

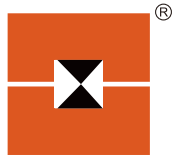
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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Kaisa Group Holdings Ltd., you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of Kaisa Group Holdings Ltd.



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)

**PROPOSED ISSUE OF EXCHANGE CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice of the EGM to be held at Harbour View Ballroom I (level 4), Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on Monday, 12 June 2017 at 10:00 a.m. is set out in the Appendix to this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

* For identification purposes only

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“2015 Convertible Bonds”	means the RMB1,500,000,000 USD Settled 8% Convertible Bonds due 2015 issued by the Company as described in the announcement of the Company dated 2 December 2010;
“%”	means per cent.;
“Alternative Stock Exchange”	means at any time, in the case of the Shares, if they are not at that time listed and traded on the Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in;
“Amended and Restated Intercreditor Agreement”	means the amended and restated intercreditor agreement dated 21 July 2016, as amended and supplemented from time to time, between, among others, the Company, the Subsidiary Guarantor Pledgors and Citicorp International Limited as common security trustee;
“April Announcement”	means the announcement of the Company dated 24 April 2017 relating to, among other things, the proposed issue of the Exchange Convertible Bonds and grant of the Specific Mandate;
“Board”	means the board of Directors;
“Bondholder(s)”	means the holder(s) of the Exchange Convertible Bonds from time to time;
“Closing Price”	for the Shares for any Trading Day, shall be the price published in the daily quotation sheet published by the Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such day;
“Company”	means Kaisa Group Holdings Ltd. (佳兆業集團控股有限公司*), a company incorporated in the Cayman Islands as an exempted company with limited liability and the shares of which are listed on the Stock Exchange;

* For identification purposes only

DEFINITIONS

“Conversion Share(s)”	the Shares to be issued on conversion of the Exchange Convertible Bonds;
“Director(s)”	means director(s) of the Company;
“EGM”	means the extraordinary general meeting of the Company to be convened for the purpose of, among other things, approving the issue of the Exchange Convertible Bonds and the allotment and issue of the Conversion Shares, notice of which is contained in this circular;
“Exchange Convertible Bonds”	means the convertible bonds to be issued by the Company in exchange for the then principal amount of the Mandatorily Exchangeable Bonds;
“Exchange Date”	means the date on which, among others, the 2015 Convertible Bonds were exchanged for the Mandatorily Exchangeable Bonds;
“Group”	means the Company and its Subsidiaries;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“Indentures”	means the Series A Notes Indenture, the Series B Notes Indenture, the Series C Notes Indenture, the Series D Notes Indenture and the Series E Notes Indenture;
“Issue Date”	means the date on which the Exchange Convertible Bonds are issued in exchange for the Mandatorily Exchangeable Bonds;
“Latest Practicable Date”	means 18 May 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	means The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

DEFINITIONS

“Mandatorily Exchangeable Bonds”	means the USD denominated variable rate mandatorily exchangeable bonds due 31 December 2019 issued by the Company on 21 July 2016 as described in the announcement of the Company dated 17 March 2016;
“New Notes”	means the Series A Notes, the Series B Notes, the Series C Notes, the Series D Notes and the Series E Notes;
“Offshore Debt Announcements”	means the announcements of the Company dated 17 March 2016, 29 March 2016, 20 April 2016, 25 April 2016, 9 May 2016, 17 May 2016, 8 June 2016, 10 June 2016, 12 July 2016 and 15 July 2016 respectively;
“Offshore Debt Restructuring”	means the Company’s restructuring of its offshore debts as described in the Offshore Debt Announcements;
“PIK Interest”	means payment-in-kind interest in respect of (as the case maybe) the Mandatorily Exchangeable Bonds or the Exchange Convertible Bonds;
“PRC”	means the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this circular;
“Responsible Officer”	means any officer of the Trustee having direct responsibility for the administration of the Trust Deed, or to whom corporate trust matters are referred because of that officer’s knowledge of and familiarity with the particular subject;
“Restructuring Effectiveness Date”	means the date on which the Offshore Debt Restructuring becomes effective as contemplated by the Schemes of Arrangement;
“Resumption of Trading”	means the resumption of trading of the Shares on the Stock Exchange, which took place on 27 March 2017;
“Scheme Consideration”	means the New Notes, the Mandatorily Exchangeable Bonds and the contingent value rights instrument issued by the Company pursuant to the Schemes of Arrangement;
“Schemes of Arrangement”	means the schemes of arrangement in respect of the Company in the Cayman Islands and Hong Kong;

DEFINITIONS

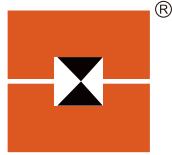
“Security Documents”	means collectively, the share charges and any other agreements or instruments that in each case may evidence or create any security in favour of Citicorp International Limited as common security trustee for any Bondholders in any or all of the relevant collateral;
“Series A Notes”	means the variable rate senior notes due 31 December 2019 issued by the Company on 21 July 2016;
“Series A Notes Indentures”	means the indenture dated 21 July 2016 (as supplemented and amended from time to time) among the Company, the Subsidiary Guarantors and Wilmington Trust, National Association in its capacity as the trustee for the benefit of the holders of the Series A Notes;
“Series B Notes”	means the variable rate senior notes due 30 June 2020 issued by the Company on 21 July 2016;
“Series B Notes Indentures”	means the indenture dated 21 July 2016 (as supplemented and amended from time to time) among the Company, the Subsidiary Guarantors and Wilmington Trust, National Association in its capacity as the trustee for the benefit of the holders of the Series B Notes;
“Series C Notes”	means the variable rate senior notes due 31 December 2020 issued by the Company on 21 July 2016;
“Series C Notes Indentures”	means the indenture dated 21 July 2016 (as supplemented and amended from time to time) among the Company, the Subsidiary Guarantors and Wilmington Trust, National Association in its capacity as the trustee for the benefit of the holders of the Series C Notes;
“Series D Notes”	means the variable rate senior notes due 30 June 2021 issued by the Company on 21 July 2016;
“Series D Notes Indentures”	means the indenture dated 21 July 2016 (as supplemented and amended from time to time) among the Company, the Subsidiary Guarantors and Wilmington Trust, National Association in its capacity as the trustee for the benefit of the holders of the Series D Notes;

DEFINITIONS

“Series E Notes”	means the variable rate senior notes due 31 December 2021 issued by the Company on 21 July 2016;
“Series E Notes Indentures”	means the indenture dated 21 July 2016 (as supplemented and amended from time to time) among the Company, the Subsidiary Guarantors and Wilmington Trust, National Association in its capacity as the trustee for the benefit of the holders of the Series E Notes;
“SGX-ST”	means the Singapore Exchange Securities Trading Limited;
“Shareholders”	means shareholder(s) of the Company;
“Shares”	means the ordinary shares of par value of HK\$0.1 each of the Company;
“Specific Mandate”	means the specific mandate for the allotment and issue of the Conversion Shares to be granted to the Directors by the Shareholders at the EGM;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Subsidiary(ies)”	any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50% of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under Hong Kong or Cayman Islands law, regulations or generally accepted accounting principles from time to time, should have its accounts consolidated with those of that person;
“Subsidiary Guarantors”	the Subsidiaries of the Company that guarantee the Exchange Convertible Bonds after the date of the Trust Deed;
“Subsidiary Guarantors Pledgors”	the Subsidiary Guarantors that grant such further security under the Amended and Restated Intercreditor Agreement and the Security Documents after the date of the Trust Deed;

DEFINITIONS

“Trading Day”	means a day when the Stock Exchange or, as the case may be, an Alternative Stock Exchange, is open for dealing business, provided that if no Closing Price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days;
“Trust Deed”	means the trust deed to be entered into among the Company and the Subsidiary Guarantors, U.S. Bank National Association as bond trustee and Citicorp International Limited as common security trustee constituting the Exchange Convertible Bond; and
“Trustee”	means U.S. Bank National Association in its capacity as trustee for the Exchange Convertible Bonds;
“US\$” or “USD”	means United States dollar, the lawful currency of the United States.



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)

Executive Directors:

Mr. KWOK Ying Shing (*Chairman*)
Mr. SUN Yuenan
Mr. YU Jianqing
Mr. ZHENG Yi

Registered Office:

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P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Non-Executive Director:

Ms. CHEN Shaohuan

Principal Place of Business In Hong Kong:

Suite 2001
20th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Independent Non-Executive Directors:

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

24 May 2017

To the Shareholders,

**PROPOSED ISSUE OF EXCHANGE CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to the April Announcement and the Offshore Debt Announcements. In respect of the Offshore Debt Restructuring, the Company implemented the Schemes of Arrangement pursuant to which, among other things, the 2015 Convertible Bonds were exchanged for Mandatorily Exchangeable Bonds and other securities of the Company. On 21 July 2016, being the Restructuring Effectiveness Date and the Exchange Date, the Company cancelled the 2015 Convertible Bonds and issued, among other things, the Mandatorily Exchangeable Bonds.

* For identification purposes only

LETTER FROM THE BOARD OF DIRECTORS

Under the terms of the Mandatorily Exchangeable Bonds, as soon as reasonably practicable after the Resumption of Trading, the Company shall (a) procure a general meeting to pass the necessary Shareholders' resolutions for (i) the issue of the Exchange Convertible Bonds, (ii) the allotment and issue of the Conversion Shares upon conversion of the Exchange Convertible Bonds, (iii) the allotment and issue of Conversion Shares in respect of any Accrued PIK Interest (as defined below), and (iv) the allotment and issue of Conversion Shares in respect of any Future PIK Interest (as defined below); and (b) obtain all necessary approvals from the Stock Exchange for the listing of and permission to deal in on the Stock Exchange the Conversion Shares to be issued (i) upon conversion of the Exchange Convertible Bonds, and (ii) in respect of any Accrued PIK Interest. Upon satisfaction of the Mandatory Exchange Conditions (as defined below), the Mandatorily Exchangeable Bonds will be automatically exchanged into the Exchange Convertible Bonds.

To fulfil its obligations under the terms of the Mandatorily Exchangeable Bonds, the Company proposes to convene an EGM and seek the Shareholders' approval by way of ordinary resolutions for (a) the issue of the Exchange Convertible Bonds in an aggregate principal amount equal to (i) the outstanding principal amount of the Mandatorily Exchangeable Bonds as at the Exchange Date and (ii) the Accrued PIK Interest, and the allotment and issue of Conversion Shares upon conversion of such Exchange Convertible Bonds, and (b) the issue of Exchange Convertible Bonds in respect of any Future PIK Interest and the allotment and issue of Conversion Shares in respect of any such Future PIK Interest. The Conversion Shares will be issued under the Specific Mandate proposed to be obtained at the EGM.

The purpose of this circular is to provide the Shareholders with (i) information regarding the issue of the Exchange Convertible Bonds, the Conversion Shares upon exercise of the conversion rights attached to the Exchange Convertible Bonds and the Specific Mandate; and (ii) the notice of the EGM. In this circular, unless otherwise specified, U.S. dollar amounts are converted into Hong Kong dollars at the exchange rate of US\$1 = HK\$7.80.

PRINCIPAL TERMS OF THE EXCHANGE CONVERTIBLE BONDS

The principal terms of the Exchange Convertible Bonds are summarised as follows:

Issuer:	The Company
Principal amount:	US\$259,486,248, representing the outstanding principal amount of the Mandatorily Exchangeable Bonds as at the Exchange Date, which is exchangeable into 864,954,160 Conversion Shares based on the initial conversion price of HK\$2.34 per Conversion Share (subject to adjustment in accordance with the terms and conditions of the Exchange Convertible Bonds and as further described in the sub-paragraph headed "Conversion price and adjustment events" below). Such 864,954,160 Conversion Shares represent approximately 16.84% of the existing issued share capital as at the date of this circular and 14.15% of the enlarged share capital as enlarged by the full conversion of all Exchange Convertible Bonds (including the maximum Accrued PIK Interests and the maximum Future PIK Interests as described in this sub-paragraph headed "Principal amount").

LETTER FROM THE BOARD OF DIRECTORS

According to the terms of the Mandatorily Exchangeable Bonds, the Company may, at its election, pay any interest in respect of the Mandatorily Exchangeable Bonds in cash or in kind. If the Company elects to pay such interest in kind, any PIK Interest in respect of the Mandatorily Exchangeable Bonds accrued from and including 21 July 2016 to and including the date of the Shareholders' Resolutions (as defined below) will be capitalised and form part of the aggregate principal amount of the Exchange Convertible Bonds (the "**Accrued PIK Interest**"). If the Company elects to pay such interests in cash only, it shall give at least 15 days' written notice to, among others, the Trustee and the Bondholders before the relevant Interest Payment Date (as defined below). The Company will take into consideration factors including (i) working capital and amount of surplus cash of the Company immediately prior to the relevant Interest Payment Date, (ii) the liquidity position of the Company as a result of the relevant interest payment, (iii) the prevailing interest rate and (iv) the then current Share price when determining whether to pay the relevant interest in cash or in kind. Assuming:

- (1) the Company elects to pay PIK Interests in respect of the Mandatorily Exchangeable Bonds;
- (2) the Shareholders' Resolutions are passed at the EGM and the Listing Approvals (as defined below) are obtained on or before 25 June 2017 (being 90 days after the Resumption of Trading);
- (3) the Exchange Convertible Bonds will be issued on 30 June 2017;
- (4) the Company has not elected to pay any interest in respect of the Mandatorily Exchangeable Bonds in cash; and
- (5) there is no conversion or redemption of any Exchange Convertible Bonds prior to the Maturity Date as extended as described in the sub-paragraph headed "Maturity date" below,

LETTER FROM THE BOARD OF DIRECTORS

it is expected that the Accrued PIK Interest amounting to a maximum of US\$13,762,980 will be capitalised and form part of the aggregate principal amount of the Exchange Convertible Bonds, which is exchangeable into 45,876,600 Conversion Shares based on the initial conversion price of HK\$2.34 per Conversion Share (subject to adjustment in accordance with the terms and conditions of the Exchange Convertible Bonds and as further described in the sub-paragraph headed “Conversion price and adjustment events” below). Such 45,876,600 Conversion Shares represent approximately 0.89% of the existing issued share capital as at the date of this circular and 0.75% of the enlarged share capital as enlarged by the full conversion of all Exchange Convertible Bonds (including the principal amount of the Exchange Convertible Bonds issued in exchange for Mandatorily Exchangeable Bonds as at the Issue Date and the maximum Future PIK Interests as described in this sub-paragraph headed “Principal amount”).

In addition, any interest in respect of the Exchange Convertible Bond accruing from the date of the Shareholders’ Resolutions until 31 December 2019 will be, unless the Company elects to pay any such interest in cash, capitalised and added to the then current outstanding principal amount of the Exchange Convertible Bonds (the “**Future PIK Interest**”). If the Company elects to pay such interests in cash only, it shall give at least 15 days’ written notice to, among others, the Trustee and the Bondholders before the relevant Interest Payment Date (as defined below). The Company will take into consideration factors including (i) working capital and amount of surplus cash of the Company immediately prior to the relevant Interest Payment Date, (ii) the liquidity position of the Company as a result of the relevant interest payment, (iii) the prevailing interest rate, (iv) the then current Share price when determining whether to pay the relevant interest in cash or in kind. Assuming:

- (1) the Company does not elect to pay any interest in respect of the Exchange Convertible Bond in cash (please refer to the sub-paragraph headed “Interest/coupon” below for details of the calculation of interests in respect of the Exchange Convertible Bonds);
- (2) the Exchange Convertible Bonds will be issued on 30 June 2017; and

LETTER FROM THE BOARD OF DIRECTORS

- (3) there is no conversion or redemption of any Exchange Convertible Bonds prior to the Maturity Date as extended as described in the sub-paragraph headed “Maturity Date” below,

it is expected that the Future PIK Interest amounting to a maximum of US\$19,307,857 will be capitalised and added to the then current outstanding principal amount of the Exchange Convertible Bonds, which is exchangeable into 64,359,523 Conversion Shares based on the initial conversion price of HK\$2.34 per Conversion Share (subject to adjustment in accordance with the terms and conditions of the Exchange Convertible Bonds and as further described in the sub-paragraph headed “Conversion price and adjustment events” below). Such 64,359,523 Conversion Shares represent approximately 1.25% of the existing issued share capital as at the date of this circular and 1.05% of the enlarged share capital as enlarged by the full conversion of all Exchange Convertible Bonds (including the principal amount of the Exchange Convertible Bonds issued in exchange for Mandatorily Exchangeable Bonds as at the Issue Date and the maximum Accrued PIK Interests as described in this sub-paragraph headed “Principal amount”). If any Future PIK Interest accrues (i.e. the Company does not elect to pay all interest in cash), upon a Bondholder exercising the conversion right attached to the relevant Exchange Convertible Bonds in respect of such Future PIK Interest, the Company will only issue the corresponding number of Conversion Shares so required for the settlement of such Future PIK Interest. The Company must elect to pay all applicable interest in cash unless and until it has received the necessary approval from the Stock Exchange for the listing of and permission to deal in on the Stock Exchange the Conversion Shares to be issued in respect of any Future PIK Interest.

In sum, assuming full conversion of all Exchange Convertible Bonds (including the principal amount of the Exchange Convertible Bonds issued in exchange for Mandatorily Exchangeable Bonds as at the Issue Date, the maximum Accrued PIK Interests and the maximum Future PIK Interests as described in this sub-paragraph headed “Principal amount” above), 975,190,283 Conversion Shares will be issued, representing approximately 1.25% of the existing issued share capital as at the date of this circular and 1.05% of the enlarged share capital as enlarged by the conversion.

LETTER FROM THE BOARD OF DIRECTORS

Form and denomination: The Exchange Convertible Bonds will be issued in registered form in denominations of US\$1,000 each and integral multiples of US\$1 in excess thereof.

Conditions precedent: The issue of the Exchange Convertible Bonds in exchange for the Mandatorily Exchangeable Bonds is subject to the following conditions precedent to be satisfied as soon as reasonably practicable after the Resumption of Trading (the “**Mandatory Exchange Conditions**”):

- (a) the convening of a general meeting and the passing thereof of all necessary Shareholders’ resolutions (the “**Shareholders’ Resolutions**”) for (i) the issue of the Exchange Convertible Bonds in an aggregate principal amount equal to (A) the outstanding principal amount of the Mandatorily Exchangeable Bonds as at the Exchange Date and (B) the Accrued PIK Interest, and the allotment and issue of the Conversion Shares upon conversion of the Exchange Convertible Bonds, (ii) the issue of Exchange Convertible Bonds in respect of any Future PIK Interest; and the allotment and issue of Conversion Shares in respect of any such Future PIK Interest; and
- (b) the obtaining of all necessary approvals from the Stock Exchange (the “**Listing Approvals**”) for the listing of and permission to deal in on the Stock Exchange the Conversion Shares to be issued upon conversion of the Exchange Convertible Bonds (including such Conversion Shares to be issued in respect of any Accrued PIK Interest).

The Mandatory Exchange Conditions may not be waived.

If the Shareholders’ Resolutions fail to be passed within 60 days of the Resumption of Trading and such failure continues for a period of 30 consecutive days, it will constitute an event of default of the Mandatorily Exchangeable Bonds and upon notice by the Trustee to the Company, the Mandatorily Exchangeable Bonds will become immediately due and repayable at their outstanding principal amount together with unpaid accrued interest thereon.

LETTER FROM THE BOARD OF DIRECTORS

In addition, if the Company fails to obtain the Listing Approvals within 60 days of the Resumption of Trading and such failure continues for a period of 30 consecutive days, the holder of a Mandatorily Exchangeable Bond shall be entitled to require the redemption of its Mandatorily Exchangeable Bonds on the date which is 120 days from the Resumption of Trading at par plus certain premium in accordance with the terms and conditions of the Mandatorily Exchangeable Bonds.

Maturity date: 31 December 2019, which, at the option of the Company, may be extended by one year to 31 December 2020 (the “**Maturity Date**”). If the Maturity Date is extended to 31 December 2020, the interest rate applicable for the period from (and including) 31 December 2019 to (and excluding) 31 December 2020 will be 10% per annum and the relevant interest shall be paid in cash only, as set out in the sub-paragraph headed “Interest/coupon” below.

Interests/ coupon^{#^}: The outstanding, unconverted and unredeemed Exchange Convertible Bonds bear interest from (and including) the Issue Date, payable semi-annually in arrears on 30 June and 31 December (each, the “**Interest Payment Date**”) each year until the Maturity Date at the annualised rates specified in the tables below calculated by reference to the then outstanding principal amount of the Exchange Convertible Bond (for this purpose including any Accrued PIK Interest and Future PIK Interest). As indicated in the tables below, the Company may elect to pay interests in (i) cash only or (ii) a combination of cash and PIK Interest:

Year 2017

	30 June			31 December		
	Cash Only	Combination PIK	Cash	Cash Only	Combination PIK	Cash
	4.61%	5.56%	1.00%	4.61%	5.56%	1.00%

Year 2018

	30 June			31 December		
	Cash Only	Combination PIK	Cash	Cash Only	Combination PIK	Cash
	5.61%	4.56%	2.00%	6.61%	2.56%	4.00%

LETTER FROM THE BOARD OF DIRECTORS

Year 2019

30 June Combination PIK	Cash	31 December Combination PIK	Cash
0.56%	6.00%	0.56%	6.00%

(Where applicable) Year 2020

30 June Cash Only	31 December Cash Only
10.00%	10.00%

If the Issue Date is not an Interest Payment Date, then the interest rate for the first interest period under the Exchange Convertible Bonds shall be calculated on the basis that the interest period started on the previous Interest Payment Date under the Mandatorily Exchangeable Bonds, so that any accrued but unpaid cash interest or PIK Interest on the Mandatorily Exchangeable Bond on the Issue Date will be paid on the first Interest Payment Date under the Exchange Convertible Bonds.

Notes:

The interest rate applies to the Mandatorily Exchangeable Bonds (before the exchange of the Mandatorily Exchangeable Bonds into Exchange Convertible Bonds taking place) and the Exchange Convertible Bonds (after exchange of the Mandatorily Exchangeable Bonds into Exchange Convertible Bonds taking place).

^ The interest/coupon rates are on an annualised basis.

Guarantee and security:

The Exchange Convertible Bonds will be jointly and severally guaranteed by the Subsidiary Guarantors. The Exchange Convertible Bonds will have the benefit of the security under the Amended and Restated Intercreditor Agreement and the Security Documents.

Status:

The Exchange Convertible Bonds constitute direct, unsubordinated, (subject to certain permitted secured indebtedness as provided for under the terms and conditions of the Exchange Convertible Bonds) secured and unconditional obligations of the Company and shall at all times rank pari passu and without preference or priority among themselves. The obligations of the Company under the Exchange Convertible Bonds and the Trust Deed and of the Subsidiary Guarantors under the guarantee are secured rateably and on a pari passu basis with the obligations of the Company under the New Notes and the Indentures and of the Subsidiary Guarantors under their respective subsidiary guarantees.

LETTER FROM THE BOARD OF DIRECTORS

**Conversion right
and conversion
period:**

Bondholders are entitled to convert all or part of the Exchange Convertible Bonds held by it into Conversion Shares at any time during the Conversion Period described below.

“**Conversion Period**” means at any time on or after the receipt of the Listing Approvals up to the close of business (at the place where the certificate evidencing such Exchange Convertible Bonds is deposited for conversion) on the tenth day prior to the Maturity Date (both days inclusive) (but, except as provided in the terms and conditions of the Exchange Convertible Bonds, in no event thereafter) or, if such Exchange Convertible Bonds shall have been called for redemption by the Company before the Maturity Date then up to the close of business (at the place aforesaid) on a date no later than ten days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof, or if notice requiring redemption has been given by the relevant Bondholder pursuant to the terms and conditions of the Exchange Convertible Bonds then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice.

Fractional shares:

Fractions of Shares will not be issued upon conversion and no cash adjustments will be made in respect thereof. However, if the conversion right in respect of more than one Exchange Convertible Bond is exercised at any one time such that Conversion Shares to be issued on conversion are to be registered in the same name, the number of such Conversion Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Exchange Convertible Bonds being so converted and rounded down to the nearest whole number of Conversion Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after the Issue Date which reduces the number of Shares outstanding, the Company will upon conversion of the Exchange Convertible Bonds pay in cash in a sum equal to such portion of the principal amount of the Exchange Convertible Bonds evidenced by the certificate deposited in connection with the exercise of the conversion rights as corresponds to any fraction of a Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds US\$10.

LETTER FROM THE BOARD OF DIRECTORS

**Conversion price
and adjustment
events:**

Initially HK\$2.34 per Conversion Share (subject to adjustment as set out and in accordance with the terms and conditions of the Exchange Convertible Bonds). The initial conversion price represents:

- (a) a discount of approximately 5.65% over the Closing Price of HK\$2.48 per Share as quoted on the Stock Exchange on the Announcement Date;
- (b) a discount of approximately 7.51% over the average of the Closing Price of HK\$2.53 per Share as quoted on the Stock Exchange for the last five (5) consecutive Trading Days up to and including the Announcement Date;
- (c) a discount of approximately 10.34% over the average of the Closing Prices of HK\$2.61 per Share as quoted on the Stock Exchange for the last ten (10) consecutive Trading Days up to and including the Announcement Date;
- (d) a premium of approximately 6.85% over the Closing Price of HK\$2.19 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (e) a premium of approximately 6.36% over the average of the Closing Price of HK\$2.20 per Share as quoted on the Stock Exchange for the last five (5) consecutive Trading Days up to and including the Latest Practicable Date; and
- (f) a premium of approximately 4.93% over the average of the Closing Prices of HK\$2.23 per Share as quoted on the Stock Exchange for the last ten (10) consecutive Trading Days up to and including the Latest Practicable Date.

The initial conversion price was arrived at after arm's length negotiations between the Company and representatives of the Bondholders.

LETTER FROM THE BOARD OF DIRECTORS

Assuming full conversion of the Exchange Convertible Bonds at the initial conversion price of HK\$2.34 and Exchange Convertible Bonds in an aggregate principal amount of US\$292,557,085 (such amount includes the principal amount of the Exchange Convertible Bonds issued in exchange for Mandatorily Exchangeable Bonds as at the Issue Date, the maximum Accrued PIK Interests and the maximum Future PIK Interests as described in the sub-paragraph headed "Principal amount" above) is issued, the Exchange Convertible Bonds will be converted into approximately 975,190,283 Shares, representing approximately 18.99% of the existing issued share capital of the Company and approximately 15.96% of the issued share capital of the Company as enlarged by the conversion.

The initial conversion price HK\$2.34 per Conversion Share will be subject to adjustment upon the occurrence of certain events as described in the terms and conditions of the Exchange Convertible Bonds which are summarised below. The conversion price may not be reduced so that, on conversion of the Exchange Convertible Bonds, Shares would fall to be issued at a discount to their par value.

(a) *Consolidation, Subdivision or Reclassification:*

If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the conversion price shall be adjusted by multiplying the conversion price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

LETTER FROM THE BOARD OF DIRECTORS

(b) *Capitalisation of Profits or Reserves:*

- (i) If and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account) including, Shares paid up out of distributable profits or reserves and/or share premium account (except any Scrip Dividend) and which would not have constituted a Capital Distribution, the conversion price shall be adjusted by multiplying the conversion price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares (i.e. the par value of each Share multiplied by the total number of issued Shares) immediately before such issue; and

B is the aggregate nominal amount of the issued Shares (i.e. the par value of each Share multiplied by the total number of issued Shares) immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if the number of such Shares is fixed on announcement and a record date is fixed therefor, immediately after such record date.

- (ii) In the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price on the date of announcement of the terms of such issue of such Shares multiplied by the number of such Shares to be issued, exceeds the Relevant Cash Dividend or the relevant part thereof, the conversion price shall be adjusted by multiplying the conversion price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

LETTER FROM THE BOARD OF DIRECTORS

where:

- A is the aggregate nominal amount of the Shares in issue (i.e. the par value of each Share multiplied by the total number of the Shares in issue) immediately before such Scrip Dividend;
- B is the aggregate nominal amount of the Shares issued (i.e. the par value of each Share multiplied by the total number of Shares issued) by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is the Current Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and
- C is the aggregate nominal amount of the Shares to be issued (i.e. the par value of each Share multiplied by the total number of Shares to be issued) pursuant to such Scrip Dividend;

or by making such other adjustment as an Independent Investment Bank shall determine to be fair and reasonable.

Such adjustment shall become effective on the date of issue of such Shares or if the number of such Shares is fixed on announcement and a record date is fixed therefor, immediately after such record date.

(c) *Capital Distributions:*

If and whenever the Company shall pay or make any Capital Distribution to the Shareholders, the conversion price shall be adjusted (except to the extent that the conversion price falls to be adjusted pursuant to sub-paragraph (b) above) by multiplying the conversion price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

LETTER FROM THE BOARD OF DIRECTORS

where:

- A is the Current Market Price of one Share on the date on which the Capital Distribution is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the Capital Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Capital Distribution is actually made or if a record date is fixed therefor, immediately after such record date.

(d) *Rights Issues of Shares or Options over Shares:*

If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares, in each case at less than 95% of the Current Market Price per Share on the date of the announcement of the terms of the issue or grant, the conversion price shall be adjusted by multiplying the conversion price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would subscribe, purchase or otherwise acquire at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

LETTER FROM THE BOARD OF DIRECTORS

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

(e) *Rights Issues of Other Securities:*

If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe, purchase or otherwise acquire any Shares) to all or substantially all Shareholders as a class by way of rights or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the conversion price shall be adjusted by multiplying the conversion price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Share on the date on which such issue or grant is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or the issue or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be on the Relevant Stock Exchange.

(f) *Issues at less than Current Market Price:*

If and whenever the Company shall issue (otherwise than as mentioned in sub-paragraph (d) above) wholly for cash any Shares (other than Shares issued

LETTER FROM THE BOARD OF DIRECTORS

on the exercise of conversion rights or on the exercise of any other rights of conversion into, or exchange or subscription for Shares) or issue or grant (otherwise than as mentioned in sub-paragraph (d) above) wholly for cash options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at a price per Share which is less than 95% of the Current Market Price on the date of announcement of the terms of such issue, the conversion price shall be adjusted by multiplying the conversion price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares;
- B is the number of Shares which the aggregate consideration (if any) receivable for the issue of such additional Shares or would purchase at such Current Market Price; and
- C is the number of Shares to be issued pursuant to such issue of Shares or, as the case may be, the maximum number of Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue or grant of such options, warrants or rights.

References to additional Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe for or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the grant of such options, warrants or other rights.

LETTER FROM THE BOARD OF DIRECTORS

(g) *Other Issues at less than Current Market Price:*

Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this sub-paragraph (g), if and whenever the Company or any of its Subsidiaries (otherwise than as mentioned in sub-paragraphs (d), (e) and (f)), or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries), any other company, person or entity shall issue wholly for cash any securities (other than the Exchange Convertible Bonds excluding for this purpose any further bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares at a consideration per Share which is less than 95% of the Current Market Price on the date of announcement of the terms of issue of such securities, the conversion price shall be adjusted by multiplying the conversion price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

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(h) *Modification of Rights of Conversion etc.:*

If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in sub-paragraph (g) (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 95% of the Current Market Price on the date of announcement of the proposals for such modification, the conversion price shall be adjusted by multiplying the conversion price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such modification;
- B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price or, if lower, the existing conversion, exchange or subscription price of such securities; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Investment Bank considers appropriate (if at all) for any previous adjustment under this sub-paragraph (h) or sub-paragraph (g).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

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(i) *Other Offers to Shareholders:*

If and whenever the Company or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with which an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the conversion price falls to be adjusted under sub-paragraphs (d), (e), (f) or (g)), the conversion price shall be adjusted by multiplying the conversion price in force immediately before such issue by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Share on the date on which such issue is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or delivery of the securities.

(j) *Other Events:*

If the Company determines that an adjustment should be made to the conversion price as a result of one or more events or circumstances not mentioned above, the Company shall, at its own expense, consult an Independent Investment Bank to determine as soon as practicable what adjustment (if any) to the conversion price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the conversion price, and (if applicable) the date on which such adjustment should take effect and upon such determination by the Independent Investment Bank such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that where the events or circumstances

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giving rise to any adjustment pursuant to any of the above adjustment events have already resulted or will result in an adjustment to the conversion price or where the circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the conversion price, such modification (if any) shall be made to the operation of the provisions of these adjustment events as may be advised by the Independent Investment Bank to be in its opinion appropriate to give the intended result*.

Note:

- * Where it is determined that an adjustment should be made to the conversion price pursuant to this sub-paragraph (j), the Company will seek further Shareholders' approval prior to issuing any Conversion Shares at such adjusted conversion price in accordance with the Listing Rules.

For the purposes of these adjustment events:

“Capital Distribution” means (i) any distribution of assets in specie by the Company for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes without limitation an issue of Shares or other securities credited as fully or partly paid (other than Shares credited as fully paid) by way of capitalisation of reserves, but excludes a Scrip Dividend adjusted for under sub-paragraph (b)(ii)); and (ii) any cash dividend or distribution (including, without limitation, the relevant cash amount of a Scrip Dividend) of any kind by the Company for any financial period (whenever paid and however described).

In making any such calculation, such adjustments (if any) shall be made as an Independent Investment Bank may consider appropriate to reflect (a) any consolidation or subdivision of the Shares, (b) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event or (c) the modification of any rights to dividends of Shares.

“Current Market Price” means, in respect of a Share at a particular date, the arithmetic average of the Closing Prices for one Share (being a Share carrying a full entitlement to dividends) for the 10 consecutive Trading Days ending on the Trading Day immediately preceding such date; provided that if at any time during the said 10 Trading Day

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period the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

- (i) if the Shares to be issued in such circumstances do not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of the amount of that dividend per Share; or
- (ii) if the Shares to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by the amount equal to the Fair Market Value of that dividend per Share;

and provided further that if the Shares on each of the said 10 Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share.

“Fair Market Value” means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Investment Bank provided that (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such Independent Investment Bank) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five Trading Days on the relevant market commencing on the first such Trading Day such options, warrants or other rights are publicly traded.

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“Independent Investment Bank” means an independent investment bank of international repute (acting as an expert) selected by the Company. If the Company fails to select an Independent Investment Bank when required by these adjustment events provisions, the Bondholders may by way of an ordinary resolution of Bondholders select the Independent Investment Bank.

“Relevant Cash Dividend” means the aggregate cash dividend or distribution declared by the Company, including any cash dividend in respect of which there is any Scrip Dividend.

“Relevant Stock Exchange” means at any time, in respect of the Shares, the Stock Exchange or the Alternative Stock Exchange.

“Scrip Dividend” means any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend, being a dividend which the Shareholders concerned would or could otherwise have received and which would not have constituted a Capital Distribution (and for the avoidance of doubt, no adjustment is to be made under sub-paragraph (c) in respect of the amount by which the Current Market Price of the Shares exceeds the Relevant Cash Dividend or the relevant part thereof but without prejudice to any adjustment required in such circumstances to be made under sub-paragraph (b)(ii)).

On any adjustment, the relevant conversion price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the conversion price where such adjustment (rounded down if applicable) would be less than 1% of the conversion price then in effect. Any adjustment not required to be made, and any amount by which the conversion price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment.

Where more than one event which gives or may give rise to an adjustment to the conversion price occurs within such a short period of time that in the opinion of an Independent Investment Bank, the adjustment provisions described above would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the above adjustment provisions as may be advised by such Independent Investment Bank to be in its opinion appropriate in order to give such intended result.

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No adjustment will be made to the conversion price where Shares or other securities (including rights or options) are issued, offered or granted to employees (including directors) of the Company or any Subsidiary pursuant to any employee share scheme (and which employee share scheme is in compliance with the Listing Rules or, if applicable, the listing rules of an Alternative Stock Exchange).

No adjustment involving an increase in the conversion price will be made, except in the case of a consolidation or re-classification of the Shares as referred to in paragraph (a) above, or where there has been a proven manifest error in the calculation of the conversion price.

No adjustment will be made to the conversion price where Shares are issued, offered or granted to settle any contingent value rights issued by the Company as part of the Offshore Debt Restructuring in lieu of cash.

Restriction on conversion:

The Company is not obliged to issue Conversion Shares in satisfaction of the conversion rights attached to the Exchange Convertible Bonds in breach of its obligations under the Listing Rules (including the public float requirement under Rule 8.08(1)(a) of the Listing Rules).

Redemption:

(a) Final Redemption at Maturity:

Unless previously redeemed, converted or purchased and cancelled in the circumstances provided for under the terms and conditions of the Exchange Convertible Bonds, the Company will redeem each Exchange Convertible Bond at its principal amount together with unpaid accrued interest thereon on the Maturity Date.

(b) Early redemption at the option of the Company

On giving not less than 30 nor more than 90 days' notice to the Bondholders, the Company may, where the Closing Price for 20 out of 30 consecutive Trading Days prior to the date upon which notice of such redemption is given was at least 130% of the conversion price in effect and subject to the terms and conditions of the Exchange Convertible Bonds, redeem all, but not some only, of the Exchange Convertible Bonds for the time being outstanding at their principal amount, together with interest accrued

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to the date fixed for redemption. In addition, on giving not less than 30 nor more than 60 days' notice to the Bondholders, the Company may subject to the terms and conditions of the Exchange Convertible Bonds at any time redeem all, but not some only, of the Exchange Convertible Bonds for the time being outstanding at their principal amount together with interest accrued to the date fixed for redemption (i) for taxation reasons as set out in and in accordance with the terms and conditions of the Exchange Convertible Bonds or (ii) if prior to the date of such notice, at least 90% in principal amount of the Exchange Convertible Bonds originally issued has already been converted, redeemed or purchased and cancelled.

(c) *Redemption for Relevant Event*

Following the occurrence of a Relevant Event as described below, the Bondholders will have the right at such holders' option, by notice to the Company, to require the Company to redeem all, but not some only, of such holders' Exchange Convertible Bonds at a price equal to the principal amount, together with interest accrued to the date fixed for redemption.

All Exchange Convertible Bonds which are redeemed, converted or purchased by the Company or its Subsidiaries will forthwith be cancelled and such Exchange Convertible Bonds may not be reissued or resold.

A "**Relevant Event**" occurs when (i) the Shares ceases to be listed or admitted to trading or suspended for a period equal to or exceeding 30 consecutive Trading Days on the Stock Exchange or an Alternative Stock Exchange; or (ii) there is a change of control in the Company.

LETTER FROM THE BOARD OF DIRECTORS

- Ranking of the conversion shares:** The Conversion Shares, when issued and fully paid, will rank pari passu with the fully paid Shares in issue.
- Voting rights:** Unless and until the Bondholders acquire the Conversion Shares upon conversion of the Exchange Convertible Bonds, they will have no rights with respect to the Shares, including any voting rights or rights to receive any regular dividends or other distributions with respect to the Shares.
- Events of Default:** Upon the Responsible Officer of the Trustee having been notified in writing that any of the events as described in condition 10 (Events of Default) of the terms and conditions of the Exchange Convertible Bonds has occurred and is continuing, the Trustee at its sole discretion may, and if so requested in writing by the holders of note less than 25% in principal amount of the Exchange Convertible Bonds then outstanding or if so directed by an extraordinary resolution of the Bondholders passed in accordance with the terms and conditions of the Exchange Convertible Bonds shall (subject in either case to being indemnified and/or secured by the holders to its satisfaction), give notice to the Company that the Exchange Convertible Bonds are, and they shall accordingly thereby become, immediately due and repayable at their principal amount together with accrued and unpaid interest (subject as provided in the terms and conditions of the Exchange Convertible Bonds and without prejudice to the right of the Bondholders to exercise the conversion right in respect of their bonds in accordance with the terms and conditions of the Exchange Convertible Bonds).
- Application for listing:** Application will be made to the SGX-ST for the listing of the Exchange Convertible Bonds. No listing of the Exchange Convertible Bonds will be sought on the Stock Exchange.

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Application(s) will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that falls to be issued and allotted from the conversion of the Exchange Convertible Bonds in an aggregate principal amount equal to (i) the outstanding principal amount of the Mandatorily Exchangeable Bonds as at the Exchange Date, (ii) the Accrued PIK Interest in the maximum amount possible as described in the sub-paragraph headed “Principal amount” above, and (iii) the Future PIK Interest in the maximum amount possible as described in the sub-paragraph headed “Principal amount” above, which amounts to 975,190,283 Shares based on the initial conversion price of HK\$2.34.

SHAREHOLDING STRUCTURE OF THE COMPANY AND THE EFFECTS ON IT UPON CONVERSION OF THE EXCHANGE CONVERTIBLE BONDS

To the best knowledge of the Directors and the Company, the following table illustrates the shareholding structure of the Company: (1) as at the Latest Practicable Date; and (2) immediately following the conversion of the Exchange Convertible Bonds in full (including the allotment and issue of Conversion Shares pursuant to any Accrued PIK Interest and Future PIK Interest in the maximum amount possible as described in the sub-paragraph headed “Principal Terms of the Exchange Convertible Bonds — Principal amount” above) at the initial conversion price of HK\$2.34 per Conversion Share, on the assumptions that (a) there will be no other change to the share capital structure of the Company from the Latest Practicable Date until the completion of the conversion of the Exchange Convertible Bonds in full (including the allotment and issue of Conversion Shares pursuant to any Accrued PIK Interest and Future PIK Interest in the maximum amount possible as described in the sub-paragraph headed “Principal Terms of the Exchange Convertible Bonds — Principal amount” above), save for the issue of the Conversion Shares in respect of the Exchange Convertible Bonds (including the allotment and issue of Conversion Shares pursuant to any Accrued PIK Interest and Future PIK Interest in the maximum amount possible as described in the sub-paragraph headed “Principal Terms of the Exchange Convertible Bonds — Principal amount” above) and (b) the Bondholders do not and will not hold any Shares other than the Conversion Shares as a result of the conversion of the Exchange Convertible Bonds in full (including allotment and issue of Conversion Shares pursuant to any Accrued PIK Interest and Future PIK

LETTER FROM THE BOARD OF DIRECTORS

Interest in the maximum amount possible as described in the sub-paragraph headed “Principal Terms of the Exchange Convertible Bonds — Principal amount” above):

Name of Shareholder	As at the Latest Practicable Date		Assuming the conversion of the Exchange Convertible Bonds in full at the initial conversion price of HK\$2.34 per Conversion Share			
			(including the allotment and issue of Conversion Shares pursuant to the maximum Accrued PIK Interest but excluding the maximum Future PIK Interest)		(including the allotment and issue of Conversion Shares pursuant to the maximum Accrued PIK Interest and the maximum Future PIK Interest)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Funde Sino Life Insurance Co., Ltd. <i>(Note 1)</i>	649,700,957	12.65%	649,700,957	10.74%	649,700,957	10.63%
Fund Resources Investment Holding Group Company Limited <i>(Note 1)</i>	887,995,149	17.29%	887,995,149	14.69%	887,995,149	14.53%
Da Zheng Investment Company Limited <i>(Note 2)</i>	843,065,377	16.41%	843,065,377	13.94%	843,065,377	13.79%
Da Feng Investment Company Limited <i>(Note 2)</i>	843,065,378	16.41%	843,065,378	13.94%	843,065,378	13.79%
Da Chang Investment Company Limited <i>(Note 2)</i>	625,673,378	12.19%	625,673,378	10.35%	625,673,378	10.24%
The Bondholders	0	0%	910,830,760	15.06%	975,190,283	15.96%
Other public Shareholders	1,286,769,671	25.05%	1,286,769,671	21.28%	1,286,769,671	21.06%
Total:	5,136,269,910	100.00%	6,047,100,670	100.00%	6,111,460,193	100.00%

Notes:

1. Fund Resources Investment Holding Group Company Limited is a wholly-owned subsidiary of Funde Sino Life Insurance Co., Ltd.
2. Each of Da Zheng Investment Company Limited, Da Feng Investment Company Limited and Da Chang Investment Company Limited is wholly owned by Mr. Kwok Ying Chi, Mr. Kwok Ying Shing and Mr. Kwok Hiu Kwan, respectively. Mr. Kwok Ying Shing is an executive Director and the Chairman of the board of the Company.

The proposed issue of the Exchange Convertible Bonds and the issue of any Conversion Shares thereunder will not result in any change of control in the Company.

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REASONS FOR AND BENEFITS OF THE ISSUE OF THE EXCHANGE CONVERTIBLE BONDS

As set out in the Offshore Debt Announcements, the Company experienced liquidity problem and therefore underwent a series of debt restructuring to address the liquidity and support the operations of the Group. In respect of the Offshore Debt Restructuring, the Company implemented the Schemes of Arrangement pursuant to which, among other things, the 2015 Convertible Bonds were exchanged for Mandatorily Exchangeable Bonds and other securities of the Group. Under the terms of the Mandatorily Exchangeable Bonds, upon satisfaction of the Mandatory Exchange Conditions, the Mandatorily Exchangeable Bonds will be automatically exchanged into the Exchange Convertible Bonds. Accordingly, the issue of the Exchange Convertible Bonds is part of the Offshore Debt Restructuring and the Board considers that such issue represents an appropriate means to improve the liquidity position of the Company.

The terms of the Exchange Convertible Bonds were arrived at after arm's length negotiations between the Company and representatives of the Bondholders and the Directors consider that the terms of the Exchange Convertible Bonds are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

THE SPECIFIC MANDATE

The Conversion Shares will be issued under the Specific Mandate proposed to be obtained at the EGM. The Specific Mandate will only be used for the issue of Conversion Shares and any unused portion of the Specific Mandate will not be used for any other purposes.

EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

Save for the Offshore Debt Restructuring, the Company has not conducted any equity fund raising activities in the past 12 months prior to the Latest Practicable Date.

INFORMATION ON THE HOLDERS OF THE MANDATORILY EXCHANGEABLE BONDS AND THE BONDHOLDERS

The exchange of the Mandatorily Exchangeable Bonds for the Exchange Convertible Bonds has yet to take place. Based on the information available to the Company, as at the Latest Practicable Date, each of the holders of the Mandatorily Exchangeable Bonds and their ultimate beneficial owner(s) is independent of the Company and its connected persons and (where the relevant holder is also a Shareholder) is a public Shareholder, none of the holder of the Mandatorily Exchangeable Bonds are related to each other and upon conversion, none of the Bondholders would hold more than 10% of the issued share capital of the Company (assuming the conversion of the Exchange Convertible Bonds in full including the allotment and issue of Conversion Shares pursuant to the maximum Accrued PIK Interest and the maximum Future PIK Interest).

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INFORMATION ON THE COMPANY

The Company is an investment holding company, and its Subsidiaries are principally engaged in property development, property investment and property management, and hotel and catering operations in the PRC.

EGM

The issue of the Exchange Convertible Bonds and the Specific Mandate pursuant to which the Conversion Shares are to be issued upon exercise of the conversion rights attached to the Exchange Convertible Bonds are subject to the approval of the Shareholders at the EGM.

A notice of the EGM is set out in the Appendix to this circular.

Pursuant to the requirements of the Listing Rules, all votes to be taken at the EGM will be by poll.

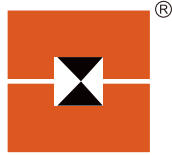
A form of proxy for use at the EGM is enclosed herewith. A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote instead of himself. A proxy need not be a member of the Company. Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy and return it to Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not prevent you from attending and voting in person at the EGM should you so wish.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has any direct or indirect material interest in the issue of the Exchange Convertible Bonds and the allotment and issue of the Conversion Shares and accordingly, no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM.

RECOMMENDATION

The Directors consider that the issue of the Exchange Convertible Bonds and the Specific Mandate are in the best interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolutions to be proposed at the EGM.

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



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Kaisa Group Holdings Ltd. (the “Company”) will be held at Harbour View Ballroom I (level 4), Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on Monday, 12 June 2017 at 10:00 a.m., for the purposes of considering and, if thought fit, passing the following resolutions as ordinary resolutions (with or without modifications):

ORDINARY RESOLUTIONS

“THAT

- (a) the issue by the Company of convertible bonds (the “**Exchange Convertible Bonds**”) in an aggregate principal amount equal to (i) the outstanding principal amount of the USD denominated variable rate mandatorily exchangeable bonds due 31 December 2019 issued by the Company on 21 July 2016 as at the date of these resolutions (including any payment-in-kind interest accruing thereon during the period from and including 21 July 2016 and up to and including the date of these resolutions which may be capitalised and added to the principal amount of the Exchange Convertible Bonds) and (ii) any payment-in-kind interest in respect of the Exchange Convertible Bonds accruing from the date of these resolutions until 31 December 2019 which may be capitalised and added to the then current outstanding principal amount of the Exchange Convertible Bonds, the performance of all the transactions contemplated thereunder (including, without limitation, the issue and allotment of ordinary shares of par value of HK\$0.1 each of the Company (the “**Conversion Shares**”) upon exercise of the conversion rights attached to the Exchange Convertible Bonds) and all other matters of and incidental thereto or in connection therewith be and are hereby generally and unconditionally approved;
- (b) the allotment and issuance of such number of Conversion Shares as may fall to be allotted and issued upon exercise of the conversion rights attached to the Exchange Convertible Bonds in accordance with the terms and conditions of

* For identification purposes only

APPENDIX NOTICE OF EXTRAORDINARY GENERAL MEETING

the Exchange Convertible Bonds at an initial conversion price of HK\$2.34 (subject to adjustment) per share of the Company be and are hereby approved; and

- (c) any one or more of the directors of the Company (the “**Directors**”) be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the terms of, or the transactions contemplated by, the Exchange Convertible Bonds and all documents and deeds in connection therewith and to agree to such variation, amendments or waiver or matters relating thereto as are, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole.”

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

Hong Kong, 24 May 2017

Notes:

1. Every member entitled to attend and vote at the EGM is entitled to appoint one or more persons as their proxy to attend and vote on behalf of themselves. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other document of authority, if any, under which the form is signed, or a certified copy thereof, must be deposited with Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be).
3. Completion and return of the form of proxy will not preclude shareholders of the Company from attending and voting in person at the meeting or any adjourned meeting or upon the poll concerned if the shareholders so wish. In such event, the instrument appointing the proxy shall be deemed to be revoked.
4. The register of members of the Company will be closed from Wednesday, 7 June 2017 to Monday, 12 June 2017, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all transfers of Shares, accompanied by the relevant share certificates and appropriate transfer forms, must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 6 June 2017.

As at the date of this notice, the executive Directors are Mr. Kwok Ying Shing, Mr. Sun Yuenan, Mr. Zheng Yi and Mr. Yu Jianqing; the non-executive Director is Ms. Chen Shaohuan; and the independent non-executive Directors are Mr. Zhang Yizhao, Mr. Rao Yong and Mr. Liu Xuehseng.