances (note 27)	**11,998,423**	10,819,117
	32,293,168	19,781,015
Available-for-sale financial assets (note 18)	**4,400,796**	167,642
Financial assets at fair value through profit or loss	**96,467**	–

40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Liabilities as per consolidated statement of financial position

	2017 RMB'000	2016 RMB'000
Other financial liabilities at amortised cost		
Accrued construction costs	**15,170,791**	10,704,790
Borrowings (note 29)	**111,173,187**	87,536,816
Other payables, excluding deed tax and other tax payables	**16,521,886**	7,152,317
	142,865,864	105,393,923
Liabilities at fair value through profit and loss		
Financial derivatives (note 30)	**–**	263,822

41. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Controlling shareholder and founder

Mr. Kwok Ying Shing (a controlling shareholder) and Mr. Kwok Chun Wai (the founder)

A related company, a company controlled by a substantial shareholder of the Company

Shenzhen Fund Resources Investment Holding Limited* ("深圳市富德資源投資有限公司")

Associates

Shenzhen Qianhai Gold – Earth Wealth Management Co., Ltd.* ("深圳前海金土財富管理有限公司")
Shenzhen Longcheng Plaza Property Development Co., Ltd.* ("深圳市龍城廣場房地產開發有限公司")
Shenzhen Shenxin Financial Holding Co., Ltd.* ("深圳深信金融控股有限公司")
Shenzhen Shenxin Financial Services Co., Ltd.* ("深圳深信金融服務有限公司")
Shenzhen Shenxin Capital Management Co., Ltd.* ("深圳深信資本管理有限公司")
Kaisa United Financial (Beijing) Co., Ltd.* ("佳兆業聯合金控(北京)有限公司")

Joint ventures

Huizhou City Kaileju Company Limited* ("惠州市愷樂居置業有限公司")
Shenzhen Jiaxian Property Development Co., Ltd.* ("深圳市佳賢置業發展有限公司")
Shenzhen Ligao Property Development Company Limited* ("深圳力高宏業地產開發有限公司")

* The English translation of the name of the companies established in the PRC is for reference only. The official name of these companies are in Chinese.

41. RELATED PARTY TRANSACTIONS (Continued)

(b) Key management compensation

	2017 RMB'000	2016 RMB'000
Salaries and other short-term employee benefits	**174,880**	44,386
Retirement scheme contributions	**437**	254
Share-based payments	**48,293**	1,892
	223,610	46,532

(c) Transactions

	Notes	2017 RMB'000	2016 RMB'000
Advertising income received from an associate		**9,434**	–
Advisory income received from a joint venture		**15,727**	–
Financial advisory fees paid to an associate		**8,411**	–
Interest income received from associates	i	**32,067**	–
Interest expense paid to a related company	ii	**439,252**	345,240
Interest expense paid to an associate	iii	**21,858**	–
Rental expenses paid to controlling shareholder and a founder	iv	**2,000**	1,943

Note:

(i) Interest income was charged at interest rate of 12% (2016: 12%) per annum on amounts due to associates.

(ii) Interest expense was charged at interest rate of 12% (2016: 12%) per annum on loans from a related company.

(iii) Interest expense was charged at interest rates ranging from 4.35% to 12.5% (2016: nil) per annum on loans from associates.

(iv) This represents payment of rental expense for various office premises to a founder, Mr. Kwok Chun Wai and a controlling shareholder, Mr. Kwok Ying Shing, respectively. The rental expense paid during the year was determined at prevailing market rate of respective office premise.

(d) Balances with related parties

	2017 RMB'000	2016 RMB'000
Loans from associates (note 29(e))	**1,227,200**	–
Loans from a related company (note 29(d))	**108,781**	2,877,000
Advertising income from an associate	**9,000**	–
Advisory income from a joint venture	**13,337**	–
Amounts due from associates (note 23)	**20,498**	400,000
Amounts due from joint ventures (note 23)	**879,210**	599,390
Amounts due to associates (note 31)	**(925,721)**	(924,157)
Interest payable to a related company – included in other payables and accruals	**(205,683)**	(222,663)

42. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company as at 31 December 2017

	2017 RMB'000	2016 RMB'000
Non-current assets		
Investments in subsidiaries	**38,897,195**	25,550,718
Available-for-sale financial assets	**218,067**	–
	39,115,262	25,550,718
Current assets		
Deposits and other receivables	**2,005,175**	3,015
Cash and bank balances	**1,244,328**	1,297
	3,249,503	4,312
Current liabilities		
Borrowing	**835,900**	–
Financial derivatives	**–**	263,822
Other payables	**44,905**	77,171
	880,805	340,993
Net current assets/(liabilities)	**2,368,698**	(336,681)
Total assets less current liabilities	**41,483,960**	25,214,037
Non-current liability		
Borrowings	**34,752,933**	20,252,803
Net assets	**6,731,027**	4,961,234
EQUITY		
Share capital (note 33)	**532,865**	450,450
Share premium (note 33)	**6,913,069**	4,253,704
Reserves (note (a))	**(714,907)**	257,080
Total equity	**6,731,027**	4,961,234

Approved and authorised for issue by the Board of Directors on 27 March 2018.

Kwok Ying Shing
Director

Mai Fan
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note (a) Reserve movement of the Company

	Share option reserve RMB'000 (note 34(c))	Conversion option reserve RMB'000	(Accumulated losses)/retained earnings RMB'000	Total RMB'000
Balance at 1 January 2016	55,328	220,824	(105,412)	170,740
Profit and total comprehensive income for the year	–	–	80,459	80,459
Derecognition of conversion options included in the Convertible Bonds issued in 2010	–	(220,824)	220,824	–
Share-based payment	5,881	–	–	5,881
Share options lapsed	(6,840)	–	6,840	–
Balance at 31 December 2016 and 1 January 2017	54,369	–	202,711	257,080
Loss and total comprehensive loss for the year	–	–	(1,087,716)	(1,087,716)
Issue of shares upon exercise of share options	(25,552)	–	–	(25,552)
Share-based payment	141,281	–	–	141,281
Share options lapsed	(2,126)	–	2,126	–
Balance at 31 December 2017	**167,972**	**–**	**(882,879)**	**(714,907)**

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 December 2017 and 2016 are set out below:

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Jinsheng Engineering Management Consulting (Shenzhen) Co., Ltd. 今盛工程管理諮詢(深圳)有限公司	the PRC, 27 July 2001	HK$714,000,000	**100%**	100%	Property development
Kaisa Urban Redevelopment Group (Shenzhen) Co., Ltd. 佳兆業城市更新集團(深圳)有限公司	the PRC, 26 March 2004	RMB10,000,000	**100%**	100%	Property development
Kaisa Group (Shenzhen) Co., Ltd. 佳兆業集團(深圳)有限公司	the PRC, 3 June 1999	RMB2,826,163,980	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest		Principal activities
			2017	2016	
Shenzhen Naiao Kaisa Property Development Co., Ltd. 深圳市南澳佳兆業房地產開發有限公司	the PRC, 15 February 2004	RMB640,000,000	**100%**	100%	Property development
Huizhou Canrong Property Ltd. 惠州燦榮房產公司	the PRC, 14 January 1994	RMB35,926,506	**100%**	100%	Property development
Woodland Height Property (Yingkou) Co., Ltd. 桂芳園地產(營口)有限公司	the PRC, 14 December 2010	RMB495,750,000	**100%**	100%	Property development
Kaisa Property (Yingkou) Co., Ltd. 佳兆業地產(營口)有限公司	the PRC, 14 December 2010	RMB372,570,000	**100%**	100%	Property development
Zhaoruijing Hotel Zhiye Management (Suizhong) Co., Ltd. 兆瑞景酒店置業管理(綏中)有限公司	the PRC, 20 December 2010	HK$68,300,000	**100%**	100%	Hotel management
Leisure Land Hotel Zhiye Management (Suizhong) Co.,Ltd. 可域酒店置業管理(綏中)有限公司	the PRC, 20 December 2010	RMB144,653,000	**100%**	100%	Hotel management
Zhuzhou Kaisa Zhiye Co., Ltd. 株洲佳兆業置業有限公司	the PRC, 13 January 2011	HK$600,000,000	**100%**	100%	Property development
Kaisa Zhiye (Nanchong) Co., Ltd. 佳兆業置業(南充)有限公司	the PRC, 28 December 2010	RMB850,000,000	**100%**	100%	Property development
Kasia Real Estate (Benxi) Co., Ltd. 佳兆業地產(本溪)有限公司	the PRC, 7 March 2011	HK$210,000,000	**100%**	100%	Property development
Zhuhai Kaisa Property Development Co.,Ltd. 珠海市佳兆業房地產開發有限公司	the PRC, 9 June 2011	RMB518,000,000	**100%**	100%	Property development
Bakai Property Development (Weifang) Co., Ltd. 八凱房地產開發(濰坊)有限公司	the PRC, 22 June 2011	USD50,000,000	**100%**	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Kaisa Property (Wuhan) Co., Ltd. 佳兆業地產(武漢)有限公司	the PRC, 1 July 2011	RMB547,528,247	**100%**	100%	Property development
Kaisa Tourism Development Co., Ltd. 佳兆業旅遊開發有限公司	the PRC, 15 July 2011	HK$93,600,000	**100%**	100%	Property development
Kaisa Property (Suizhong) Co., Ltd. 佳兆業地產(綏中)有限公司	the PRC, 15 July 2011	HK$246,500,000	**100%**	100%	Property development
Kaisa Property (Liaoyang) Co., Ltd. 佳兆業地產(遼陽)有限公司	the PRC, 24 August 2011	USD31,000,000	**100%**	100%	Property development
Anshan Kaisa Commerce Operation Management Co., Ltd. 鞍山佳兆業商業管理有限公司	the PRC, 26 September 2011	USD26,582,581	**100%**	100%	Commerce management
Kaisa Xindu Zhiye (Qingdao) Co., Ltd. 佳兆業新都置業(青島)有限公司	the PRC, 18 February 2013	USD60,000,000	**100%**	100%	Property development
Zhuhai Zhanda Property Development Co., Ltd. 珠海市展大房地產開發有限公司	the PRC, 11 April 1992	RMB98,040,000	**100%**	100%	Property development
Huizhou Kaisa Property Development Co., Ltd. 惠州市佳兆業房地產開發有限公司	the PRC, 29 January 2007	RMB50,000,000	**100%**	100%	Property development
Kaisa Property Management (Shenzhen) Co., Ltd. 佳兆業物業管理(深圳)有限公司	the PRC, 20 October 1999	RMB310,000,000	**100%**	100%	Property management
Kaisa Commerce Group Co., Ltd. 佳兆業商業集團有限公司	the PRC, 19 July 2004	RMB1,000,000,000	**100%**	100%	Commerce management
Shenzhen Jililong Shiye Co., Ltd. 深圳市吉利隆實業有限公司	the PRC, 21 March 1997	RMB12,000,000	**100%**	100%	Property development
Guangzhou Jinmao Property Development Co., Ltd. 廣州金貿房地產開發有限公司	the PRC, 27 October 2005	RMB202,500,000	**100%**	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Dongguan Kaisa Property Development Co., Ltd. 東莞市佳兆業房地產開發有限公司	the PRC, 6 September 2004	RMB38,000,000	**100%**	100%	Property development
Dongguan Yingsheng Property Development Co., Ltd. 東莞市盈盛房地產開發有限公司	the PRC, 3 March 2006	RMB20,000,000	**100%**	100%	Property development
Huizhou Jiabo Property Development Co., Ltd. 惠州市佳博房地產開發有限公司	the PRC, 14 September 2007	RMB1,000,000	**100%**	100%	Property development
Dongguan Yingyan Property Development Co., Ltd. 東莞市盈雁房地產開發有限公司	the PRC, 4 July 2008	RMB10,000,000	**80%**	80%	Property development
Chengdu Kaisa Investment Co., Ltd. 成都佳兆業投資有限公司	the PRC, 22 June 2007	RMB20,000,000	**100%**	100%	Property development
Dongguan Yingtai Property Development Co., Ltd. 東莞市盈泰房地產開發有限公司	the PRC, 4 January 2007	RMB10,000,000	**100%**	100%	Property development
Jiangyin Taichang Property Development Co., Ltd. 江陰市泰昌房地產開發有限公司	the PRC, 22 November 2007	RMB155,000,000	**100%**	100%	Property development
Nanchong Kaisa Property Co., Ltd. 南充市佳兆業房地產有限公司	the PRC, 10 December 2010	RMB10,000,000	**100%**	100%	Property development
Zhaoruijing Property (Yingkou) Co., Ltd. 兆瑞景地產(營口)有限公司	the PRC, 14 December 2010	USD21,056,200	**100%**	100%	Property development
Kaisa Property (Anshan) Co., Ltd. 佳兆業地產(鞍山)有限公司	the PRC, 16 December 2010	USD67,000,000	**100%**	100%	Property development
Shenzhen Henggang Kaisa Investment Consulting Co., Ltd. 深圳市橫崗佳兆業投資諮詢有限公司	the PRC, 3 June 2011	RMB10,000,000	**100%**	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Anshan Junhuishangpin Property Development Co., Ltd. 鞍山君匯上品房地產開發有限公司	the PRC, 28 June 2011	USD24,210,830	**100%**	100%	Property development
Wan Rui Fa Property (Anshan) Co., Ltd. 萬瑞發地產（鞍山）有限公司	the PRC, 28 June 2011	USD19,115,864	**100%**	100%	Property development
Dongguan City Oasis Garden Property Development Co., Ltd. 東莞市城市綠洲花園房地產開發有限公司	the PRC, 21 October 2011	RMB10,000,000	**100%**	100%	Property development
Shanghai Xiangyi Management Consulting Co., Ltd. 上海向益管理諮詢有限公司	the PRC, 3 November 2011	RMB25,000,000	**100%**	100%	Property development
Chongqing Shenlian Investment Co., Ltd. 重慶深聯投資有限公司	the PRC, 22 August 2012	RMB20,000,000	**60%**	60%	Property development
Dongguan Yulongshan Property Development Co., Ltd. 東莞市御龍山房地產開發有限公司	the PRC, 9 April 2013	RMB20,000,000	**100%**	100%	Property development
Chongqing Tanxun Wulianwang Technology Co., Ltd. 重慶談訊物聯網科技有限公司	the PRC, 13 November 2013	RMB10,000,000	**100%**	100%	Property development
Kaisa E-Commerce (Shenzhen) Co., Ltd. 佳兆業電子商務（深圳）有限公司	the PRC, 24 February 2014	RMB20,000,000	**100%**	100%	Property development
Shenzhen no.1 Warehouse Fast Network Co., Ltd. 深圳市一號倉佳速網絡有限公司	the PRC, 9 December 2014	RMB10,000,000	**100%**	100%	Investment holding
Boluo Guifangyuan Real Estate Development Co., Ltd. 博羅縣桂芳園房地產開發有限公司	the PRC, 17 November 2016	RMB10,000,000	**100%**	100%	Property development
Wuhan Haiding Property Co., Ltd. 武漢市海鼎置業有限責任公司	the PRC, 22 November 2002	RMB30,000,000	**100%**	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Shanghai Yuwan Mega Real Estate Development Co., Ltd. 上海裕灣兆業房地產開發有限公司	the PRC, 10 November 2016	RMB30,000,000	**75%**	75%	Property development
Chongqing Xintong Real Estate Development Co., Ltd. 重慶市新事通房地產開發有限公司	the PRC, 27 December 2016	RMB20,000,000	**100%**	100%	Property development
Shenzhen Zhenhua Harbour Enterprise Limited 深圳圳華港灣企業有限公司	the PRC, 3 May 1984	RMB21,000,000	**51%**	51%	Property development
Shenzhen Nanao Hotel Co., Ltd. 深圳市南澳大酒店有限公司	the PRC, 4 September 2000	RMB5,000,000	**100%**	N/A	Property development
Shenzhen Sanlian Kendu Pharmaceutical Co., Ltd. 深圳三聯肯渡製藥股份有限公司	the PRC, 25 September 1995	RMB100,000,000	**70%**	N/A	Property development
Shaoxing Hongjia Housing Co., Ltd. 紹興鴻佳置業有限公司	the PRC, 25 July 2016	RMB30,000,000	**70%**	N/A	Property development
Foshan Jinyue Investment Co., Ltd. 佛山市京粵投資有限公司	the PRC, 15 July 1990	RMB1,500,000	**100%**	N/A	Property development
Guangzhou International Toys and Gift City Co., Ltd. 廣州國際玩具禮品城有限公司	the PRC, 31 October 2003	RMB370,000,000	**90%**	N/A	Property development
Zhuhai Jia Jun Investment Company Limited 珠海市佳駿投資有限公司	the PRC, 18 May 2017	RMB50,000,000	**100%**	N/A	Property development
Hunan Xian Yong Real Estate Development Co., Ltd. 湖南湘永房地產開發有限公司	the PRC, 12 October 2009	RMB408,160,000	**100%**	N/A	Property development
Nanjing Kaisa Jiayu Real Estate Development Company Limited 南京佳兆業佳御房地產開發有限公司	the PRC, 21 July 2017	RMB50,000,000	**100%**	N/A	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Xinzheng Henderson Real Estate Development Company Limited 新鄭市佳兆業房地產開發有限公司	the PRC, 14 July 2017	RMB400,000,000	**100%**	N/A	Property development
Suzhou Tongjia Real Estate Development Co., Ltd. 蘇州市同佳房地產開發有限公司	the PRC, 17 July 2017	RMB50,000,000	**100%**	N/A	Property development
Zhongshan Real Estate Development Co., Ltd. Tomizawa 中山富澤房地產開發有限公司	the PRC, 17 March 2015	RMB10,000,000	**80%**	N/A	Property development
Hangzhou Jiaxin Zhiye Co., Ltd. 杭州佳欣置業有限公司	the PRC, 18 September 2017	RMB4,093,000	**100%**	N/A	Property development
Hangzhou Wance Zhiye Co., Ltd. 杭州萬冊置業有限公司	the PRC, 11 August 2017	RMB50,000,000	**100%**	N/A	Property development
Hunan Ding Cheng Da Real Estate Development Co., Ltd. 湖南鼎誠達房地產開發有限公司	the PRC, 26 September 2012	RMB100,000,000	**100%**	N/A	Property development
Zhongshan Fugang Real Estate Development Co., Ltd 中山富港房地產開發有限公司	the PRC, 16 March 2017	RMB150,600,000	**80%**	N/A	Property development
Jiashan Shangwan Real Estate Development Co., Ltd. 嘉善尚灣房地產開發有限公司	the PRC, 13 October 2017	RMB8,000,000	**100%**	N/A	Property development
Shenzhen Woodland Height Shiye Co., Ltd. 深圳市桂芳園實業有限公司	the PRC, 13 October 2003	RMB500,000,000	**100%**	100%	Property development
Huizhou Jinhu Property Development Co., Ltd. 惠州市金湖房地產有限公司	the PRC, 26 March 1993	RMB100,000,000	**100%**	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Shenzhen Longgang Kaisa Property Development Co., Ltd. 深圳市龍崗佳兆業房地產開發有限公司	the PRC, 14 November 2006	RMB204,680,000	**100%**	100%	Property development
Chengdu Nanxing Property Development Co., Ltd. 成都南興銀基房地產開發有限公司	the PRC, 5 November 2004	RMB420,000,000	**100%**	100%	Property development
Guangdong Kaisa Property Development Co., Ltd. 廣東佳兆業房地產開發有限公司	the PRC, 12 July 2007	RMB10,000,000	**100%**	100%	Property development
Hunan Kaisa Property Development Co., Ltd. 湖南佳兆業房地產開發有限公司	the PRC, 21 August 2007	RMB220,000,000	**100%**	100%	Property development
Shenzhen Dapeng Kaisa Property Development Co., Ltd. 深圳市大鵬佳兆業房地產開發有限公司	the PRC, 17 November 2000	RMB100,000,000	**100%**	100%	Property development
Chengdu Kaisa Investment Co., Ltd. 成都佳兆業投資有限公司	the PRC, 22 June 2007	RMB20,000,000	**100%**	100%	Property development
Shenzhen Taijian Construction & Engineering Co., Ltd. 深圳市泰建建築工程有限公司	the PRC, 19 July 2007	RMB1,000,000,000	**100%**	100%	Construction engineering
Shenzhen Xingwoer Property Development Co., Ltd. 深圳市興沃爾房地產開發有限公司	the PRC, 29 January 1999	RMB10,000,000	**100%**	100%	Property development
Shanghai Xinwan Investment Development Co., Ltd. 上海新灣投資發展有限公司	the PRC, 17 January 2007	RMB35,000,000	**100%**	100%	Property development
Huizhou Huasheng Investment Co., Ltd. 惠州市華盛投資有限公司	the PRC, 29 August 2007	RMB60,000,000	**100%**	100%	Property development

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43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Boluo Kaisa Real Estate Development Co., Ltd. 博羅縣佳兆業房地產開發有限公司	the PRC, 2 June 2008	RMB10,000,000	**100%**	100%	Property development
Boluo Kaisa Zhiye Co., Ltd. 博羅縣佳兆業置業有限公司	the PRC, 2 June 2008	RMB10,000,000	**100%**	100%	Property development
Shenzhen Golden Bay Hotel Co., Ltd. 深圳市金沙灣大酒店有限公司	the PRC, 17 June 1997	RMB50,000,000	**100%**	100%	Hotel management
Leisure Land Hotel Property Management Jiangyin Co., Ltd. 可域酒店置業管理江陰有限公司	the PRC, 15 October 2009	RMB150,000,000	**100%**	100%	Property development
Shenzhen Tianlian Industry Development Co., Ltd. 深圳市天利安實業發展有限公司	the PRC, 4 September 2002	RMB46,000,000	**100%**	100%	Property development
Jiangsu Kaisa Investment Co.,Ltd. 江蘇佳兆業投資有限公司	the PRC, 18 May 2010	RMB15,000,000	**100%**	100%	Property development
Baoji Crafts (Shenzhen) Co.,Ltd. 寶吉工藝品(深圳)有限公司	the PRC, 28 December 1988	RMB877,725,000	**100%**	100%	Property development
Jiangyin Washington Waterfront Property Development Co., Ltd. 江陰水岸華府房地產開發有限公司	the PRC, 10 December 2010	RMB20,000,000	**100%**	100%	Property development
Zhejiang Wufeng Zhiye Co., Ltd. 浙江伍豐置業有限公司	the PRC, 7 January 2010	RMB260,000,000	**100%**	100%	Property development
Jiangyin Juicui Garden Property Development Co., Ltd. 江陰金翠園房地產開發有限公司	the PRC, 22 February 2011	RMB20,000,000	**100%**	100%	Property development
Foshan Shunde Ideal City Real Estate Investment Co.,Ltd. 佛山市順德區理想城房地產投資有限公司	the PRC, 9 October 2010	RMB775,510,000	**100%**	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Dalian Kaisa Commerce Operation Management Co., Ltd. 大連市佳兆業商業經營管理有限公司	the PRC, 18 March 2011	RMB120,000,000	**100%**	100%	Commerce management
Shenzhen Yantian Kaisa Property Development Co., Ltd. 深圳市鹽田佳兆業房地產開發有限公司	the PRC, 19 April 2011	RMB800,000,000	**100%**	100%	Property development
Kaisa Dai River East Property Development Co.,Ltd. 佳兆業東戴河房地產開發有限公司	the PRC, 6 July 2011	RMB50,000,000	**100%**	100%	Property development
Hunan Mingtai Zhiye Development Co., Ltd. 湖南明泰置業發展有限公司	the PRC, 12 October 2000	RMB310,000,000	**100%**	100%	Property development
Shenzhen YueFeng Investment Co., Ltd. 深圳市悅峰投資有限公司	the PRC, 25 April 2012	RMB100,000,000	**100%**	100%	Property development
Guangzhou Yaxiang Property Development Co., Ltd. 廣州市雅翔房地產開發有限公司	the PRC, 7 May 2012	RMB918,370,000	**100%**	100%	Property development
Taizhou Kaisa Jiangshan Property Development Co., Ltd. 泰州佳兆業江山房地產開發有限公司	the PRC, 30 December 2011	RMB50,000,000	**100%**	100%	Property development
Kaisa Property (Shanghai) Co., Ltd. 佳兆業地產(上海)有限公司	the PRC, 17 July 2012	RMB30,000,000	**100%**	100%	Property development
Wuhan Kaisa Investment Co., Ltd. 武漢市佳兆業投資有限公司	the PRC, 13 July 2012	RMB250,000,000	**100%**	100%	Property development
Shanghai Jinwan Zhaoye Property Development Co., Ltd. 上海金灣兆業房地產開發有限公司	the PRC, 2 August 2012	RMB30,000,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Jiangyin Binjiangyayuan Property Development Co., Ltd. 江陰濱江雅園房地產開發有限公司	the PRC, 14 September 2012	RMB20,000,000	**100%**	100%	Property development
Dalian Huapu Zhiye Co., Ltd. 大連華普置業有限公司	the PRC, 9 December 2009	RMB100,000,000	**100%**	100%	Property development
Shanghai Jiawan Zhaoye Property Co., Ltd. 上海嘉灣兆業房地產有限公司	the PRC, 24 December 2012	RMB30,000,000	**100%**	100%	Property development
Kaisa Culture and Sports Investment Development (Shenzhen) Co., Ltd. 佳兆業文化體育(深圳)有限公司	the PRC, 25 January 2013	RMB72,000,000	**90%**	90%	Commerce management
Kaisa Property (Hangzhou) Co., Ltd. 佳兆業房地產(杭州)有限公司	the PRC, 6 March 2013	RMB40,820,000	**100%**	100%	Property development
Chengdu Tianjia Zhiye Co., Ltd. 成都天佳置業有限公司	the PRC, 19 April 2013	RMB200,000,000	**100%**	100%	Property development
Shenzhen Jiawangji Property Development Co., Ltd. 深圳市佳旺基房地產開發有限公司	the PRC, 5 February 2010	RMB50,000,000	**70%**	70%	Property development
Guangzhou Jiayu Property Development Co., Ltd. 廣州市佳宇房地產開發有限公司	the PRC, 21 May 2013	RMB50,000,000	**100%**	100%	Property development
Guangzhou Jiarui Property Development Co., Ltd. 廣州市佳瑞房地產開發有限公司	the PRC, 5 June 2013	RMB200,000,000	**100%**	100%	Property development
Wuhan Junhui Property Development Co., Ltd. 武漢市君匯房地產開發有限公司	the PRC, 20 May 2013	RMB50,000,000	**100%**	100%	Property development
Shanghai Yingwan Zhaoye Property Development Co., Ltd. 上海贏灣兆業房地產有限公司	the PRC, 20 June 2013	RMB50,000,000	**100%**	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Shanghai Rongwan Zhaoye Property Development Co., Ltd. 上海榮灣兆業房地產開發有限公司	the PRC, 17 October 2013	RMB30,000,000	**100%**	100%	Property development
Wan Tai Chang Property Development (Suizhong) Co., Ltd. 萬泰昌房地產開發(綏中)有限公司	the PRC, 15 October 2013	HK$428,999,750	**100%**	100%	Property development
Hangxilongye Property (Hangzhou) Co., Ltd. 杭溪隆業房地產(杭州)有限公司	the PRC, 26 June 2013	RMB98,000,000	**100%**	100%	Property development
Shanghai Chengwan Zhaoye Property Development Co., Ltd. 上海誠灣兆業房地產有限公司	the PRC, 2 August 2013	RMB58,820,000	**100%**	100%	Property development
Hunan Daye Property Development Co., Ltd. 湖南達業房地產開發有限公司	the PRC, 9 August 2013	RMB100,000,000	**100%**	100%	Property development
Chongqing Kaisa Property Development Co., Ltd. 重慶佳兆業房地產開發有限公司	the PRC, 13 November 2013	RMB946,675,000	**100%**	100%	Property development
Guanzhou Zhaochang Property Development Co., Ltd. 廣州市兆昌房地產開發有限公司	the PRC, 21 June 2013	RMB30,000,000	**100%**	100%	Property development
Sichuan Tianzi Zhiye Co., Ltd. 四川天姿置業有限公司	the PRC, 15 September 2006	RMB20,000,000	**100%**	100%	Property development
Fenglong Group Co., Ltd. 豐隆集團有限公司	the PRC, 29 October 1993	RMB168,000,000	**100%**	100%	Property development
Huizhou Weitong Property Co., Ltd. 惠州緯通房產有限公司	the PRC, 14 January 1994	HK$256,026,685	**100%**	100%	Property development
Kaisa Technology (Huizhou) Co., Ltd. 佳兆業科技(惠州)有限公司	the PRC, 24 March 2008	USD90,000,000	**100%**	100%	Property development
Kaisa Real Estate Jiangyin Co., Ltd. 佳兆業地產江陰有限公司	the PRC, 15 October 2009	RMB450,000,000	**100%**	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Kaisa Real Estate (Liaoning) Co., Ltd. 佳兆業地產(遼寧)有限公司	the PRC, 28 January 2010	RMB1,086,670,000	**100%**	100%	Property development
Kaisa Commerce Property Management (Panjin) Co., Ltd. 佳兆業商業置業管理(盤錦)有限公司	the PRC, 16 March 2011	USD61,660,000	**100%**	100%	Property development
Shenzhen Zhengchangtai Investment Consulting Co., Ltd. 深圳市正昌泰投資諮詢有限公司	the PRC, 13 June 2007	RMB10,000,000	**100%**	100%	Property development
Kaisa Computer Technology Development Co., Ltd 佳兆業計算機技術開發(深圳)有限公司	the PRC, 26 October 2001	HK$2,000,000	**100%**	100%	Commerce management
Kaisa Holdings Limited 佳兆業集團有限公司	HK, 16 July 1999	HK$10,000	**100%**	100%	Property development
Beijing Jinmao Caixun Xinci Co., Ltd. 北京金貿財迅資訊有限公司	the PRC, 5 December 2005	RMB24,400,000	**100%**	100%	Commerce management
Dong Sheng Investment Company Limited 東升投資有限公司	BVI, 25 July 2007	USD1	**100%**	100%	Investment holding
Rui Jing Investment Company Limited 瑞景投資有限公司	BVI, 23 July 2007	HK$1	**100%**	100%	Investment holding
Kaisa (Huizhou) Road Construction Development Co., Ltd. 佳兆業(惠州)道路建設發展有限公司	the PRC, 2 February 2008	USD40,000,000	**100%**	100%	Commerce management
Tai An Da Investment Company Limited 泰安達投資有限公司	BVI, 2 March 2010	USD2	**100%**	100%	Investment holding
Wan Rui Fa Investment Company Limited 萬瑞發投資有限公司	HK, 2 March 2010	HK$10,000	**100%**	100%	Investment holding

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Tai He Sheng Investment Company Limited 泰和盛投資有限公司	BVI, 2 March 2010	USD1	**100%**	100%	Investment holding
Tai Chong Li Investment Company Limited 泰昌利投資有限公司	BVI, 2 March 2010	USD1	**100%**	100%	Investment holding
Wan Jin Chang Investment Limited 萬晉昌投資有限公司	HK, 2 March 2010	HK$1	**100%**	100%	Investment holding
Wan Rui Chang Investment Company Limited 萬瑞昌投資有限公司	HK, 2 March 2010	HK$1	**100%**	100%	Investment holding
Wan Tai Chang Investment Company Limited 萬泰昌投資有限公司	HK, 2 March 2010	HK$1	**100%**	100%	Investment holding
Shenzhen Kaisa hotel Management Co., Ltd. 深圳市佳兆業酒店管理有限公司	the PRC, 15 September 2010	RMB110,750,000	**100%**	100%	Hotel management
Hong Kong Kaisa Industry Co.,Limited 香港佳兆業實業有限公司	HK, 24 November 2010	USD1,000	**100%**	100%	Investment holding
Changzhou Kaisa Property Development Co., Ltd. 常州佳兆業房地產開發有限公司	the PRC, 8 December 2010	RMB506,958,095	**100%**	100%	Property development
Sunny Sino Investments Limited 熙華投資有限公司	HK, 21 September 2011	USD1	**100%**	100%	Investment holding
Xifeng Management Consulting (Shenzhen) Co,. Ltd. 熙豐管理諮詢(深圳)有限公司	the PRC, 17 November 2011	RMB1,000,000	**100%**	100%	Commerce management
Shenzhen Denghong Management Consulting Co., Ltd. 深圳市德弘管理諮詢有限公司	the PRC, 8 November 2011	RMB500,000,000	**100%**	100%	Commerce management

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43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Action Enrich Limited 行裕有限公司	BVI, 2 May 2012	USD1,000	**100%**	100%	Investment holding
Chengdu Dingchengda Property Development Co., Ltd. 成都市鼎誠達房地產開發有限公司	the PRC, 6 July 2012	RMB10,000,000	**80%**	80%	Property development
Zuobo Management Consulting (Shenzhen) Co., Ltd. 佳兆業左博置業(深圳)有限公司	the PRC, 21 August 2012	RMB20,000,000	**100%**	100%	Property development
Wan Rui Chang Property Development (Suizhong) Co., Ltd. 萬瑞昌房地產開發(綏中)有限公司	the PRC, 1 August 2012	HK$244,000,000	**100%**	100%	Property development
Kaisa Property (Dandong) Co., Ltd. 佳兆業地產(丹東)有限公司	the PRC, 30 October 2012	USD50,500,000	**100%**	100%	Property development
Shenzhen Cixiang Kaisa Property Development Co., Ltd. 深圳市西鄉佳兆業房地產開發有限公司	the PRC, 27 May 2013	RMB50,000,000	**100%**	100%	Property development
Splendid Maple Limited 燁楓有限公司	BVI, 21 May 2013	USD10,000	**100%**	100%	Investment holding
Huidong Kaisa Property Development Limited 惠東縣佳兆業房地產開發有限公司	the PRC, 13 February 2014	RMB50,000,000	**100%**	100%	Property development
Suzhou Kaisa Property Development Co., Ltd. 蘇州市佳兆業房地產開發有限公司	the PRC, 20 February 2014	RMB196,000,000	**100%**	100%	Property development
Suzhou Kaisa Shangpin Property Development Co., Ltd. 蘇州市佳兆業上品房地產開發有限公司	the PRC, 21 February 2014	RMB98,000,000	**100%**	100%	Property development

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2017	2016	Principal activities
Chengdu Jincheng Jiaye Property Development Co., Ltd. 成都錦城佳業房地產開發有限公司	the PRC, 24 February 2014	RMB10,000,000	**100%**	100%	Property development
Nanjing Aoxin Property Development Co., Ltd. 南京奧信房地產開發有限公司	the PRC, 11 November 2013	RMB50,000,000	**100%**	100%	Property development
Shanghai Qingwan Zhaoye Property Development Co., Ltd. 上海青灣兆業房地產開發有限公司	the PRC, 21 August 2014	RMB50,000,000	**100%**	100%	Property development
Chengdu Jinxinrui Property Development Co., Ltd. 成都市錦新瑞房地產開發有限公司	the PRC, 7 November 2012	RMB50,000,000	**100%**	100%	Property development
Shenzhen Chuangzhan Hotel Development Co., Ltd. 深圳市創展酒店發展有限公司	the PRC, 12 June 2012	RMB10,000,000	**51%**	51%	Property development
Shenzhen Guanyang Property Development Co., Ltd. 深圳冠洋房地產有限公司	the PRC, 5 June 2009	RMB100,000,000	**51%**	51%	Property development
Shenzhen Jielingzixun Co., Ltd. 深圳市傑領信息諮詢有限公司	the PRC, 3 November 2014	RMB1,000,000	**100%**	100%	Commerce management
Kaisa Health Group Holdings Limited (formerly known as "Mega Medical Technology Limited") 佳兆業健康集團控股有限公司（前稱美加醫學科技有限公司）	Bermuda, 23 January 1997	HK$6,377,000	**41.24%**	N/A	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests:

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiaries	Place of incorporation	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive income/(losses) allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	**2017**	2016	**2017**	2016
				RMB'000	RMB'000	**RMB'000**	RMB'000
Shenzhen Marine and its subsidiaries ("Shenzhen Marine Group") (note 1)	the PRC	**30%**	30%	**39,326**	27,739	**10,237,698**	10,198,372
Kaisa Health Group (note 2)	Bermuda	**58.76%**	N/A	**(7,029)**	N/A	**629,046**	N/A

Note:

1. As at 31 December 2017, the Group held 70% (2016: 70%) equity interest in Shenzhen Marine, which indirectly held 51% (2016: 51%) equity interest in Shenzhen Zhenhua Harbour Enterprise Limited*.

2. Kaisa Health Group is listed on the Stock Exchange. Although the Group had only 41.24% ownership in Kaisa Health Group, the directors concluded that the Group has sufficiently dominant voting interest to direct the relevant activities on the basis of the Group's absolute size of shareholding and the relevant size and dispersion of the shareholdings owned by the other shareholders. The remaining 58.76% owenership are owned by thousands of shareholders that are unrelated to the Group, none of individually holding more than 10%.

* The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests as set out below. The summarised financial information below represents amounts before intra-group eliminations.

	2017		2016
	Kaisa Health Group	**Shenzhen Marine Group**	Shenzhen Marine Group
	RMB'000	**RMB'000**	RMB'000
Current assets	**569,541**	**16,343,660**	16,175,854
Non-current assets	**647,603**	**563,193**	475,459
Current liabilities	**(47,455)**	**(625,621)**	(467,457)
Non-current liabilities	**(99,154)**	**(187,948)**	(220,535)
Equity	**1,070,535**	**16,093,284**	15,963,321
Equity attributable to owners of the Company	**441,489**	**5,855,586**	5,764,949
Equity attributable to non-controlling interests	**629,046**	**10,237,698**	10,198,372

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

	Kaisa Health Group since acquisition to 31 December 2017 RMB'000	Shenzhen Marine Group for the year ended 31 December 2017 RMB'000	Shenzhen Marine Group since acquisition to 31 December 2016 RMB'000
Revenue	**15,123**	**553,056**	222,195
(Loss)/Profit for the period/year	**(3,831)**	**140,637**	92,463
Other comprehensive loss for the period/year	**(8,131)**	**(15,983)**	–
Total comprehensive (loss)/income attributable to owners of the Company	**(4,933)**	**85,328**	64,724
Total comprehensive (loss)/income attributable to the non-controlling interests	**(7,029)**	**39,326**	27,739
Total comprehensive (loss)/income for the period/year	**(11,962)**	**124,654**	92,463
Net cash from operating activities	**5,958**	**157,045**	196,900
Net cash used in investing activities	**(13,523)**	**(335,695)**	(52,318)
Net cash from/(used in) financing activities	**508,611**	**46,299**	(105,410)
Net cash inflow/(outflow)	**501,046**	**(132,351)**	39,172

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