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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

- Total revenue for the six months ended 30 June 2017 increased by 71.8% to approximately RMB8,586.8 million from the corresponding period in 2016.
- Gross profit for the six months ended 30 June 2017 increased by 224.5% to approximately RMB2,858.6 million and gross profit margin for the period increased by 15.7 percentage points to 33.3% from the corresponding period in 2016.
- Profit for the six months ended 30 June 2017 decreased by 28.5% to approximately RMB1,803.9 million from the corresponding period in 2016.
- Core net profit (excluding changes in fair value of investment properties and financial derivatives, and net of deferred tax) amounted to RMB1,135.4 million, as compared to a core net loss of approximately RMB908.3 million in the corresponding period in 2016.
- Contracted sales increased by 62.6% to approximately RMB22,460 million.

* *for identification purpose only*

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2017

		Unaudited	
		Six months ended 30 June	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**8,586,802**	4,997,768
Cost of sales	*5*	**(5,728,185)**	(4,116,807)
Gross profit		**2,858,617**	880,961
Other gains and (losses), net	*6*	**480,216**	23,140
Selling and marketing costs	*5*	**(262,086)**	(280,616)
Administrative expenses	*5*	**(788,016)**	(570,372)
Changes in fair value of investment properties		**1,320,415**	4,573,475
Changes in fair value of financial derivatives		**(321,816)**	–
Operating profit		**3,287,330**	4,626,588
Share of results of associates		**(31,818)**	8,249
Share of results of joint ventures		**(9,202)**	–
Finance income		**57,486**	14,841
Finance costs		**(70,442)**	(772,510)
Finance costs, net	*7*	**(12,956)**	(757,669)
Profit before income tax		**3,233,354**	3,877,168
Income tax expenses	*8*	**(1,429,459)**	(1,355,313)
Profit for the period		**1,803,895**	2,521,855
Profit/(loss) for the period attributable to:			
Equity holders of the Company		**1,890,586**	2,529,588
Non-controlling interests		**(86,691)**	(7,733)
		1,803,895	2,521,855
Other comprehensive loss, including reclassification adjustments			
Item that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(12,309)**	–
Other comprehensive loss for the period, including reclassification adjustments		**(12,309)**	–
Total comprehensive income for the period		**1,791,586**	2,521,855

	Notes	Unaudited Six months ended 30 June 2017 RMB'000	2016 RMB'000
Total comprehensive income/(loss) for the period attributable to:			
Equity holders of the Company		**1,881,964**	2,529,588
Non-controlling interests		**(90,378)**	(7,733)
		1,791,586	2,521,855
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in RMB per share)	*9*		
– Basic		**0.368**	0.493
– Diluted		**0.367**	0.437

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	**Unaudited 30 June 2017** *RMB'000*	Audited 31 December 2016 *RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property and equipment		**1,109,467**	1,087,064
Investment properties		**34,632,590**	30,690,680
Land use rights		**162,442**	163,178
Goodwill and intangible assets		**415,927**	217,798
Investments in associates		**1,300,418**	1,331,121
Investments in joint ventures		**931,747**	931,751
Available-for-sale financial assets		**155,338**	154,538
Other receivables		**79,800**	–
Deferred tax assets		**14,710**	26,543
		38,802,439	34,602,673
Current assets			
Properties under development		**66,926,803**	60,559,839
Completed properties held for sale		**18,419,207**	16,246,233
Available-for-sale financial assets		**13,000**	13,104
Financial assets at fair value through profit or loss		**61,588**	–
Debtors, deposits and other receivables	*11*	**10,534,486**	5,786,042
Deposits for land acquisition		**19,030,537**	17,693,750
Prepayments for proposed development projects		**11,743,267**	13,620,415
Prepaid taxes		**1,282,404**	727,280
Restricted cash		**9,700,883**	5,696,597
Short-term bank deposits		**479,367**	56,917
Cash and bank balances		**14,621,696**	10,819,117
		152,813,238	131,219,294
Current liabilities			
Advance proceeds received from customers and deposits received		**35,863,820**	27,973,395
Accrued construction costs		**9,952,695**	10,704,790
Income tax payable		**4,706,208**	4,440,460
Borrowings		**14,024,348**	7,762,301
Financial derivatives		**586,435**	263,822
Other payables		**8,246,755**	6,816,833
Amounts due to non-controlling interests of subsidiaries		**565,192**	836,019
		73,945,453	58,797,620
Net current assets		**78,867,785**	72,421,674
Total assets less current liabilities		**117,670,224**	107,024,347

	Unaudited 30 June 2017 *RMB'000*	Audited 31 December 2016 *RMB'000*
Non-current liabilities		
Borrowings	**88,179,749**	79,774,515
Deferred tax liabilities	**4,533,536**	4,203,433
	92,713,285	83,977,948
Net assets	**24,956,939**	23,046,399
EQUITY		
Share capital	**450,640**	450,450
Share premium	**4,257,607**	4,253,704
Reserves	**10,124,425**	8,241,973
Equity attributable to equity holders of the Company	**14,832,672**	12,946,127
Non-controlling interests	**10,124,267**	10,100,272
Total equity	**24,956,939**	23,046,399

NOTES TO THE CONDENSED CONSOLIDATION INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Kaisa Group Holdings Ltd. (the "**Company**") was incorporated in the Cayman Islands on 2 August 2007, as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands.

The Company is engaged in investment holding and the subsidiaries of the Company are principally engaged in property development, property investment, property management, hotel and catering operations and cinema, department store and cultural centre operations, and water-way passenger and cargo transportation.

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

This condensed consolidated interim financial information is presented in Renminbi ("**RMB**"), unless otherwise stated, and was authorised for issue by the Board of Directors on 29 August 2017.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with the Hong Kong Accounting Standard ("**HKAS**") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in the annual financial statements, except as described below:

(i) The following additional accounting policies are adopted as a result of the formation of joint operations and acquisition of financial assets at fair value through profit or loss occurred during the period:

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interests in joint operations:

(i) its assets, including its share of any assets held jointly;

(ii) its liabilities, including its share of any liabilities incurred jointly;

(iii) its revenue from the sale of its share of the output arising from the joint operations;

(iv) its share of the revenue from the sale of the output by the joint operations; and

(v) its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenue and expenses relating to the Group's interests in joint operations are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenue and expenses.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the condensed consolidated interim statement of financial position at fair value with net changes in fair value recognised in the condensed consolidated interim statement of profit or loss and other comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition".

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

(ii) Taxes on income in the six months ended 30 June 2017 and 2016 are accrued using the tax rate that would be applicable to expected total annual earnings.

(iii) New and amended standards adopted by the Group

The following amended standards that may be relevant to the Group's operations have been adopted by the Group for the first time for the financial period beginning on 1 January 2017.

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle: Amendments to HKFRS 12

The application of the above amended standards which are effective for the financial period beginning on 1 January 2017 did not have material financial effect to the Group.

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

The following new/revised standards, amendments and improvements have been issued but were not yet effective for the financial period beginning on 1 January 2017 that are relevant to and have not been adopted early by the Group:

		Effective for the accounting period beginning on or after
HKAS 40 (Amendments)	Transfers of Investment Property	1 January 2018
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRSs	Annual Improvement to HKFRSs 2014-2016 Cycle	1 January 2018
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

Other than as disclosed below, the Directors of the Company anticipate that the application of other new and revised HKFRSs will have no significant impact on the financial performance and the financial position of the Group.

HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39, which is based on the change in credit quality of financial assets since initial recognition.

As at the reporting date, the Group is not yet in a position to estimate the impact of HKFRS 9 on the Group's condensed consolidated interim financial information. The Group will continue to make more detailed assessments of the impact.

HKFRS 15 "Revenue from contracts with customers" replaces HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identity the contract(s) with customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied. The core principal is that a company should recognise revenue when control of a good or service transfers to a customer.

As at the reporting date, the Group is not yet in a position to estimate the impact of HKFRS 15 on the Group's condensed consolidated interim financial information. The Group will continue to make more detailed assessments of the impact.

HKFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on the condensed consolidated interim statements of financial position for lessees. The Group is a lessee of certain offices which are currently classified as operating leases. HKFRS 16 provides a new provision for the accounting treatment of leases when the Group is the lessee, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). The new standard will therefore result in an increase in assets and financial liabilities in the condensed consolidated interim statements of financial position. As for the financial performance impact in the condensed consolidated interim statements of profit or loss and other comprehensive income, straight-line depreciation expense on the right-of-use asset and the interest expenses on the lease liability are recognised and no rental expenses will be recognised. Based on the Group's undiscounted operating lease commitment as at 30 June 2017, the management expects HKFRS 16 will not have significant impact on the Group's condensed consolidated interim financial information.

3. ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

4. REVENUE AND SEGMENT INFORMATION

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

The CODM identified the segments based on the nature of business operations. Specifically, the CODM assessed the performance of sales of properties, rental income, property management services, hotel and catering operations and cinema, department store and cultural centre operations and regarded these being the reportable segments. During the six months ended 30 June 2016, the Group commenced to involve in water-way passenger and cargo transportation operation grouped under other operating segments which was insignificant to present as a separate segment. For the six months ended 30 June 2017, it has become a new reportable and operating segment of the Group.

As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market in the People's Republic of China (the "**PRC**"), and only an immaterial part (less than 10%) of the Group's assets are located outside the PRC, no geographical segment information is presented.

Revenue for the period consists of the following:

	Unaudited Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Sales of properties		
– Completed properties held for sale	**5,787,764**	4,584,115
– Proposed development project	**2,079,641**	–
Rental income	**125,700**	123,342
Property management services	**172,614**	163,441
Hotel and catering operations	**45,380**	36,636
Cinema, department store and cultural centre operations	**99,832**	63,597
Water-way passenger and cargo transportation	**249,524**	–
Others	**26,347**	26,637
	8,586,802	4,997,768

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

	Unaudited							
	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel and catering operations *RMB'000*	Cinema, department store and cultural centre operations *RMB'000*	Water-way passenger and cargo transportation *RMB'000*	Others *RMB'000*	Total *RMB'000*
Revenue	7,867,405	136,329	283,881	50,746	205,416	254,606	481,455	9,279,838
Less: Inter-segment revenue	–	(10,629)	(111,267)	(5,366)	(105,584)	(5,082)	(455,108)	(693,036)
Revenue from external customers	7,867,405	125,700	172,614	45,380	99,832	249,524	26,347	8,586,802
Segment results before changes in fair value of investment properties and share of results of associates and joint ventures	2,483,533	74,255	43,014	(27,970)	(276,554)	106,680	18,126	2,421,084
Share of results of associates	(1,408)	–	–	–	–	2,246	(32,656)	(31,818)
Share of results of joint ventures	(633)	–	–	–	–	(8,569)	–	(9,202)
Changes in fair value of investment properties	–	1,320,415	–	–	–	–	–	1,320,415
Segment results	2,481,492	1,394,670	43,014	(27,970)	(276,554)	100,357	(14,530)	3,700,479
Changes in fair value of financial derivatives								(321,816)
Corporate and other unallocated expenses								(132,353)
Finance income								57,486
Finance costs								(70,442)
Finance costs – net *(note 7)*								(12,956)
Profit before income tax								3,233,354
Income tax expenses *(note 8)*								(1,429,459)
Profit for the period								1,803,895

	Unaudited							
	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel and catering operations *RMB'000*	Cinema, department store and cultural centre operations *RMB'000*	Water-way passenger and cargo transportation *RMB'000*	Others *RMB'000*	Total *RMB'000*
Other information:								
Depreciation *(note 5)*	21,555	1,786	1,392	2,431	3,468	17,137	2,705	50,474
Amortisation of intangible assets *(note 5)*	–	–	–	–	56,072	–	–	56,072
Amortisation of land use rights *(note 5)*	282	–	–	454	–	–	–	736
Write-down of completed properties held for sale and properties under development *(note 6)*	17,765	–	–	–	–	–	–	17,765

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2016 is as follows:

	Unaudited						
	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel and catering operations *RMB'000*	Cinema, department store and cultural centre operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
Revenue	4,584,115	128,493	269,542	38,474	64,113	26,637	5,111,374
Less: Inter-segment revenue	–	(5,151)	(106,101)	(1,838)	(516)	–	(113,606)
Revenue from external customers	4,584,115	123,342	163,441	36,636	63,597	26,637	4,997,768
Segment results before changes in fair value of investment properties and share of results of associates	90,059	59,337	59,419	(27,516)	(63,100)	10,349	128,548
Share of results of associates	8,249	–	–	–	–	–	8,249
Changes in fair value of investment properties	–	4,573,475	–	–	–	–	4,573,475
Segment results	98,308	4,632,812	59,419	(27,516)	(63,100)	10,349	4,710,272
Corporate and other unallocated expenses							(75,435)
Finance income							14,841
Finance costs							(772,510)
Finance costs – net *(note 7)*							(757,669)
Profit before income tax							3,877,168
Income tax expenses *(note 8)*							(1,355,313)
Profit for the period							2,521,855

	Unaudited							
	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel and catering operations *RMB'000*	Cinema, department store and cultural centre operations *RMB'000*	Others *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Other information:								
Depreciation *(note 5)*	13,591	1,881	1,509	10,932	3,679	–	1,946	33,538
Amortisation of land use rights *(note 5)*	1,051	–	–	934	1,158	–	–	3,143
Write-down of completed properties held for sale and properties under development *(note 6)*	8,333	–	–	–	–	–	–	8,333

The segment assets and liabilities as at 30 June 2017 are as follows:

	Unaudited							
	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management** *RMB'000*	**Hotel and catering operations** *RMB'000*	**Cinema, department store and cultural centre operations** *RMB'000*	**Water-way passenger and cargo transportation** *RMB'000*	**Elimination** *RMB'000*	**Total** *RMB'000*
Segment assets	**313,934,545**	**20,513,639**	**3,826,791**	**2,631,767**	**75,126,444**	**26,848,437**	**(252,792,986)**	**190,088,637**
Unallocated								**1,527,040**
Total assets								**191,615,677**
Segment liabilities	**256,105,691**	**6,097,961**	**1,880,105**	**2,236,511**	**30,454,163**	**15,869,573**	**(214,334,377)**	**98,309,627**
Unallocated								**68,349,111**
Total liabilities								**166,658,738**
Other information:								
Capital expenditure	**3,996**	**1,689,955**	**786**	**4,730**	**272,438**	**56,073**	**–**	**2,027,978**

The segment assets and liabilities as at 31 December 2016 are as follows:

	Audited							
	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel and catering operations *RMB'000*	Cinema, department store and cultural centre operations *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Segment assets	267,711,662	17,032,340	3,400,867	2,650,132	68,056,017	25,309,894	(219,260,410)	164,900,502
Unallocated								921,465
Total assets								165,821,967
Segment liabilities	174,256,468	5,601,559	1,595,338	1,868,984	29,757,713	10,177,772	(176,926,797)	46,331,037
Unallocated								96,444,531
Total liabilities								142,775,568
Other information:								
Capital expenditure	4,671	3,404,525	2,101	3,696	25,976	6,522	–	3,447,491

Segment assets consist primarily of property and equipment, investment properties, investments in joint ventures, investments in associates, goodwill and intangible assets, land use rights, properties under development, completed properties held for sale, debtors, deposits and other receivables, deposits for land acquisition, prepayments for proposed development projects, restricted cash, short-term bank deposits and cash and bank balances. They exclude available-for-sale financial assets, financial assets at fair value through profit or loss, deferred tax assets and prepaid taxes.

Segment liabilities consist primarily of advance proceeds received from customers and deposits received, accrued construction costs, operating borrowings, other payables and amounts due to non-controlling interests of subsidiaries. They exclude deferred tax liabilities, financial derivatives, income tax payable and corporate borrowings.

5. EXPENSES BY NATURE

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

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Auditor's remuneration	**1,900**	2,300
Advertising and other promotional costs	**84,290**	125,236
Agency fee	**27,192**	44,269
Amortisation of land use rights	**736**	3,143
Amortisation of intangible assets	**56,072**	–
Business taxes/value-added taxes	**174,287**	276,261
Cost of properties sold	**4,993,411**	3,632,864
Depreciation	**50,474**	33,538
Direct operating expenses arising from investment properties	**6,609**	3,887
Donations	**628**	16,002
Legal and professional fees	**72,611**	91,982
Office expenses	**50,951**	36,574
Operating lease rental	**20,395**	23,980
Others	**580,690**	429,279
Staff costs – including directors' emoluments	**658,041**	248,480
	6,778,287	4,967,795

6. OTHER GAINS AND (LOSSES) – NET

	Unaudited Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Bad debt of other receivable recovery	**450,000**	–
Dividend income received from		
– listed available-for-sales financial assets	**11**	–
– unlisted available-for-sales financial assets	**22,214**	–
Forfeited customer deposits	**6,442**	3,168
Government subsidy income *(note)*	**30,278**	32,927
Net fair value gain on financial assets at fair value through profit or loss	**2,474**	–
Net gain/(loss) on disposal of property and equipment	**416**	(100)
Others	**(4,024)**	(4,522)
Write-down of completed properties held for sale and properties under development	**(17,765)**	(8,333)
Written off of intangible assets	**(9,830)**	–
	480,216	23,140

Note: The amount represented the subsidy received from the local government bureau in the PRC as an incentive for the development in the region. There was no unfulfilled conditions and other contingencies attached to the receipt of the subsidy.

7. FINANCE COSTS – NET

	Unaudited Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Finance income		
Interest income	**57,486**	14,841
Finance costs		
Interest expense:		
– Bank and other borrowings	**2,359,897**	2,041,024
– Senior notes	**954,992**	598,370
– Convertible bonds	**99,873**	65,030
Total interest expenses	**3,414,762**	2,704,424
Less: interests capitalised *(note)*	**(2,912,061)**	(2,293,167)
	502,701	411,257
Net exchange (gains)/losses	**(432,259)**	361,253
	70,442	772,510
Finance costs – net	**(12,956)**	(757,669)

Note: The capitalisation rate of borrowings is 13.15% (2016: 12.66%) for the period.

8. INCOME TAX EXPENSES

	Unaudited Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax	**851,949**	157,116
– PRC land appreciation tax	**247,407**	54,828
Deferred tax	**330,103**	1,143,369
	1,429,459	1,355,313

Income tax expense for the six months ended 30 June 2017 and 2016 is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

Cayman Islands income tax

The Company was incorporated in the Cayman Islands as an exempted Company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from Cayman Islands income tax.

Hong Kong profits tax

No Hong Kong profits tax was provided for the six months ended 30 June 2017 and 2016 as the Group has no assessable profits arising in or derived from Hong Kong for the periods.

PRC enterprise income tax

PRC enterprise income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (six months ended 30 June 2016: 25%).

PRC land appreciation tax

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

9. EARNINGS PER SHARE

(a) Basic

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

	Unaudited Six months ended 30 June	
	2017	2016
Profit attributable to equity holders of the Company *(RMB'000)*	**1,890,586**	2,529,588
Weighted average number of ordinary shares in issue	**5,136,367,766**	5,135,427,910
Basic earnings per share *(RMB)*	**0.368**	0.493

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of RMB1,890,586,000 (unaudited) (2016: RMB2,529,588,000 (unaudited)) and the weighted average number of 5,136,367,766 (2016: 5,135,427,910) ordinary shares, after adjusting for the issue of shares on exercise of share options during the period.

(b) Diluted

(i) Profit attributable to equity holders of the Company

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**1,890,586**	2,529,588
After tax effect of effective interest on the liability component of convertible bonds	**–**	5,277
Profit attributable to equity holders of the Company used to determine diluted earnings per share	**1,890,586**	2,534,865

(ii) Weighted average number of ordinary shares

	Number of shares	
	Six months ended 30 June	
	2017	2016
Weighted average number of ordinary shares in issue as at 30 June	**5,136,367,766**	5,135,427,910
Effect of issue of shares on:		
– Adjustment for the convertible bonds	**–**	662,184,424
– Adjustment for share options	**21,043,365**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**5,157,411,131**	5,797,612,334
Diluted earnings per share *(RMB)*	**0.367**	0.437

Diluted earnings per share for the six months ended 30 June 2017 is calculated based on the weighted average number of ordinary shares outstanding adjusted to assume conversion or exercise of all dilutive potential ordinary shares (share options).

For the six months ended 30 June 2017, the potential shares arising from the conversion of the Company's convertible bonds would increase the earnings per share attributable to equity holders of the Company and was not taken into account as they had an anti-dilutive effects. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average semi-annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise in full of the share options.

10. DIVIDEND

No interim dividend was declared by the Company for the six months ended 30 June 2017 and 2016.

11. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

Debtors, deposits and other receivables include trade receivables, other receivables, other deposits, prepayment for construction costs to third parties, prepaid other taxes and amounts due from associates/joint ventures.

Trade receivables mainly arise from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade receivables as at the respective reporting dates is as follows:

	Unaudited 30 June 2017 ***RMB'000***	Audited 31 December 2016 *RMB'000*
Within 90 days	**2,574,635**	250,634
91-180 days	**1,400**	–
181-270 days	**763**	7,825
271-365 days	**–**	6
Over 365 days	**98,550**	69,537
	2,675,348	328,002

Included in the Group's trade receivables balances of RMB2,308,402,000 (unaudited) and nil (audited) as at 30 June 2017 and 31 December 2016, respectively, were not yet due, the balances represented receivables from sales of proposed development project from an independent third party. These receivables were repayable within one year.

Ageing of trade receivables which were past due but not impaired:

	Unaudited 30 June 2017 ***RMB'000***	Audited 31 December 2016 *RMB'000*
Overdue within 90 days	**266,233**	250,634
Overdue within 91-180 days	**1,400**	–
Overdue within 181-270 days	**763**	7,825
Overdue within 271-365 days	**–**	6
Overdue over 365 days	**98,550**	69,537
	366,946	328,002

Receivables that were past due but not impaired primarily represented receivables from sales of residential properties to independent third parties of which the majority of the balances were due from the customers in the process of applying mortgage loans. Generally, no credit terms were granted to these customers. These relate to a number of independent customers for whom there was no recent history of default.

12. COMMITMENTS

(a) Commitments for property development expenditures and acquisition of subsidiaries

	Unaudited 30 June 2017	Audited 31 December 2016
	RMB'000	*RMB'000*
Contracted but not provided for		
– Acquisition of land use rights and property development activities	**23,343,417**	27,186,258
– Acquisition of subsidiaries	**1,660,000**	461,400
	25,003,417	27,647,658

(b) Operating lease commitments

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

	Unaudited 30 June 2017	Audited 31 December 2016
	RMB'000	*RMB'000*
Not later than one year	**32,493**	27,278
Later than one year and not later than five years	**43,758**	29,906
Later than five years	**2,129**	324
	78,380	57,508

(c) Operating lease rentals receivable

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

	Unaudited 30 June 2017	Audited 31 December 2016
	RMB'000	*RMB'000*
Not later than one year	**189,936**	176,819
Later than one year and not later than five years	**421,504**	427,198
Later than five years	**117,451**	236,789
	728,891	840,806

13. EVENTS AFTER THE REPORTING DATE

1) On 11 July 2017, the Group entered into a sales and purchase agreement with an independent third party, pursuant to which the Group acquire 17.7% equity interest in Nam Tai Property Inc. ("**Nam Tai**") at consideration of US$111 million (approximately equivalent to RMB862 million). Nam Tai is incorporated in the British Virgin Islands and listed on the New York Stock Exchange in the United States of America.

2) On 19 July 2017, the Company granted 314,300,000 share options to subscribe for the ordinary shares of HK$0.10 each in the capital of the Company to the directors of the Company and certain employees of the Company and its subsidiaries.

3) On 28 July 2017, the associate of the Group, Mega Medical Technology Limited proposed rights issue (the "**Rights Issue**") on the basis of one rights share for every three shares held on the record date. The Rights Issue is fully underwritten by the Group pursuant to the underwriting agreement.

4) On 3 August 2017, the Company redeemed all outstanding existing series A-E notes, at a redemption price equal to 100% of the aggregate principal amount of approximately US$197.6 million.

5) On 4 August 2017, the Company entered into a subscription agreement with an institutional investor for the additional issue of senior notes with the aggregate principal amount of US$285.0 million.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Kaisa Group Holdings Ltd. ("**Kaisa**" or the "**Company**", together with its subsidiaries, the "**Group**"), I present the results of the Group for the six months ended 30 June 2017 together with the comparative figures for the previous corresponding period.

RESULTS AND DIVIDEND

For the period under review, the Group's turnover and gross profit reached approximately RMB8,586.8 million and RMB2,858.6 million, representing increase of approximately 71.8% and 224.5% over the corresponding period of last year, respectively. Profit attributable to equity holders and basic earnings per share amounted to approximately RMB1,890.6 million and RMB36.8 cents, representing decrease of approximately 25.3% and 25.4% as compared to the corresponding period of last year, respectively.

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2017 (2016: nil).

BUSINESS REVIEW

The Property Market and Policies

During the first half of 2017, the Chinese government continued its policies on property market regulation, with specific localised measures to cope with the different market conditions of the cities, namely, increasing land supply in cities where housing prices have been surging and decreasing or even halting land supply in cities where there is serious housing surplus. The market saw continued tightening of credit. Such targeted measures encompass restrictions on purchase and sales of properties, price controls and the tightening of credit in the key cities. As a result, the property markets of first- and key second-tier cities saw the volume of business shrink and the property prices stabilised. Meanwhile, with the support of the government policies that facilitated inventory clearance, the property markets of the third- and fourth-tier cities absorbed the overflow of capital from the first- and second-tier cities that sought opportunities for investment.

On the land market, a total of 459.67 million square metres ("**sq.m.**") of land was put up for sales in 300 cities in China in the first half of 2017, and 381.96 million sq.m. of the lands changed hand, according to the data published by China Index Academy. The aggregate land transaction value surged by 37% year-on-year to RMB1.5055 trillion, and the average transaction price rose by 39% year-on-year to RMB2,242 per sq.m. As the land market continued to overheat, regulatory measures were stepped up in key cities, which were subject to price controls through limits imposed on land prices and innovative forms of land auction.

Under this market condition, the Group formulated flexible sales strategies by taking considerations of its existing property projects and the characteristics of different cities' property markets. As a result, the Group achieved rapid turnover while ensuring reasonable profit. On the other hand, the Group built on its accumulated experience and advantage in the property markets and grasped the pace of the market development by replenishing its land bank through tenders, auctions, bids for lands in the listings posted by the government, acquisition of equity stakes and participation in urban redevelopment, laying a solid foundation for its sustainable development in the future.

Contracted Sales

For the six months ended 30 June 2017, the Group achieved an aggregate contracted sales value of approximately RMB22,460 million, representing a year-on-year increase of 62.6%. Sales at Pearl River Delta and Yangtze River Delta contributed to 54% and 22% respectively of the aggregate contracted sales. Focusing on the first- and key second-tier cities has been the Group's strategy and it has yielded results. Sales in first-tier cities, including Shenzhen, Shanghai and Guangzhou, accounted for nearly 60% of the total contracted sales. In particular, property projects such as Shenzhen Kaisa City Plaza, Shenzhen Kaisa Qianhai Plaza and Shanghai Kaisa Monarch Residence had the most outstanding sales performance. According to the "2017 1H TOP 200 Real Estate Enterprise Property Developers" jointly published by China Real Estate Information Corp ("**CRIC**") and China Real Estate Appraisal Center, Kaisa ranked 40th in terms of contracted sales value, up by six places from the end of 2016.

Land Acquisition

For the first half of 2017, the Group acquired lands with total gross floor area of approximately 1.91 million sq.m. for approximately RMB5,533 million to replenish its land bank, which translates into an average land cost of RMB2,893 per sq.m..

During the period under review, aiming to enhance its competitive strength in the major cities in the Pearl River Delta and to capitalise on the opportunities raised from the development of the Guangdong-Hong Kong-Macau Greater Bay Area, the Group continued to penetrate its existing presence in Shenzhen, Guangzhou, Huizhou, Dongguan, Zhuhai and Foshan. As at 30 June 2017, approximately 55% of the Group's land bank was located in the Guangdong-Hong Kong-Macau Greater Bay Area. Meanwhile, the Group also actively replenished its land bank in key cities in Yangtze River Delta such as Shanghai, Nanjing, Suzhou and Shaoxing. During the period under review, the Group made its first foray into the property market of Zhengzhou, the provincial capital of Henan, which enhanced its business presence in the surrounding areas of Beijing.

As at 30 June 2017, the Group had a total land bank of approximately 21.6 million sq.m., of which 80% was located in first- and key second-tier cities.

Building on its rich experience in property execution for many years, its professional team and good reputation, the Group continued to seek opportunities for developing urban renewal projects in major cities such as Shenzhen, Guangzhou, Zhuhai and Shanghai, and even expanded its footprints into other key cities nationwide. Meanwhile, it also actively secured land supply from its major urban renewal projects. During the period under review, the Group secured land supply for the redevelopment projects such as Shenzhen Kaisa Future City, Shenzhen Pinghu Kaisa Plaza and Shenzhen Yantian City Plaza, which provides high-quality lands at low costs to support the Group's development in the future.

Building up the Portfolio of Businesses

China's first- and key second tier-cities have gradually entering into an era when the volume of second-hand property transactions exceeds that of new flats, and this has stimulated the demand for real estate services. Real estate enterprises are increasingly playing their dual role of urban constructor and urban ancillary services provider. To capitalise on this trend, during the period under review, the Group continued to further develop its businesses of culture and leisure, technology and mega-health, etc. The Group believes that its portfolio of businesses can help the Company to integrate its various businesses and strengthen its core competitiveness in project development and operation, thus transforming it from a conventional real estate developer into a provider of real estate services.

Financing and Capital Market

During the period under review, the Group explored various financing channels. In June 2017, the Group completed an exchange offer (the "**Exchange Offer**"). Approximately US$2,657.9 million of the Existing Series A-E Notes have been tendered for exchange with the exchange ratio exceeding 93%. This demonstrated the international capital market's wide recognition on Kaisa's prospects. The Group concurrently issued additional new senior notes of approximately US$792.1 million, which form a single series with the ones in the Exchange Offer. Through this transaction, the term of the repayment of the Group's liabilities denominated in foreign currencies has been extended, thus strengthening the Group's cash flow management.

In terms of onshore financing, leveraging the Company's premium projects located in first-tier and major second-tier cities, the Group continued to deepen its cooperation with major banks, providing the capital foundation for future development.

Kaisa's business value is also well recognised by the capital market. The Group was included in a list of constituent stocks of the MSCI China Small Cap Indexes on 1 June 2017. Following that, Kaisa has been selected as a constituent of the Hang Seng Composite Index, Hang Seng Stock Connect Hong Kong Index, Hang Seng Stock Connect Hong Kong Mid Cap & Small Cap Index and Hang Seng Stock Connect Hong Kong Small Cap Index, with effective from 4 September 2017.

Investor Relations

The Group strives to reach high level corporate governance and raise corporate transparency. Apart from regulatory filings and announcements, the Group also maintains effective communication with its shareholders and investors through such formats as monthly corporate newsletters, investor meetings and site visits to the Group's projects, etc. in order to update them on the Company's latest developments. The Group values inputs from investors, and reviews its operational and financial management from time to time.

Prospect

In the second half of 2017, the country's monetary policy is expected to focus even more on the steady growth of the real economy. Regulations with specific localised measures and category-specific guidance on the property market will gradually deepen. In the long-term, with the promulgation of the relevant policies such as parallel development of housing for lease and for sale as well as equal rights between tenants and owners, the government will speed up the development of property lease market and further promote the healthy and steady growth of the property market.

As a result, the Group will closely monitor changes in the local property markets and relevant policies; and adjust its sales strategies and pace of business development in a flexible manner based on its projects in different regions. It will also strive to meet the end-user demand in first-tier and major second-tier cites through high quality products and services and speed up cash collection.

In terms of geographic presence, the Group will actively capitalise on national policies, such as the government's initiative in developing the Guangdong-Hong Kong-Macau Greater Bay Area and its Beijing-Tianjin-Hebei Coordinated Development Program to further develop the property markets in first- and key second-tier cities while reinforcing its penetration in the neighbouring regions of such core cities.

In view of such factors as land shortages and high land prices in first- and key second-tier cities, the Group will expand its cooperative channels and seek opportunities for acquiring property projects through M&A. Leveraging on its resources on industrial business such as culture and sports, and health technology, the Group will strive to capture new opportunities emerging from city-industry integration and the development of lease market.

With respect to urban renewal, by adhering to the "customer value-oriented" principle as always, the Group will maintain its competitiveness in terms of professionalism, talents, scale, management and products. In addition to further penetrating into the Pearl River Delta region, the Group will establish presence in the major and key cities in China and expand the exposure of its standardised, highly efficient and advanced experience in urban renewal across the country.

As to its financial management and control, the Group will continue to explore more channels for low-cost financing, do better in liability management, improve debt structure, and maintain expenses at reasonable levels.

Acknowledgement

The steady development of the Group during the first half of 2017 depended on the enormous support from the community, as well as the dedication and contribution made by our staff members. On behalf of the Board, I would like to take this opportunity to extend my wholehearted gratitude to all shareholders, investors, business partners and customers of the Company for their trust and support. We will continue to work hard to 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, 29 August 2017

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

During the period under review, the Group recorded a turnover of approximately RMB8,586.8 million, representing an increase of 71.8% as compared to the corresponding period in 2016. Profit attributable to equity holders of the Company amounted to approximately RMB1,890.6 million, representing a decrease of 25.3% as compared to the corresponding period in 2016. The core net profit for the period, excluding changes in fair values of investment properties and financial derivatives, and net of deferred tax, amounted to approximately RMB1,135.4 million (2016: core net loss of approximately RMB908.3 million). Basic earnings per share were RMB36.8 cents (2016: RMB49.3 cents).

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: nil).

CONTRACTED SALES IN THE FIRST HALF OF 2017

In the first half of 2017, the Group's contracted sales amounted to approximately RMB22,460 million, representing an increase of 62.6% as compared to the corresponding period in 2016. Aggregate GFA sold during the period was approximately 1,389,410 sq.m., representing an increase of 20.3% as compared to the corresponding period in 2016. Average selling price in the contracted sales increased by 35.1% to RMB16,165 per sq.m. from last corresponding period's RMB11,964 per sq.m.. The table below shows the Group's contracted sales by region in the first half of 2017:

Region	**Contracted sales area** *(sq.m.)*	**Contracted sales amount** *(RMB in millions)*
Pearl River Delta	468,233	12,194
Yangtze River Delta	264,991	4,839
Central China Region	122,396	1,225
Western China Region	220,939	1,658
Pan-Bohai Bay Rim	312,851	2,544
Total	1,389,410	22,460

Property development

Projects completed for the six months ended 30 June 2017

The Group adopts a strict and prudent practice in property development project and adjusts its pace of business expansion as and when appropriate. During the period under review, the GFA of newly completed projects of the Group amounted to approximately 1.4 million sq.m..

Projects under development

As at 30 June 2017, the Group had 33 projects under development with an aggregate GFA of approximately 6.7 million sq.m..

Property management

The Group derives revenue from the provision of property management services. During the period under review, the Group managed a total GFA of approximately 21.9 million sq.m.. The Group's property management team is striving to deliver excellent and professional services to its customers, with a view to enhancing its brand and corporate image.

Investment properties

The Group adopts a diversified business strategy, characterised by its increase in property investment. The portfolio of investment properties will generate steady and reliable income, and enlarge the overall income base of the Group. The Group develops commercial properties such as office buildings, retail stores and car parks for leasing purpose. In managing its investment property portfolio, the Group takes into account the long-term growth potential, the overall market conditions, its cash flows and financial condition. As at 30 June 2017, the Group held 19 investment property projects, with an aggregate GFA of 1,800,294 sq.m., of which an aggregate GFA of 450,700 sq.m. of completed investment properties were for rental purposes.

Land bank

It remains an ongoing effort of the Group to expand its land reserve to implement the business strategy of rapid turnover model. Since late 2011, the Group has focused on first- and second-tier cities and provincial capitals again to capture the business opportunities emerging from the economic development in these cities.

In the first half of 2017, the Group purchased a total of 12 land parcels or related equity interests through tenders, auctions, bids for lands in the listings posted by local governments, joint property project development and acquisitions. The aggregate consideration for the land acquisitions was approximately RMB5,533 million, for an average land cost of approximately RMB2,893 per sq.m.. According to the maximum allowed plot ratio of the projects and the equity interests in such projects, the total planned GFA attributable to the Group is up to approximately 1,912,356 sq.m..

As at 30 June 2017, the Group had a total land bank of approximately 21.6 million sq.m., which is sufficient for the Group's development needs for the next five years.

The table below sets forth information of these land acquisitions:

Time of Acquisition	Location	Attributable Equity Interest	Site Area *(sq.m.)*	Total GFA *(sq.m.)*	Consideration *(RMB in millions)*	Type
January 2017	Guangzhou	90%	312,161	480,000	765.1	Commercial
January 2017	Guangzhou	70%	78,913	316,443	1,960.0	Commercial and Residential
January 2017	Foshan	100%	14,406	72,031	380.0	Commercial and Residential
February 2017	Huizhou	100%	176,724	441,810	372.6	Commercial and Residential
February 2017	Shenyang	100%	12,947	38,840	239.3	Commercial and Residential
February 2017	Shaoxing	70%	19,852	47,943	21.0	Residential
March 2017	Shanghai	100%	23,638	42,543	84.4	Residential
June 2017	Zhuhai	100%	16,088	28,957	217.2	Commercial and Residential
June 2017	Huizhou	70%	113,332	226,666	93.7	Commercial and Residential
June 2017	Zhengzhou	100%	36,582	91,500	388.7	Residential
June 2017	Zhengzhou	100%	32,917	65,800	283.8	Residential
June 2017	Suzhou	100%	29,911	59,823	727.1	Residential
			867,471	**1,912,356**	**5,532.9**	

Outlook

Looking ahead to the second half of 2017, it is expected that the major cities in China will continue to implement measures to regulate the real estate market with the aim of suppressing property speculation on the demand-side and of compelling the real estate sector to continue with deleverage. Such measures can discourage the businesses from straying from the real economy and from engaging in speculation, thus eliminating financial risks and avoiding a property bubble.

Meanwhile, it is expected that the governments in various cities will continue to step up the measures to regulate the supply-side of the property market in order that the owner-occupiers' both rigid and trade-up demand for housing can be satisfied. In cities plagued by the acute imbalance between supply and demand, the supply of land for residential use and ordinary housing will be increased. Moreover, relevant policies on the guarantee of sufficient housing and renovation of shanty area will be implemented, while more efforts will be devoted to the development of the rental housing market.

In summary, the measures to regulate the property market will remain effective in the second half of 2017. The year-on-year growth in property transactions may slow down. The monetary policy will remain prudent and moderate so as to support the development of the real economy. The overall growth in property development and investment by the real estate companies may decelerate.

Under the circumstances, the Group will, on one hand, monitor the market trends closely and accelerate the turnover of the projects and step up the collection of proceeds from sales by adopting a flexible sales strategy. On the other hand, it will actively seek opportunities and unlock the value of urban redevelopment projects with the aim of maximising the returns to the Company's shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue was primarily derived from six 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) waterway passenger and cargo transportation, and (vii) others. Revenue increased by 71.8% to approximately RMB8,586.8 million for the six months ended 30 June 2017 from approximately RMB4,997.8 million in the corresponding period in 2016. 91.6% of the Group's revenue was generated from the sales of properties (2016: 91.7%) and 8.4% from other segments (2016: 8.3%).

Sales of properties

Revenue from sales of properties increased by approximately RMB3,283.3 million, or 71.6%, to approximately RMB7,867.4 million for the six months ended 30 June 2017 from approximately RMB4,584.1 million for the corresponding period in 2016. The increase was primarily attributable to an increase in the total GFA delivered during the six months ended 30 June 2017.

Rental income

Revenue from rental income increased by approximately RMB2.4 million, or 1.9%, to approximately RMB125.7 million for the six months ended 30 June 2017 from approximately RMB123.3 million for the corresponding period in 2016. The increase was primarily attributable to the increased GFA of completed investment properties for rental purposes.

Property management

Revenue from property management service increased by approximately RMB9.2 million, or 5.6%, to approximately RMB172.6 million for the six months ended 30 June 2017 from approximately RMB163.4 million for the corresponding period in 2016. The increase was primarily attributable to the increased GFA under property management.

Hotel and catering operations

Revenue from hotel and catering operations of the Group increased by approximately RMB8.8 million, or 24.0% to approximately RMB45.4 million for the six months ended 30 June 2017, from approximately RMB36.6 million for the corresponding period in 2016.

Cinema, department stores and cultural centre operations

Revenue from cinema, department stores and cultural centre operations increased by approximately RMB36.2 million, or 56.9%, to approximately RMB99.8 million for the six months ended 30 June 2017 from approximately RMB63.6 million in the corresponding period in 2016. The increase was primarily attributable to business expansion.

Water-way passenger and cargo transportation

The Group has further expansion into the business of water-way passenger and cargo transportation. Revenue from water-way passenger and cargo transportation for the six months ended 30 June 2017 amounted to approximately RMB249.5 million.

Gross profit

The Group recorded a gross profit of approximately RMB2,858.6 million and a gross profit margin of 33.3% for the six months ended 30 June 2017 respectively, as compared to gross profit of approximately RMB881.0 million and a gross profit margin of 17.6% in the corresponding period of last year. The increase in gross profit margin was primarily attributable to the increase in ASP of property sales recognised for the six months ended 30 June 2017.

Selling and marketing costs

The Group's selling and marketing costs decreased by approximately RMB18.5 million, or 6.6%, to approximately RMB262.1 million for the six months ended 30 June 2017 from approximately RMB280.6 million for the corresponding period in 2016. The decrease in selling and marketing costs was due to lower advertising and other promotional costs.

Administrative expenses

The Group's administrative expenses increased by approximately RMB217.6 million, or 38.1%, to approximately RMB788.0 million for the six months ended 30 June 2017 from approximately RMB570.4 million for the corresponding period in 2016. The increase was primarily attributable to the increase in staff costs and office expenses.

Changes in fair value of investment properties

The increase in fair value of the Group's investment properties was approximately RMB1,320.4 million for the six months ended 30 June 2017 and approximately RMB4,573.5 million in the corresponding period in 2016. The increase in fair value of the Group's investment properties for the six months ended 30 June 2017 was primarily contributed by transfer of completed properties held for sale into investment properties and also attributable to the increases of rentals in line with the market conditions of general increase in rental levels of comparable properties.

Changes in fair value of financial derivatives

The increase in fair value of financial derivatives was RMB321.8 million for the six months ended 30 June 2017. The increase in fair value of financial derivatives was primarily attributable to the change in fair value of the financial derivative component of convertible bonds.

Finance costs – net

The Group's net finance costs decreased by approximately RMB744.7 million, or 98.3% to approximately RMB13.0 million for the six months ended 30 June 2017 from approximately RMB757.7 million for the corresponding period in 2016. The decrease was mainly attributable to the net exchange gains of RMB432.3 million whereas the net exchange losses of RMB361.3 million was recorded in the corresponding period of last year. The net exchange gain/loss mainly arised from the U.S. dollar denominated offshore financing as a result of the appreciation/depreciation of Renminbi against the U.S. dollar.

Income tax expenses

The Group's income tax expenses increased by approximately RMB74.2 million, or approximately 5.5%, to approximately RMB1,429.5 million for the six months ended 30 June 2017 from approximately RMB1,355.3 million for the corresponding period in 2016.

Profit for the six months ended 30 June 2017

As a result of the foregoing, the Group recorded profit of approximately RMB1,803.9 million (2016: RMB2,521.9 million).

Liquidity, Financial and Capital Resources

Cash position

As at 30 June 2017, the carrying amount of the Group's cash and bank deposits was approximately RMB24,801.9 million (31 December 2016: RMB16,572.6 million), representing an increase of 49.7% as compared to that as at 31 December 2016. Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds to designated bank accounts as collateral for the construction loans. Such collateral will be released after the completion of the pre-sales properties or the issuance of the title of the properties, whichever is the earlier. Additionally, as at 30 June 2017, certain of the Group's cash was deposited in certain banks as collateral for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties. The aggregate of the above collaterals amounted to approximately RMB9,700.9 million as at 30 June 2017 (31 December 2016: RMB5,696.6 million).

Exchange offer, new senior notes and convertible bonds

On 30 June 2017, the Company completed an exchange offer (the "**Exchange Offer**") pursuant to which the Existing Series A-E Notes were exchanged for 7.25% senior notes due 2020 (the "**New 2020 Notes**"), 7.875% senior notes due 2021 (the "**New 2021 Notes**"), 8.50% senior notes due 2022 (the "**New 2022 Notes**") and 9.375% senior notes due 2024 (the "**New 2024 Notes**") (together with the New 2020 Notes, the New 2021 Notes and the New 2022 Notes, the "**New Senior Notes**"). Approximately US$2,657.9 million of the Existing Series A-E Notes, representing approximately 93.1% of the total aggregate principal amounts of the outstanding Existing Series A-E Notes, have been validly tendered for exchange and accepted pursuant to the Exchange Offer. Concurrently, the Company issued additional New Senior Notes with aggregate principal amount of approximately US$792.1 million that form a single series with the corresponding New Senior Notes issued in the Exchange Offer. On 3 August 2017, the Company redeemed total aggregate outstanding principal amounts of approximately US$197.6 million of the Existing Series A-E Notes in full at the redemption price equal to 100% of the outstanding principal amounts thereof. The New Senior Notes are listed on the Singapore Stock Exchange.

On 30 June 2017, the Company issued convertible bonds of approximately US$265.9 million in exchange for the then principal amount of the Mandatorily Exchangeable Bonds (the "**MEBs**") in accordance with the terms of the MEBs.

Borrowings and charges on the Group's assets

As at 30 June 2017, the Group had aggregate borrowings of approximately RMB102,204.1 million, of which approximately RMB14,024.3 million will be repayable within 1 year, approximately RMB70,859.7 million will be repayable between 2 and 5 years and approximately RMB17,320.1 million will be repayable over 5 years.

As at 30 June 2017, the Group's bank and other borrowings of approximately RMB61,393.7 million were secured by property and equipment, land use rights, investment properties, properties under development, completed properties held for sale and certain shares of the Group's subsidiaries of the Group with total carrying values of approximately RMB68,554.8 million. As at 30 June 2017, the Existing Senior Notes and the Convertible Bonds were secured by the share pledge of certain of the subsidiaries incorporated outside of the PRC, and joint and several guarantees given by certain subsidiaries of the Company. The Group's domestic bank loans carried a floating interest rate linking up with the base lending rate of the People's Bank of China. The Group's interest rate risk is mainly from the floating interest rate of domestic bank loans.

Key Financial Ratios

As at 30 June 2017, the Group has a leverage ratio (i.e. its net debts (total borrowings, net of cash and bank balances, short-term bank deposits and restricted cash) over total assets) of 40.4% (31 December 2016: 42.8%). The Group's net current assets increased by 8.9% from approximately RMB72,421.7 million as at 31 December 2016 to approximately RMB78,867.8 million as at 30 June 2017, and the current ratio decreased from 2.2 times as at 31 December 2016 to 2.1 times as at 30 June 2017.

Cost of borrowings

For the six months ended 30 June 2017, the Group's total cost of borrowings (including net exchange gains/losses) was RMB2,982.5 million, representing a decrease of approximately RMB83.2 million or 2.7% as compared to the corresponding period in 2016. The decrease was primarily attributable to the increase in total interest expenses, and partially offset by the net exchange gains recorded in the current period.

Foreign currency risks

The Group's property development projects are all located in China and most of the related transactions are settled in RMB. The Company and certain of the Group's intermediate holding companies which operate in Hong Kong have recognised assets and liabilities in currencies other than RMB. As at 30 June 2017, the Group had cash balances denominated in US$ of approximately RMB5,410.6 million, and in HK$ of approximately RMB47.1 million and the New Senior Notes and the contingent value rights in US$ with an aggregate outstanding principal amount of US$3,465.7 million, and other offshore banking facilities denominated in US$ and HK$, of US$325.6 million and HK$1,226.0 million respectively, which are subject to foreign currency exposure.

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

Financial guarantees

As at 30 June 2017, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by domestic banks to its customers amounting to approximately RMB27,083.9 million (31 December 2016: RMB21,843.2 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.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets

For the six months ended 30 June 2017, the Group acquired controlling equity interests of several companies at a total consideration of approximately RMB1,471.4 million. These companies did not operate any business prior to the acquisitions and only had properties under development. Therefore, the Group considered this would be an acquisition of assets in substance.

Save as disclosed above, there were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2017. Apart from those disclosed in this announcement, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this announcement.

Employees and remuneration policy

As at 30 June 2017, the Group had approximately 10,786 employees (31 December 2016: approximately 9,944 employees). The related employees' costs (including the directors' remuneration), for the six months ended 30 June 2017 amounted to approximately RMB658.0 million. The remuneration of employees was based on their performance, skills, knowledge, experience and market trend. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. In addition to basic salaries, employees may be offered with discretionary bonus and cash awards based on individual performance. The Group provides trainings for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills. Further, the Company adopted the share option scheme on 22 November 2009. Further information of the share option scheme is available in the Annual Report of the Company for the year ended 31 December 2016.

CORPORATE GOVERNANCE

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high standard of corporate governance. The Board is of the view that, for the six months ended 30 June 2017, the Company complied with the code provisions on the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the following deviation:

Code provision A.6.7 provides that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. Due to their other important engagements, the non-executive Director of the Company, Ms. CHEN Shaohuan, and the independent non-executive Directors of the Company, Mr. ZHANG Yizhao and Mr. LIU Xuesheng, were unable to attend the extraordinary general meeting of the Company held on 12 June 2017. Due to her other important engagements, the non-executive Director of the Company, Ms. CHEN Shaohuan was unable to attend the annual general meeting of the Company held on 28 June 2017.

AUDIT COMMITTEE

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

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the Group's interim report 2017. In addition, the independent auditors of the Company, Grant Thornton Hong Kong Limited, has reviewed the unaudited interim results for the six months ended 30 June 2017 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CHANGE OF DIRECTOR

Mr. MAI Fan has been appointed as an executive Director of the Company with effect from 4 July 2017. Mr. MAI does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code as set out in Appendix 10 to the Listing Rules as the standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2017.

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

Save as disclosed in the announcement, during the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2017 (30 June 2016: nil).

PUBLICATION OF THE 2017 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company's Interim Report for the six months ended 30 June 2017 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

Hong Kong, 29 August 2017

As at the date of this announcement, the executive Directors are Mr. Kwok Ying Shing, Mr. Sun Yuenan, Mr. Zheng Yi, Mr. Yu Jianqing and Mr. Mai Fan; 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.