KAISA GROUP HOLDINGS LTD.
佳兆業集團控股有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1638)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Total revenue for the year increased by 18.1% to approximately RMB38,705.0 million from 2017.
- Gross profit for the year increased by 24.6% to approximately RMB11,128.8 million and gross profit margin for the year increased by 1.5 percentage points to 28.8% from 27.3% in 2017.
- Profit for the year amounted to approximately RMB3,294.3 million (2017: Profit of approximately RMB3,043.8 million).
- Core net profit (excluding net gain on repurchase of senior notes, net fair value loss on financial assets at fair value through profit or loss, net exchange losses/gains, fair value change on investment properties and financial derivatives, and net of respective deferred tax) increased by 303.8% to approximately RMB4,729.0 million in 2018 from approximately RMB1,170.9 million in 2017.
- Contracted sales increased by 56.7% to approximately RMB70,059 million.
- The Board recommended payment of a final dividend of HK9.0 cents per share.

* *For identification purposes only*

The board (the "**Board**") of directors (the "**Directors**") of Kaisa Group Holdings Ltd. (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018 together with the comparative figures for the corresponding year ended 31 December 2017.

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	*3*	**38,704,967**	32,779,347
Cost of sales	*4*	**(27,576,209)**	(23,845,129)
Gross profit		**11,128,758**	8,934,218
Other gains and (losses), net	*5*	**(638,696)**	(123,454)
Net gain on deemed disposals of subsidiaries		**2,912,593**	–
Selling and marketing costs	*4*	**(1,262,466)**	(896,012)
Administrative expenses	*4*	**(2,601,078)**	(2,501,232)
Fair value gain of investment properties		**212,374**	2,088,849
Fair value loss of financial derivatives		**–**	(969,204)
Loss on step acquisition of a subsidiary		**–**	(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		**(48,726)**	37
Finance income	*6*	**402,511**	1,486,084
Finance costs	*6*	**(2,573,298)**	(1,238,286)
Finance (costs)/income, net	*6*	**(2,170,787)**	247,798
Profit before income tax		**7,771,885**	6,666,427
Income tax expenses	*7*	**(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 earnings attributable to owners of the Company during the year (expressed in RMB per share)			
– Basic	*9*	**0.453**	0.602
– Diluted	*9*	**0.450**	0.593

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Profit for the year		**3,294,256**	3,043,848
Other comprehensive income/(loss), including reclassification adjustments			
Items 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 9 and HKFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		**3,055,880**	2,551,580
Investment properties		**35,930,000**	32,025,830
Land use rights		**669,078**	395,815
Investments in associates	*10(a)*	**7,072,822**	5,284,835
Investments in joint ventures	*10(b)*	**8,677,152**	6,818,118
Available-for-sale financial assets	*11*	**–**	4,400,796
Financial assets at fair value through profit or loss		**6,567,622**	–
Debtors, deposits and other receivables	*13*	**1,652,852**	823,860
Goodwill and intangible assets	*12*	**1,105,288**	1,206,237
Long-term bank deposit		**400,000**	–
Convertible bonds receivable		**–**	41,328
Deferred tax assets		**784,310**	9,699
		65,915,004	53,558,098
Current assets			
Properties under development		**64,764,338**	68,066,413
Completed properties held for sale		**13,130,534**	18,170,966
Inventories		**105,305**	2,714
Deposits for land acquisition		**19,445,196**	21,422,522
Prepayments for proposed development projects		**19,080,815**	15,925,608
Debtors, deposits and other receivables	*13*	**22,600,171**	14,124,677
Prepaid taxes		**1,134,324**	850,499
Restricted cash		**6,792,292**	7,939,574
Financial assets at fair value through profit or loss		**328,204**	96,467
Short-term bank deposits		**252,718**	1,232,206
Cash and bank balances		**15,479,139**	11,998,423
		163,113,036	159,830,069
Current liabilities			
Advance proceeds received from customers and deposits received		**–**	29,564,933
Contract liabilities		**39,154,089**	–
Accrued construction costs		**12,599,547**	15,170,791
Income tax payable		**7,773,315**	5,649,679
Borrowings	*14*	**16,965,694**	22,173,037
Other payables		**19,917,262**	17,315,611
		96,409,907	89,874,051

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Net current assets		**66,703,129**	69,956,018
Total assets less current liabilities		**132,618,133**	123,514,116
Non-current liabilities			
Borrowings	*14*	**91,800,258**	89,000,150
Other payables		**–**	104,171
Deferred tax liabilities		**4,478,563**	4,411,645
		96,278,821	93,515,966
Net assets		**36,339,312**	29,998,150
EQUITY			
Share capital		**533,389**	532,865
Share premium		**6,168,607**	6,913,069
Reserves		**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

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

NOTES TO THE 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 and healthcare business 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. STATEMENT OF COMPLIANCE

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") and disclosure requirement of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including financial assets, at fair value through profit or loss and investment properties), which are carried at fair value.

2.1 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.

Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements.

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 non-monetary 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.

(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. As the sub-totals and totals disclosed cannot be recalculated from the numbers provided, the adjustments are explained in more detail by standard below:

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	4,400,796	(4,400,796)	–	–
Financial assets at fair value through profit or loss	96,467	5,086,320	–	5,182,787
Convertible bonds receivables	41,328	(41,328)	–	–
Deferred tax assets	9,699	63,459	–	73,158
Current assets				
Debtors, deposits and other receivables	14,124,677	(253,832)	–	13,870,845
Current liabilities				
Advance proceeds received from customers and deposits received	29,564,933	–	(29,564,933)	–
Contract liabilities	–	–	29,564,933	29,564,933
Non-current 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

Consolidated statement of profit or loss and other comprehensive income (extract)	For the year ended 31 December 2017 (As originally presented)	Impact on initial application of HKFRS 9	Impact on initial application of HKFRS 15	As restated
	RMB'000	*RMB'000*	*RMB'000*	*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.

Reclassification from available-for-sale financial assets to financial assets 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 designated its equity investments and convertible bonds receivable at financial assets at FVTPL.

Investments in listed equity securities and unlisted equity investment previously classified as available-for-sale investments under HKAS 39 measured at fair value with gain or loss on fair value changes being recognised in other comprehensive income and at cost less impairment, respectively, are now measured at fair value. The Group elected to irrevocably designate them at fair value with changes presented in other comprehensive income. Since the accounting treatment of investments in unlisted equity investment carried at cost less impairment under HKAS 39 is no longer applicable under HKFRS 9, the carrying amount was restated from RMB4,400,796,000 to its fair value of RMB5,044,992,000 as at 1 January 2018, and the difference of RMB644,196,000 are being recognised in retained profits as at 1 January 2018.

Convertible bonds receivable previously classified as available-for-sale investments under HKAS 39 measured at fair value with gain or loss on fair value changes being recognised in other comprehensive income and at cost less impairment, respectively, are now measured at fair value. The Group elected to irrevocably designate them at fair value with changes presented in other comprehensive income. The reclassification from available-for-sale financial assets to financial assets at FVTPL had no material impact to the Group.

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 amount was restated from RMB4,400,796,000 to its fair value of RMB5,044,992,000; and the fair value changes recognised in retained earnings was RMB644,196,000.

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	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 assets balances			36,831,759	–	644,196	37,475,955

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. There 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% for amounts that are more than 180 days past due, and 10% for amounts that are between 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 50% 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, as at 1 January 2018 is as follows:

	RMB'000
Retained earnings as at 31 December 2017	10,973,620
Recognition of ECL under HKFRS 9	(183,149)
Retained earnings as at 1 January 2018	10,790,471

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	27,915
– Deposits and other receivables (excluding prepayments)	225,917
ECL at 1 January 2018 under HKFRS 9	253,832

(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 "Contruction 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.

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.

2.2 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:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]
Amendments to HKAS 1 and HKAS 8	Detlnition of Material[2]
HK(IFRIC)-lnt 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective date not yet determined
5 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

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

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 will primarily affect the Group's accounting as a lessee of leases of land and buildings which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

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 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 either between 1 to 5 years after the reporting date or in more than 5 years. Of these commitments, approximately RMB174,899,000 related to short-term leases and RMB687,000 related to low value leases which will both be recognized on a straight-line basis as expense in profit or loss.

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) and the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to RMB345,509,000 and RMB345,509,000 respectively, after taking account the effects of discounting, as at 1 January 2019.

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 consolidated financial statement from 2019 onwards.

3. SEGMENT INFORMATION

The chief operating decision-maker ("**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, corporate and other unallocated expenses, finance income, finance costs and income tax expenses are not included in the result for each operating segment.

The CODM identified the segments based on the nature of business operations. Specifically, the CODM assessed the performance of sales of properties, property investment, property management services, hotel and catering operations, cinema, department store and cultural centre operations, water-way passenger and cargo transport 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	2017
	RMB'000	*RMB'000*
Sales of properties		
– Completed properties held for sale	**29,766,932**	29,126,460
– Properties under development	**6,313,620**	2,079,641
	36,080,552	31,206,101
Rental income	**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

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	–	516,221	249,932	491,099	516,140	277,937	32,638,261
Over time	5,493,620	–	–	–	–	294,494	–	5,788,114
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	7,659,454	157,920	100,144	(66,593)	(306,569)	209,450	(222,785)	7,531,021
Net gain on deemed disposals of subsidiaries	2,912,593	–	–	–	–	–	–	2,912,593
Share of results of associates	282,202	–	–	–	–	–	(42,289)	239,913
Share of results of joint ventures *(note 10(b))*	(49,645)	–	–	–	–	–	919	(48,726)
Fair value gain of investment properties	–	212,374	–	–	–	–	–	212,374
Segment results	10,804,604	370,294	100,144	(66,593)	(306,569)	209,450	(264,155)	10,847,175
Net fair value loss on financial assets at FVTPL *(note 5)*								(271,276)
Corporate and other unallocated expenses								(633,227)
Finance income								402,511
Finance costs								(2,573,298)
Finance costs – net *(note 6)*								(2,170,787)
Profit before income tax								7,771,885
Income tax expenses *(note 7)*								(4,477,629)
Profit for the year								3,294,256

	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
Other information:								
Depreciation *(note 4)*	104,536	5,119	3,880	22,838	11,476	38,955	12,866	199,670
Amortisation of intangible assets *(note 4)*	–	–	1,316	–	119,323	–	57,689	178,328
Amortisation of land use rights *(note 4)*	16,222	–	–	7,423	2,143	–	–	25,788
Impairment loss on interests in an associate *(note 5)*	–	–	–	–	–	–	658,685	658,685
Write-down of completed properties held for sale and properties under development *(note 5)*	220,178	–	–	–	–	–	–	220,178
Written off of intangible assets *(note 5)*	–	–	–	–	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	56,412	3,100,300	301	449	92,098	109,897	131,206	–	3,490,663
Investments in associates	1,628,382	–	–	–	–	–	596,484	–	2,224,866
Investments in joint ventures *(note 10(b))*	339,100	–	–	–	–	–	–	–	339,100

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 10(b))*	(382)	–	–	–	–	–	419	37
Fair value gain of investment properties	–	2,088,849	–	–	–	–	–	2,088,849
Loss on step acquisition of a subsidiary	–	–	–	–	–	–	(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 6)*								247,798
Profit before income tax								6,666,427
Income tax expenses *(note 7)*								(3,622,579)
Profit for the year								3,043,848

	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 *(note 4)*	42,305	10,134	1,108	5,938	7,772	36,161	1,478	4,228	109,124
Amortisation of intangible assets *(note 4)*	–	–	–	–	119,027	–	–	–	119,027
Amortisation of land use rights *(note 4)*	3,695	–	–	1,521	2,144	–	–	–	7,360
Write-down of completed properties held for sale and properties under development *(note 5)*	262,332	–	–	–	–	–	–	–	262,332
Written off of trade and other receivables *(note 5)*	51,321	–	89,189	–	–	–	–	–	140,510
Written off of intangible assets *(note 5)*	–	–	–	–	10,468	–	–	–	10,468
Reversal of impairment loss on land use rights *(notes 5)*	(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	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 10(b))*	1,405,500	–	–	–	–	–	5,275	–	1,410,775

For the year 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, cinema, department store and cultural centre operations segment and others segment included the investments in associates accounted for using the equity method totalling approximately RMB3,884,887,000, nil and RMB3,187,935,000 (2017: RMB2,040,453,000, RMB300,000 and RMB3,244,082,000) 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 RMB8,115,042,000 and RMB562,110,000 (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 deposit 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.

4. EXPENSES BY NATURE

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

	2018	2017
	RMB'000	*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	**25,788**	7,360
Amortisation of intangible assets *(note 12)*	**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	**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	**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.

5. OTHER GAINS AND (LOSSES) – NET

	2018	2017
	RMB'000	*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 expected credit loss	**(529,332)**	–
Forfeited customer deposits	**5,505**	16,300
Government subsidy income *(note)*	**438,645**	89,620
Gain on deemed disposal of an associate	**–**	429
(Loss)/Gain on disposal of property, plant and equipment	**(1,463)**	3,427
Reversal of impairment loss on land use rights	**–**	2,887
Compensation for breach of the contract	**–**	(254,048)
Net fair value loss on financial assets at fair value through profit or loss	**(271,276)**	(24,786)
Impairment loss on interest in an associate	**(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	**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.

6. FINANCE INCOME/(COSTS) – NET

	2018	2017
	RMB'000	*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	**3,007,885**	2,481,915
– Convertible Bonds	**–**	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.

7. INCOME TAX EXPENSES

	2018	2017
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax	**2,690,034**	1,919,823
– PRC land appreciation tax	**2,505,458**	1,611,358
Deferred income tax	**(717,863)**	91,398
	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.

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.

8. DIVIDEND

(a) Dividends attributable to the year

	2018	2017
	RMB'000	*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 RMB2.53 cents (equivalent to HK3.0 cents) during the year ended 31 December 2018 was approved at the annual general meeting. The aggregate amount of interim dividend declared from share premium of the Company amounted to approximately RMB153,530,000 (equivalent to HK$182,102,000) (2017: nil).

The Board recommended the payment of a 2018 final dividend of HK9.0 cents per share, totalling HK$546,317,000 (equivalent to 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	2017
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, of HK9.0 cents per ordinary share (2017: nil)	**603,729**	–

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

9. 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 profit 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 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.

10. 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	**2,020,257**	2,677,741
– Unlisted	**4,843,874**	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 *(note)*	**1,134,144**	1,871,289

Note: As at 31 December 2018, the fair value of the Group's interests in associates, which are listed in Shenzhen Stock Exchange and New York Stock Exchange was RMB1,134,144,000 (2017: RMB1,871,289,000) based on the market prices available on the respective stock exchanges, which is level 1 input in terms of HKFRS 13, Fair value measurement.

(b) Investments in joint ventures

	2018 *RMB'000*	2017 *RMB'000*
At 1 January	**6,818,118**	931,751
Additions	**339,100**	1,410,775
Transfer from subsidiaries	**1,568,660**	–
Reclassification	**–**	4,484,925
Disposal	**–**	(9,370)
Share of results of joint ventures	**(48,726)**	37
At 31 December	**8,677,152**	6,818,118

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018	2017
	RMB'000	*RMB'000*
Unlisted equity investment, at cost	**–**	4,400,796

12. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	**Contracts with sports players**	**Trademarks and patent**	**Customer relationship**	**Technology**	**Distribution network**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost								
At 1 January 2017	121,779	181,815	–	–	–	–	–	303,594
Acquisitions of subsidiaries	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 *(note 4)*	–	(119,027)	–	–	–	–	–	(119,027)
Written off	–	8,388	–	–	–	–	–	8,388
At 31 December 2017 and 1 January 2018	**–**	**(196,435)**	**–**	**–**	**–**	**–**	**–**	**(196,435)**
Amortisation – expensed in administrative expenses *(note 4)*	**–**	**(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

13. DEBTORS, DEPOSIT AND OTHER RECEIVABLES

Debtors, deposits and other receivables include trade receivables, other receivables, other deposits, prepayment for construction costs to third parties and prepaid other taxes, amounts due from associates, amount due from joint ventures and amounts due from non-controlling interests of a subsidiary.

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

	2018	2017
	RMB'000	*RMB'000*
Within 90 days	**730,411**	240,801
91-180 days	**24,598**	10,512
181-270 days	**50,376**	1,612,128
271-365 days	**5,841**	1,006
Over 365 days	**221,527**	99,943
	1,032,753	1,964,390
Less: allowance for impairment	**(23,470)**	–
	1,009,283	1,964,390

14. BORROWINGS

	2018	2017
	RMB'000	RMB'000
Borrowings included in current liabilities:		
Senior notes	**2,963,540**	–
Bank borrowings – secured	**2,893,985**	6,824,887
Bank borrowings – unsecured	**1,629,373**	1,606,325
Other borrowings – secured	**4,490,557**	6,255,979
Other borrowings – unsecured	**3,638,908**	6,273,065
Loan from a related company	**108,781**	108,781
Loans from associates	**1,240,550**	1,104,000
	16,965,694	22,173,037
Borrowings included in non-current liabilities:		
Senior notes	**36,763,326**	34,752,933
Bank borrowings – secured	**34,902,752**	36,469,412
Bank borrowings – unsecured	**6,510,020**	2,442,000
Other borrowings – secured	**12,407,960**	14,905,519
Other borrowings – unsecured	**1,216,200**	307,086
Loans from associates	**–**	123,200
	91,800,258	89,000,150
Total borrowings	**108,765,952**	111,173,187

15. COMMITMENTS

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

	2018	2017
	RMB'000	*RMB'000*
– 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	**1,318,269**	1,708,641
	38,218,739	34,567,656

(b) Operating lease commitments

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

	2018	2017
	RMB'000	*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

(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	2017
	RMB'000	*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

16. EVENTS AFTER REPORTING PERIOD

On 19 February 2019, the Company issued senior notes with a principal amount of US$400,000,000 due in 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.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Kaisa Group Holdings Ltd. ("**Kaisa**" or the "**Company**", together with its subsidiaries, the "**Group**"), I hereby present to you the annual results of the Group for the year ended 31 December 2018 (the "**Year**") together with the comparative figures for the previous year.

RESULTS AND DIVIDEND

For the year ended 31 December 2018, the Group's turnover and gross profit increased by approximately 18.1% and 24.6% to approximately RMB38,705.0 million and RMB11,128.8 million respectively, as compared to 2017. Profit for the year attributable to equity holders of the Company and basic earnings per share decreased by approximately 16.3% and 24.8% to approximately RMB2,750.2 million and RMB45.3 cents respectively, as compared to 2017.

The Board recommended payment of a final dividend of HK9.0 cents per share for the year ended 31 December 2018 (2017: HK11.8 cents per share). Such dividend is to be approved by the shareholders at the forthcoming annual general meeting (the "**AGM**").

BUSINESS REVIEW

Property Market and Policies

In 2018, China's economy grew steadily under the government's directives on pursuing for new development principle, quality growth and the supply-side reform. In 2018, the country's gross domestic product grew by 6.6% from 2017 to exceed RMB90 trillion for the first time, meeting the economic growth target set by the Chinese government.

Stringent regulations on the real estate market that started in 2017 continued well into 2018. Under the principle that "housing is for living in, not for speculation", more than 400 policies and rules for regulating the property market had been introduced nationwide. They were aimed at ensuring sufficient housing supply to meet the domestic demand and at curbing speculative investment. Market volatility dampened home buyers' sentiment in the second half of 2018.

According to the National Bureau of Statistics, 1,716.54 million sq.m. of commodity housing in gross floor area were sold in 2018, up by 1.3% compared with that in 2017. The growth rate was 6.4 percentage points lower than that in 2017. The value of commodity housing transactions grew by 12.2% to RMB14.9973 trillion in 2018. The growth rate was 1.5 percentage points lower than that in 2017.

Contracted Sales

To stay competitive in China's fragmented property market, the Group has standardized construction procedures and housing design to ensure that all its property projects would be launched as scheduled. Meanwhile, the Group satisfied the demand of first-time home buyers and upgraders with well-received products and quality, comprehensive services after having considered some crucial factors such as property locations and product positioning as well as customer preferences. As a result, the Group recorded rapid growth in sales.

For the year ended 31 December 2018, the Group's attributable contracted sales surged by 56.7% year on year to a record high of approximately RMB70,059 million, meeting its annual sales target. According to the "2018 TOP 200 Chinese Property Developers" jointly published by China Real Estate Information Corp ("**CRIC**") and China Real Estate Appraisal Center, the Group ranked 37th in terms of contracted sales value.

On the back of an economic boom in the Guangdong-Hong Kong-Macao Greater Bay Area ("**Greater Bay Area**") and the Group's strong brand influence that had resulted from many years of its thorough property development in that area, Kaisa's contracted sales in the Greater Bay Area accounted for nearly 60% of its total while those in central China and the Yangtze River Delta made up 12% and 11% respectively.

In the first-tier and major second-tier cities where the Group has focused its efforts to develop business, local economy and industries as well as population mobility continued to support the development of the property sector during the Year. In particular, property projects in first-tier cities contributed to 48% of the Group's contracted sales. Remarkably, its urban renewal projects in Shenzhen such as Kaisa Future City, Pinghu Kaisa Plaza and Kaisa City Plaza repeatedly topped the regional and nationwide sales charts during the Year. Projects in major second-tier cities and the peripheral cities accounted for 49% of the Group's contracted sales, and such projects as Kaisa City Plaza in Nanjing, Meixi Lake Project in Changsha, Kaisa Mansion No.8 in Chengdu, Riverbank New Town in Huizhou and Kaisa Plaza in Wuhan had good sales performance.

Land Bank

During the Year, the Group acquired a total of 30 parcels of land, where approximately 3.32 million sq. m. of attributable gross floor area to the Group can be built, for a total attributable consideration of approximately RMB15,778 million. The figure also represented an average land cost of approximately RMB4,750 per sq. m. Of such newly acquired lands, those in the Greater Bay Area accounted for 56% of the attributable consideration. In addition, the Group extended its geographical market coverage from the five major city clusters of the Pearl River Delta, Yangtze River Delta, central and western parts of China and the pan-Bohai Rim to Sanya, Hainan during the Year in order to capture the opportunities arising from the development of the province. As of 31 December 2018, the Group had 152 real estate projects in 45 cities nationwide. The Group's land bank totaled 24.0 million sq. m., of which 13.1 million sq. m are in the Greater Bay Area, accounting for 54.3% of the Group's overall land bank. The Group's land bank in Shenzhen and Guangzhou, which are the core markets that the Group has intensively developed over the years, accounted for 38% of its land bank in the Greater Bay Area.

The Group replenishes its land bank with quality plots of land through participation in urban renewal, M&A, tenders, auctions, bids for lands in the listings posted by the government. During the Year, the Group successfully won a tender for an urban renewal project in Xiaoping Village, Baiyun New Town, Baiyun District, which is a prime location in downtown Guangzhou. Baiyun New town also enjoys comprehensive ancillary facilities. The won tender is also the Group's first old-village type of urban renewal project in Guangzhou. The project is part of the trend of putting to efficient use the lands in downtown areas of China's first-tier cities. Such a move is aimed at increasing the land value and improving the housing environment for the indigenous residents. The urban renewal project in Xiaoping Village will also consolidate Kaisa's influence in the field of urban renewal in Guangzhou, thus laying a solid foundation for the Group's subsequent urban renewal projects in the future. In addition, plots of lands acquired for the Group's Dongmendao Project in Luohu District, Shenzhen and Kaisa Lake View Waldorf Garden (New Phase) in Xiangzhou District, Zhuhai were also added to the Group's land bank for property development during the Year. Through all these property projects, Kaisa has manifested its influence and brand recognition in the field of urban renewal in the Greater Bay Area.

Financing and Capital Market Management

To cope with the credit crunch, the Group strived to accelerate collection of proceeds from property sales and strengthened the management of capital, budget, costs and expenditure during the Year. In addition, the Group also tried actively to optimise its debt structure and reduce financing costs by raising fund through multiple onshore and offshore financing channels.

In terms of onshore financing, the Group continued to deepen its cooperation with financial institutions and actively sought to diversify its financing channels through asset securitization. During the Year, the Group was granted an "AA+" credit rating with a "Stable" outlook by China Chengxin Securities Credit Rating Co., Ltd., an authoritative rating agency in China. This rating can be conducive to the issuance of the Group's debentures in the future.

By now, the Group has obtained the approvals from the Shenzhen Stock Exchange to issue four ABS, namely RMB5 billion worth of ABS linked to supply chain financing, RMB3 billion worth of ABS linked to long-term rental apartments, RMB685 million worth of ABS secured by mortgage balloon payments and RMB475 million worth of ABS backed by income of shipping business.

Regarding offshore financing, the Group issued US$100 million convertible bonds at a coupon rate of 10.5% due 2021 in December 2018. In May and June of 2018, the Group repurchased senior notes with the total principal consideration of US$108.0 million at the coupon rate of 8.5% due 2022 and senior notes with the principal consideration of US$67.5 million at a coupon rate of 9.375% due 2024 from on the open market. The moves represented the Group's initiatives in debt management.

In February 2019, the Group issued US$400 million senior notes at a coupon rate of 11.75% due 2021 on the open market. The offering attracted strong market demand and received overwhelming responses from more than 100 international and domestic institutions. This reflected the international capital market's confidence in Kaisa's sound strategy for business development in the Greater Bay Area as well as its business performance and prospect.

During the Year, the Group successfully spun off its property management business – Kaisa Property Holdings Limited ("**Kaisa Property**", stock code: 2168), through a separate listing on the Main Board of the Hong Kong Stock Exchange. By entering the international capital market, Kaisa Property will have ample room to manoeuvre into its pursuit of business development. In addition, the Group became a constituent of the Hang Seng Composite LargeCap & MidCap Index and a constituent of Hang Seng Stock Connect Big Bay Area Composite Index in March and May 2018 respectively. This has reflected investors' recognition of the Company's intrinsic value.

As at 31 December 2018, the Group's cash and bank deposits (including bank deposits, cash and bank balances and restricted cash) amounted to RMB22,924.1 million.

Corporate Social Responsibility

Shenzhen Football Club, which was acquired by the Group in February 2016, was successfully promoted to the 2019 Chinese Football Association Super League during the Year. As the only team representing Shenzhen to compete in a national professional football league, Shenzhen Football Club has won promotion to the highest tier of professional football in China, carrying out the spirit of Shenzhen. This also showed the fruits of the Group's efforts to introduce internationally renowned coaches and players into Shenzhen Football Club and its efforts to establish a scientific, modern football management system as well as its other endeavours to contribute to the development of the Chinese football industry in the past three years.

Regarding poverty alleviation, the Group assisted farmers of poverty-stricken areas of Huizhou city, Guangdong province, in leveraging e-commerce platforms to sell their agricultural produce to urban areas so that they can earn enough or even more to improve the standard of living. It also made use of internet to carry out its poverty alleviation campaigns with precision. In recognition of these efforts, Kaisa won the title of "The Most Influential Pioneer Enterprise in Precision Poverty Alleviation" from the China Internet Information Center and the China City News of People's Daily. The Group's charitable endeavours has also been documented in a case study titled "Kaisa Group Donated RMB220 Million in Two Years to Help Fully Implement Precision Poverty Alleviation in Guangdong" which was published in the Poverty Alleviation Achievement Report 2018. Kaisa is China's only real estate company to have received such honour.

PROSPECT

On 18 February 2019, the Central Committee of the Communist Party of China and the State Council officially unveiled the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area, which sets the directions of and guidance on the coordinated development within the Greater Bay Area. The coordinated economic development and enhanced connectivity on the back of improved cross-border transport under the plan will undoubtedly add impetus to the development of the property market in the Greater Bay Area. This will also bring tremendous opportunities to Kaisa which has established a strong foothold in the area over the years.

In order to actively capture the opportunities arising from the development of the Greater Bay Area, the Group will continue to consolidate its business presence there and keep an eye open for opportunities to replenish its land bank for new property projects in Shenzhen, Guangzhou and their surrounding areas. Meanwhile, the Group will also focus on the surrounding areas of Shanghai and Beijing and keep on exploring opportunities for business development in other first-tier cities and major second-tier cities as well as their surrounding areas. Regarding the acquisition of land resource, the Group will fully leverage its advantages in the businesses of leisure, technology and healthcare to secure the land supply for the short and long term through tenders, auctions, bids for lands in the listings posted by the government and participation in urban renewal and industrial property development.

As to property sales, the Group expects that the Chinese government will continue with its city-specific policies to regulate the property market in 2019. The housing prices in first-tier cities will remain at a high level with low volatility, while there is a rising expectation that the government will ease its regulatory measures in second-tier cities. The momentum of the housing price increase in third- and fourth-tier cities will diminish. All this will make the divergent development of the municipal and provincial property markets even more pronounced. Thus, the Group will adhere to the principle that "cash is king" and continue with its prudent approach to business development. Notably, it will continue to keep abreast of changes to the property market and flexibly adjust its sales strategies and the pace of its sales effort accordingly. It will also step up inventory clearance and collection of proceeds from property sales.

As to financial management, the Group will continue to explore more channels for low-cost financing and improve its debt management. It will also continue to step up the collection of proceeds from property sales and strengthen capital management by utilizing its assets fully and efficiently.

Acknowledgement

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

KWOK Ying Shing
Chairman

Hong Kong, 26 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

During the year ended 31 December 2018, the Group recorded a turnover of approximately RMB38,705.0 million, representing an increase of 18.1% as compared with approximately RMB32,779.3 million in 2017. Profit for the year attributable to owners of the Company amounted to approximately RMB2,750.2 million, representing an decrease of 16.3% as compared with 2017. The core net profit, excluding net gain on repurchases of senior notes, net fair value loss on financial assets at fair value through profit or loss, net exchange losses/gains, fair value change on investment properties and financial derivatives, and net of respective deferred tax was amounted to approximately RMB4,729.0 million (2017: approximately RMB1,170.9 million). Basic earnings per share was amounted to RMB45.3 cents (2017: RMB60.2 cents).

The Board recommended the payment of a final dividend of HK9.0 cents per share. Such dividend is to be approved by the shareholders at the forthcoming annual general meeting (the "AGM") (2017: HK11.8 cents).

Contracted sales in 2018

In 2018, the Group's contracted sales amounted to approximately RMB70,059 million, representing an increase of 56.7% from 2017. Aggregated GFA sold for the year was 3,836,621 sq. m., representing an increase of 37.7% from 2017. Average selling price of the contracted sales in 2018 increased by 13.8% to RMB18,261 per sq. m. from RMB16,048 per sq. m. in 2017. The table below shows the Group's contracted sales by region in 2018:

Region	**Contracted sales area** *(sq.m.)*	**Contracted sales amount** *(RMB in millions)*
Pearl River Delta	1,616,221	41,767
Yangtze River Delta	394,101	7,553
Central China Region	518,570	8,454
Western China Region	640,090	5,651
Pan-Bohai Bay Rim	667,639	6,634
Total	**3,836,621**	**70,059**

Property development

Projects completed in 2018

The Group adopts a strict and prudent practice in project development and adjusts its pace of business expansion as and when appropriate. During the Year, the GFA of newly completed projects of the Group amounted to approximately 101 million sq. m..

Projects under development

As at 31 December 2018, the Group had 55 projects under development with an aggregate of GFA of approximately 10.7 million sq. m..

Property management

The Group generated revenue from providing property management services. During the year ended 31 December 2018, the Group managed a total GFA of approximately 26.8 million sq. m.. The Group's property management is striving to deliver excellent and professional services to its customers and enhance brand and corporate image. As of 31 December 2018, the Group's property services penetrated into nearly 38 cities nationwide, covering residential, commercial, office, tourism and large-scale stadiums.

Investment properties

The Group adopts a diversified business strategy, characterised by its increase in property investment. The portfolio of investment properties will generate steady and reliable income and enlarge the overall income base of the Group. The Group develops commercial properties such as office buildings, retail stores and car parks for leasing purpose. In managing its investment property portfolio, the Group takes into account long-term growth potential, the overall market conditions, and its cash flows and financial condition. As at 31 December 2018, the Group held 22 investment property projects, with an aggregate GFA of 1,472,860 sq. m., including completed investment properties of GFA of 453,123 sq. m. for leasing purpose.

Land bank

The Group remained cautious in its replenishing land bank by making reference to the availability of land supply and its existing land bank in the regions. By ways such as joint development, acquisition and bidding, auction and listing as well as urban renewal, the Group continues to seek project resources in China's regions where economy prospers. On top of the existing projects, the Group has made its foray into nine new cities, in the provinces of Jiangsu, Zhejiang, Hebei, Guangdong, Sichuan, Hunan and Hainan during the year.

In 2018, the Group acquired a total of 30 parcels of land or related interests by way of bidding, auction and listing, joint development, acquisition and urban renewal. The aggregate attributable consideration for land acquisition amounted to approximately RMB15,778 million, and the average land cost attributable to the total GFA per unit was approximately RMB4,750 per sq.m.. The total attributable GFA per maximum allowed plot ratio attributable to the Group was approximately 3,321,475 sq. m..

As at 31 December 2018, the Group had a total land bank of approximately 24.0 million sq. m. and approximately 54.3% of land bank was located in the Greater Bay Area, which is sufficient for the Group's development needs for the next five years.

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

Time of Acquisition	Location	Attributable Interest	Site Area *(sq.m.)*	Attributable Capacity Building Area *(sq.m.)*	Attributable Consideration *(RMB in millions)*	Type
May 2018	Xuzhou, Jiangsu	50%	132,397	86,058	867.0	Residential
May 2018	Shenzhen, Guangdong	100%	34,129	160,970	2,068.0	Commercial and Residential
May 2018	Shaoxing, Zhejiang	36%	61,234	16,658	112.1	Residential
May 2018	Bazhou, Hebei	51%	36,576	27,981	133.8	Residential
May 2018	Gu'an, Hebei	49%	32,484	23,876	87.7	Residential
June 2018	Ningbo, Zhejiang	30%	15,086	11,621	82.4	Commercial and Residential
June 2018	Pengzhou, Sichuan	100%	104,964	278,191	267.7	Residential
June 2018	Suzhou, Jiangsu	100%	31,666	37,999	213.6	Residential
June 2018	Yangjiang, Guangdong	100%	39,063	60,553	168.7	Residential
June 2018	Shanghai	75%	44,590	60,196	398.1	Social housing
June 2018	Yangjiang, Guangdong	100%	39,389	98,472	251.7	Residential
June 2018	Hengyang, Hunan	51%	50,054	81,944	225.4	Residential
June 2018	Dalian, Shenyang	100%	41,150	105,914	232.3	Residential
June 2018	Shenzhen, Guangdong	72%	5,992	36,400	316.0	Commercial and Residential
July 2018	Chengdu, Sichuan	100%	3,286	26,290	183.2	Commercial and Residential
July 2018	Changsha, Hunan	100%	14,324	221,603	1,000.0	Commercial
July 2018	E'zhou, Hubei	35%	103,176	98,584	308.9	Residential
August 2018	Chengdu, Sichuan	51%	34,088	34,769	442.6	Residential
August 2018	Zhuhai, Guangdong	100%	21,969	73,816	686.5	Residential
August 2018	Foshan,Guangdong	35%	13,828	19,360	66.5	Commercial
August 2018	Xinxiang, Henan	100%	23,165	81,077	221.0	Residential
August 2018	Zhongshan, Guangdong	100%	25,848	64,619	382.7	Residential
August 2018	Zhongshan, Guangdong	100%	25,492	63,728	370.4	Residential
August 2018	Huizhou, Guangdong	100%	22,201	71,043	230.0	Residential
September 2018	Suizhong, Liaoning	100%	307,293	733,463	530.3	Residential
September 2018	Chongqing	100%	77,522	226,927	330.0	Residential
October 2018	Sanya, Hainan	60%	42,585	25,551	271.1	Commercial and Services
December 2018	Sanya, Hainan	100%	36,943	44,332	500.0	Residential
December 2018	Changsha, Hunan	60%	50,161	170,273	595.7	Commercial
December 2018	Guangzhou, Guangdong	55%	179,000	279,208	4,235.0	Residential
			1,649,655	**3,321,475**	**15,778**	

FINANCIAL REVIEW

Revenue

The Group's revenue was primarily derived from business segments: (i) property development, (ii) property investment, (iii) property management, (iv) hotel and catering operations, (v) cinema, department store and cultural centre operations, (vi) water-way passenger and cargo transportation and (vii) others. Revenue increased by 18.1% to approximately RMB38,705.0 million in 2018 from approximately RMB32,779.3 million in 2017. 93.2% of the Group's revenue was generated from the sales of properties (2017: 95.2%) and 6.8% from other segments (2017: 4.8%).

Sales of properties

Revenue from sales of properties increased by approximately RMB4,874.5 million, or 15.6%, to approximately RMB36,080.6 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.

Rental income

Rental income increased by approximately RMB29.0 million, or 11.6%, to approximately RMB278.6 million in 2018 from approximately RMB249.6 million in 2017.

Property management

Revenue from property management services increased by approximately RMB200.4 million, or 63.4%, to approximately RMB516.2 million in 2018 from approximately RMB315.9 million in 2017. This increase was primarily attributable to the increased GFA under property management.

Hotel and catering operations

Revenue from hotel and catering operations of the Group increased by approximately RMB87.3 million, or 53.7% to approximately RMB249.9 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 centre operations

Revenue from cinema, department store and cultural centre operations increased by approximately RMB255.6 million, or 108.6%, to approximately RMB491.1 million in 2018 from approximately RMB235.6 million in 2017. The increase was primarily attributable to the business expansion in this segment.

Water-way passenger and cargo transportation

Revenue from water-way passenger and cargo transportation increased by approximately RMB274.1 million, or 51.1%, to approximately RMB810.6 million in 2018 from approximately RMB536.5 million in 2017. The increase was primarily attributable to the business expansion in this segment.

Gross profit

As a result of the foregoing, the Group's gross profit increased by approximately RMB2,194.5 million, or 24.6%, to approximately RMB11,128.8 million in 2018 from approximately RMB8,934.2 million in 2017. The Group's 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 during the year.

Other losses – net

The Group had net other losses of approximately RMB638.7 million in 2018, as compared to net other losses of approximately RMB123.5 million in 2017. The Group's net other losses in 2018 mainly comprised provision for expected credit loss of approximately RMB529.3 million, net fair value loss on financial assets at fair value through profit or loss of approximately RMB271.3 million, impairment loss on interest in an associate of approximately RMB658.7 million and write-down of completed properties held for sale and properties under development of approximately RMB220.2 million and offset by government subsidy income of approximately RMB438.6 million, waiver of other payables of approximately RMB406.3 million and net gain on repurchase of senior notes of approximately RMB142.7 million.

Net gain on deemed disposals of subsidiaries

The Group had recorded net gain on deemed disposals of subsidiaries of approximately RMB2,912.6 million in 2018.

Selling and marketing costs

The Group's selling and marketing costs increased by approximately RMB366.5 million, or 40.9%, to approximately RMB1,262.5 million in 2018 from approximately RMB896.0 million in 2017. The increase in selling and marketing costs was in line with the increase in the Group's contracted sales for the year ended 31 December 2018.

Administrative expenses

The Group's administrative expenses increased by approximately RMB99.8 million, or 4.0%, to approximately RMB2,601.1 million in 2018 from approximately RMB2,501.2 million in 2017.

Fair value gain on investment properties

The fair value gain on the Group's investment properties was approximately RMB212.4 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 the Group's fair value gain on investment properties in 2018.

Fair value loss of financial derivatives

The Group recorded a loss arising from the changes in fair value of financial derivatives of approximately RMB969.2 million in 2017. The financial derivatives were derecognised in 2017 as a result of conversion of convertible bonds.

Loss on step acquisition of a subsidiary

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

Finance (costs)/income – net

The Group recorded net finance costs of approximately RMB2,170.8 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 whereas the net exchange gains of approximately of RMB1,300.3 million was recorded in last year. The net exchange losses/gains mainly arised from the U.S. dollar denominated offshore financing as a result of the depreciation/appreciation of Renminbi against the U.S. dollar.

Income tax expenses

The Group's income tax expenses increased by approximately RMB855.0 million, or approximately 23.6%, to approximately RMB4,477.6 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 and total comprehensive income for the year

As a result of the foregoing, the Group's profit for the year and total comprehensive income for the year amounted to approximately RMB3,294.3 million and approximately RMB3,300.9 million, respectively. (2017: profit for the year and total comprehensive income for the year amounted to approximately RMB3,043.8 million and RMB3,037.5 million, respectively).

Liquidity, financial and capital resources

Cash position

As at 31 December 2018, the carrying amount of the Group's cash and bank deposits was approximately RMB22,924.1 million (31 December 2017: approximately RMB21,170.2 million), representing an increase of 8.3% as compared to that as at 31 December 2017. Certain property development companies of the Group placed a certain amount of pre-sales proceeds to designated bank accounts as collateral for the construction loans. Such collateral will be released after completion of the pre-sales properties or the issuance of the title of the properties, whichever is the earlier. Additionally, as at 31 December 2018, certain of the Group's cash was deposited in certain banks as collateral for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties. The aggregate of the above collateral amounted to approximately RMB6,792.3 million as at 31 December 2018 (31 December 2017: approximately RMB7,939.6 million).

Senior notes

During the year, the Group issued a principal amount of US$330.0 million additional 2020 Notes in May 2018, a principal amount of US$250.0 million additional 2021 Notes in November 2018 and a principal amount of US$300.0 million 2019 Notes in December 2018. In May and June of 2018, the Group made on-market repurchases of a principal amount of US$108.0 million of the 2022 Notes and a principal amount of US$67.5 million of the 2024 Notes. The repurchased Notes were cancelled accordingly. In December 2018, the Group had made a redemption of HK$1,163.0 million 2019 Notes. As of 31 December 2018, the senior notes included:

	2019 Notes	2019 Notes	2020 Notes	2021 Notes	2022 Notes	2024 Notes
	HK$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2018	2,325,000	–	460,000	325,000	1,255,000	3,119,000
New Issuance	–	300,000	330,000	250,000	–	–
Redemption	(1,163,000)	–	–	–	–	–
Cancellation	–	–	–	–	(108,000)	(67,500)
At 31 December 2018	1,162,000	300,000	790,000	575,000	1,147,000	3,051,500

Convertible Bonds

On 28 December 2018, the Group 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 US$100 million (equivalent to approximately HK$783 million) (the "**Convertible Bonds**").

The Convertible Bonds may be converted into conversion shares pursuant to the terms and conditions of the Convertible Bonds. Based on the initial conversion price of HK$5.00 per share and assuming full conversion of the Convertible Bonds at the initial conversion price, the Convertible Bonds will be convertible into 156,600,000 new shares, representing (i) approximately 2.58% of the existing issued ordinary share capital of the Company as at 28 December 2018; and (ii) approximately 2.51% of the ordinary share capital of the Company, as enlarged by the allotment and issue of the conversion shares.

Borrowings and charges on the Group's assets

As at 31 December 2018, the Group had aggregate borrowings of approximately RMB108,766.0 million, of which approximately RMB16,965.7 million will be repayable within 1 year, approximately RMB34,502.6 million will be repayable between 1 and 2 years, approximately RMB33,019.1 million will be repayable between 2 and 5 years and approximately RMB24,278.6 million will be repayable over 5 years.

As at 31 December 2018, the Senior Notes were secured by the share pledge of the Company's subsidiaries incorporated outside the PRC, and are jointly and severally guaranteed by certain subsidiaries of the Company. The Group's domestic bank loans carried a floating interest rate linking up with the base lending rate of the People's Bank of China. The Group's interest rate risk is mainly from the floating interest rate of domestic bank loans.

Key financial ratios

As at 31 December 2018, the Group had a leverage ratio (i.e. its net debts (total borrowings net of cash and bank balances, long-term and short-term bank deposit, and restricted cash) over total assets) of 37.5% (31 December 2017: 42.2%). The Group's net current assets decreased by 4.6% from approximately RMB69,956.0 million as at 31 December 2017 to approximately RMB66,703.1 million as at 31 December 2018, the quick ratio increased to 1.3 times as at 31 December 2018 from 1.0 times as at 31 December 2017, and the current ratio decreased to 1.7 times as at 31 December 2018 as compared to 1.8 times as at 31 December 2017.

Cost of borrowings

During the year ended 31 December 2018, the Group's total cost of borrowings (including net exchange gains/losses) was approximately RMB10,541.7 million, representing an increase of approximately RMB3,865.4 million or 57.9% as compared to the corresponding period in 2017. The increase was primarily attributable to the increase in total interest expense and the net exchange losses recorded in the year.

Foreign currency risks

The Group's property development projects are all located in China and most of the related transactions are settled in RMB. The Company and certain of the Group's intermediate holding companies which operate in Hong Kong have recognised assets and liabilities in currencies other than RMB. As at 31 December 2018, the Group had cash and bank balances denominated in US$ of approximately RMB262.6 million, in HK$ of approximately RMB250.4 million, and the Senior Notes in US$ and HK$ with an aggregate carrying amount of approximately RMB38,708.9 million and approximately RMB1,017.9 million respectively, and offshore banking and other facilities denominated in US$, of approximately RMB1,953.1 million, which are subject to foreign currency exposure.

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

Financial guarantees

As at 31 December 2018, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by domestic banks to its customers amounting to approximately RMB30,587.4 million (31 December 2017: approximately RMB30,094.9 million). Pursuant to the terms of the guarantees, upon default in mortgage payments by a purchaser, the Group would be responsible for repaying the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchaser to the bank, but the Group would be entitled to assume legal title to and possession of the related property. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage.

Employees and remuneration policy

As at 31 December 2018, the Group had approximately 14,200 employees (31 December 2017: approximately 12,810 employees). The related employees' costs (including the directors' remuneration) for the year ended 31 December 2018 amounted to approximately RMB1,841.2 million. The remuneration of employees was based on their performance, skills, knowledge, experience and market trend. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. In addition to basic salaries, employees may be offered with discretionary bonus and cash awards based on individual performance. The Group provides trainings for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills. Further, the Company adopted the share option scheme on 22 November 2009. Further information of share option scheme has been set out in the annual report.

CORPORATE GOVERNANCE

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high standard of corporate governance. The Board is of the view that, for the year ended 31 December 2018, the Company complied with the code provisions on the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the following deviation:

Due to their other important engagements, the non-executive Director of the Company, Ms. CHEN Shaohuan, and the independent non-executive Directors of the Company, Mr. RAO Yong and Mr. LIU Xuesheng, were unable to attend the annual general meeting of the Company held on 11 June 2018.

Due to their other important engagements, the non-executive Director of the Company, Ms. CHEN Shaohuan, and the independent non-executive Directors of the Company, Mr. ZHANG Yizhao, Mr. RAO Yong and Mr. LIU Xuesheng, were unable to attend the extraordinary general meeting of the Company held on 21 November 2018.

AUDIT COMMITTEE

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

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code as set out in Appendix 10 to the Listing Rules as the standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2018.

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

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

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

Save as disclosed above, during the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CHANGE OF DIRECTORS

Mr. ZHANG Jianjun has resigned as an executive director and vice chairman of the Company and Mr. WENG Hao has been appointed as an executive Director of the Company with effect from 4 January 2019. Mr. WENG does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on the preliminary announcement.

DIVIDEND

The Directors recommended the declaration of a final dividend at the rate of HK9.0 cents per share, to all persons registered as holders of shares of the Company on Tuesday, 25 June 2019, subject to the approval of the shareholders of the Company at the forthcoming AGM of the Company. The final dividend will be paid on or about 8 August 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

(a) For the purpose of determining shareholders of the Company who are entitled to attend and vote at the forthcoming AGM to be held on Friday, 14 June 2019, the register of members of the Company will be closed on Tuesday, 11 June 2019 to Friday, 14 June 2019, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 10 June 2019.

(b) For the purpose of determining shareholders of the Company who qualify for the final dividend, the register of members of the Company will be closed on Friday, 21 June 2019 to Tuesday, 25 June 2019, both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 20 June 2019.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 14 June 2019 and a notice convening the AGM will be published and dispatched in the manner as required by the Listing Rules on the Stock Exchange in due course.

PUBLICATION OF THE 2018 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company's Annual Report for the year ended 31 December 2018 will be published on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.kaisagroup.com in due course.

By Order of the Board
KAISA GROUP HOLDINGS LTD.
Kwok Ying Shing
Chairman and Executive Director

Hong Kong, 26 March 2019

As at the date of this announcement, the executive Directors are Mr. Kwok Ying Shing, Mr. Sun Yuenan, Mr. Zheng Yi, Mr. Mai Fan and Mr. Weng Hao; the non-executive Director is Ms. Chen Shaohuan; and the independent non-executive directors are Mr. Rao Yong, Mr. Zhang Yizhao and Mr. Liu Xuesheng.