KAISA GROUP HOLDINGS LTD.

佳兆業集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1638)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- Total revenue for the year increased by 84.4% to approximately RMB32,779.3 million from 2016.
- Gross profit for the year increased by 286.4% to approximately RMB8,934.2 million and gross profit margin for the year increased by 14.3 percentage points to 27.3% from 13.0% in 2016.
- Profit for the year amounted to approximately RMB3,043.8 million (2016: Loss of approximately RMB347.5 million).
- Core net profit (excluding changes in fair value of investment properties and financial derivatives, net of deferred tax, and gain on extinguishment of financial liabilities) amounted to RMB2,446.4 million in 2017, as compared to core net loss of approximately RMB4,163.2 million in 2016.
- Contracted sales increased by 49.8% to approximately RMB44,714 million.
- The Board recommended payment of a final dividend of HK11.8 cents per share.

* *For identification purposes only*

The board (the "**Board**") of directors (the "**Directors**") of Kaisa Group Holdings Ltd. (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2017 together with the comparative figures for the corresponding year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	3	**32,779,347**	17,771,517
Cost of sales	4	**(23,845,129)**	(15,459,546)
Gross profit		**8,934,218**	2,311,971
Other gains and (losses), net	5	**(123,454)**	(560,512)
Selling and marketing costs	4	**(896,012)**	(842,695)
Administrative expenses	4	**(2,501,232)**	(1,745,262)
Changes in fair value of investment properties		**2,088,849**	4,161,371
Changes in fair value of financial derivatives		**(969,204)**	(21,500)
Loss on step acquisition of a subsidiary		**(146,258)**	–
Operating profit		**6,386,907**	3,303,373
Share of results of associates		**31,685**	(40,578)
Share of results of joint ventures		**37**	8,223
Finance income		**1,486,084**	39,236
Finance costs		**(1,238,286)**	(2,159,602)
Finance income/(costs), net	6	**247,798**	(2,120,366)
Gain on extinguishment of financial liabilities	7	**–**	716,143
Profit before income tax		**6,666,427**	1,866,795
Income tax expenses	8	**(3,622,579)**	(2,214,306)
Profit/(Loss) for the year		**3,043,848**	(347,511)
Profit/(Loss) for the year attributable to:			
Owners of the Company		**3,284,889**	(612,380)
Non-controlling interests		**(241,041)**	264,869
		3,043,848	(347,511)
Earnings/(Loss) per share for earnings/(loss) attributable to owners of the Company during the year (expressed in RMB per share)			
– Basic	9	**0.602**	(0.119)
– Diluted	9	**0.593**	(0.119)

	2017	2016
	RMB'000	*RMB'000*
Profit/(loss) for the year	**3,043,848**	(347,511)
Other comprehensive loss, including reclassification adjustments		
Items that may be reclassified subsequently to profit or loss		
Changes in fair value of available-for-sale financial assets, net of tax	**–**	(210)
Exchange differences on translation of foreign operations	**(6,387)**	–
Other comprehensive loss for the year, including reclassification adjustments	**(6,387)**	(210)
Total comprehensive profit/(loss) for the year	**3,037,461**	(347,721)
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	**3,283,297**	(612,590)
Non-controlling interests	**(245,836)**	264,869
	3,037,461	(347,721)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		**2,551,580**	1,087,064
Investment properties		**32,025,830**	30,690,680
Land use rights		**395,815**	163,178
Investments in associates	*11*	**5,284,835**	1,331,121
Investments in joint ventures	*11*	**6,818,118**	931,751
Available-for-sale financial assets	*12*	**4,400,796**	154,538
Debtors, deposits and other receivables	*14*	**823,860**	–
Goodwill and intangible assets	*13*	**1,206,237**	217,798
Convertible bonds receivable		**41,328**	–
Deferred tax assets		**9,699**	26,543
		53,558,098	34,602,673
Current assets			
Properties under development		**68,066,413**	60,559,839
Completed properties held for sale		**18,170,966**	16,246,233
Inventories		**2,714**	–
Available-for-sale financial assets	*12*	**–**	13,104
Deposits for land acquisition		**21,422,522**	17,693,750
Prepayments for proposed development projects		**15,925,608**	13,620,415
Debtors, deposits and other receivables	*14*	**14,124,677**	5,786,042
Prepaid taxes		**850,499**	727,280
Restricted cash		**7,939,574**	5,696,597
Financial assets at fair value through profit or loss		**96,467**	–
Short-term bank deposits		**1,232,206**	56,917
Cash and bank balances		**11,998,423**	10,819,117
		159,830,069	131,219,294
Current liabilities			
Advance proceeds received from customers and deposits received		**29,564,933**	27,973,395
Accrued construction costs		**15,170,791**	10,704,790
Income tax payable		**5,649,679**	4,440,460
Borrowings		**22,173,037**	7,762,301
Financial derivatives		**–**	263,822
Other payables		**17,315,611**	7,652,852
		89,874,051	58,797,620
Net current assets		**69,956,018**	72,421,674
Total assets less current liabilities		**123,514,116**	107,024,347

	2017	2016
	RMB'000	*RMB'000*
Non-current liabilities		
Borrowings	**89,000,150**	79,774,515
Other payables	**104,171**	–
Deferred tax liabilities	**4,411,645**	4,203,433
	93,515,966	83,977,948
Net assets	**29,998,150**	23,046,399
Equity		
Share capital	**532,865**	450,450
Share premium	**6,913,069**	4,253,704
Reserves	**11,641,988**	8,241,973
Equity attributable to owners of the Company	**19,087,922**	12,946,127
Non-controlling interests	**10,910,228**	10,100,272
Total equity	**29,998,150**	23,046,399

NOTES

1. GENERAL INFORMATION

Kaisa Group Holdings Ltd. (the "**Company**") was incorporated in the Cayman Islands on 2 August 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands. The Company is engaged in investment holding and its subsidiaries (collectively, the "**Group**") are principally engaged in property development, property investment, property management, hotel and catering operations, cinema, department store and cultural centre operations, water-way passenger and cargo transportation and healthcare business in the People's Republic of China (the "**PRC**").

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

These consolidated financial statements are presented in Renminbi ("**RMB**"), the currency of the primary economic environment in which most of the group entities operate (the functional currency of the Company and most of the entities comprising the Group), and all values are rounded to the nearest thousand ('000) unless otherwise stated.

2. STATEMENT OF COMPLIANCE

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

(i) Amended standards adopted by the Group

The following amended standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2017:

Amendments to HKAS 7	Statement of cash flows: Disclosure Initiative
Amendments to HKAS 12	Income taxes: Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities. The adoption of the remaining new and amended standards has no material impact on the Group's consolidated financial statements.

(ii) Issued but not yet effective HKFRSs

The following new standards, amendments and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group:

		Effective for the accounting period beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
Amendments to HKAS 28	Investments in Associates and Joint Ventures	1 January 2018
Amendments to HKAS 40	Transfers of Investment Property	1 January 2018
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle	1 January 2018
Amendments to HKFRS 9	Repayment Features with Negative Compensation	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 16	Leases	1 January 2019
Annual improvements to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019
HK(IFRIC) 23	Uncertainty over Income Tax Treatment	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Except as described below, the Directors anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements of the Group in the foreseeable future.

HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets.

The directors have identified the following areas that are expected to be most impacted by the application of HKFRS 9:

- the classification and measurement of the Group's financial assets. The Group holds most financial assets to hold and collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly. Based on preliminary assessment, the Group does not expect the new guidance to affect the classification and measurement of these financial assets.

- the impairment of financial assets applying the expected credit loss model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. For contract assets arising from HKFRS 15 and trade receivables, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing components.

- the measurement of equity investments at cost less impairment. All such investments will instead be measured at fair value with changes in fair value presented either in profit or loss or in other comprehensive income. To present changes in other comprehensive income requires making an irrevocable designation on initial recognition or at the date of transition to HKFRS 9. This will affect the Group's investment in unlisted equity securities which the Group intends to hold beyond 1 January 2018.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 and the related clarification to HKFRS 15 (hereinafter referred to as **"HKFRS 15**") presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related interpretations. HKFRS 15 establishes a single comprehensive model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) *Timing of revenue recognition*

The Group's revenue arising from sales of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the property sales contracts and collectability of related receivables is reasonably assured.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group's property development activities are carried out in the PRC only. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of the PRC, the Group has assessed that its property sales contracts will not meet the criteria for recognising revenue over time and therefore revenue from property sales will continue to be recognised at a point in time.

(b) *Significant financing component*

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

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

(c) *Sales with a right of return*

Currently when the customers are allowed to return the products, the Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group expects that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

The Group plans to elect to use the cumulative effect transition method for the adoption of HKFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2018. As allowed by HKFRS 15, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018.

The Group is estimating the overall impact of the above on the Group's retained earnings on 1 January 2018.

HKFRS 16, Leases

HKFRS 16 "Leases" will replace HKAS 17 and three related interpretations.

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases of land and buildings which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss over the period of the lease. As at 31 December 2017, the Group's future minimum lease payments under non-cancellable operating leases in respect of land and buildings amount to RMB86,972,000, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt HKFRS 16 retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

3. SEGMENT INFORMATION

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

The CODM identified the segments based on the nature of business operations. Specifically, the CODM assessed the performance of sales of properties, rental income, property management services, hotel and catering operations and cinema, department store and cultural centre operations, and regarded these being the reportable segments. During the year ended 31 December 2017, water-way passenger and cargo transportation operation becomes a new reportable and operating segment of the Group. Following the step acquisition of Kaisa Health Group Holdings Limited (formerly known as "Mega Medical Technology Limited") ("Kaisa Health Group"), the Group commenced to involve in healthcare business and grouped under other operating segments which was insignificant to present as a separate segment.

As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market primarily in the PRC, and over 90% of the Group's assets are located in the PRC, no geographical segment information is presented.

Revenue for the year ended 31 December 2017 consists of the following:

	2017 ***RMB'000***	2016 *RMB'000*
Sales of properties		
– Completed properties held for sale	**29,126,460**	16,739,010
– Proposed development project	**2,079,641**	–
Rental income	**249,569**	228,054
Property management services	**315,862**	271,622
Hotel and catering operations	**162,617**	81,967
Cinema, department store and cultural centre operations	**235,463**	253,270
Water-way passenger and cargo transportation	**536,491**	–
Others	**73,244**	197,594
	32,779,347	17,771,517

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2017 is as follows:

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel and catering operations *RMB'000*	Cinema, department store and cultural centre operations *RMB'000*	Water-way passenger and cargo transportation *RMB'000*	Others *RMB'000*	Total *RMB'000*
Revenue	31,206,101	283,862	669,159	180,390	434,801	551,721	1,038,328	34,364,362
Less: inter-segment revenue	–	(34,293)	(353,297)	(17,773)	(199,338)	(15,230)	(965,084)	(1,585,015)
Revenue from external customers	31,206,101	249,569	315,862	162,617	235,463	536,491	73,244	32,779,347
Segment results before changes in fair value of investment properties, share of results of associates and joint ventures and loss on step acquisition of a subsidiary	6,554,591	135,956	19,222	(78,158)	(540,780)	153,889	(370,647)	5,874,073
Share of results of associates	74,066	–	(1,946)	–	(300)	2,246	(42,381)	31,685
Share of results of joint ventures *(note 11(b))*	(382)	–	–	–	–	–	419	37
Changes in fair value of investment properties	–	2,088,849	–	–	–	–	–	2,088,849
Loss on step acquisition of a subsidiary	–	–	–	–	–	–	(146,258)	(146,258)
Segment results	6,628,275	2,224,805	17,276	(78,158)	(541,080)	156,135	(558,867)	7,848,386
Changes in fair value of financial derivatives								(969,204)
Corporate and other unallocated expenses								(460,553)
Finance income								1,486,084
Finance costs								(1,238,286)
Finance income – net *(note 6)*								247,798
Profit before income tax								6,666,427
Income tax expenses *(note 8)*								(3,622,579)
Profit for the year								3,043,848

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Other information:									
Depreciation *(note 4)*	42,305	10,134	1,108	5,938	7,772	36,161	1,478	4,228	109,124
Amortisation of intangible assets *(note 4)*	–	–	–	–	119,027	–	–	–	119,027
Amortisation of land use rights *(note 4)*	3,695	–	–	1,521	2,144	–	–	–	7,360
Write-down of completed properties held for sale and properties under development *(note 5)*	262,332	–	–	–	–	–	–	–	262,332
Written off of trade and other receivables *(note 5)*	51,321	–	89,189	–	–	–	–	–	140,510
Written off of intangible assets *(note 5)*	–	–	–	–	10,468	–	–	–	10,468
Reversal of impairment loss on land use rights *(note 5)*	(2,887)	–	–	–	–	–	–	–	(2,887)

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	329,842,097	37,616,411	1,553,818	2,964,885	2,484,709	27,386,862	4,032,470	(197,850,546)	208,030,706
Unallocated									5,357,461
Total assets									213,388,167
Segment liabilities	252,222,094	5,361,023	1,210,529	2,384,989	1,641,563	16,257,045	3,508,674	(173,424,949)	109,160,968
Unallocated									74,229,049
Total liabilities									183,390,017
Other information:									
Capital expenditure	872,510	2,818,865	2,769	803,666	354,788	107,041	9,524	–	4,969,163
Investments in associates	1,211,110	–	–	–	300	–	3,120,537	–	4,331,947
Investments in joint ventures *(notes 11(b))*	1,405,500	–	–	–	–	–	5,275	–	1,410,775

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2016 is as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Others RMB'000	Total RMB'000
Revenue	16,739,010	242,829	524,384	88,702	257,905	197,594	18,050,424
Less: inter-segment revenue	–	(14,775)	(252,762)	(6,735)	(4,635)	–	(278,907)
Revenue from external customers	16,739,010	228,054	271,622	81,967	253,270	197,594	17,771,517
Segment results before changes in fair value of investment properties and share of results of associates and joint ventures	(867,614)	126,243	104,537	(37,746)	(68,146)	115,222	(627,504)
Share of results of associates	(4,030)	–	–	–	–	(36,548)	(40,578)
Share of results of joint ventures *(note 11(b))*	(346)	–	–	–	–	8,569	8,223
Changes in fair value of investment properties	–	4,161,371	–	–	–	–	4,161,371
Segment results	(871,990)	4,287,614	104,537	(37,746)	(68,146)	87,243	3,501,512
Changes in fair value of financial derivatives							(21,500)
Corporate and other unallocated expenses							(208,994)
Finance income							39,236
Finance costs							(2,159,602)
Finance costs – net *(note 6)*							(2,120,366)
Gain on extinguishment of financial liabilities							716,143
Profit before income tax							1,866,795
Income tax expenses *(note 8)*							(2,214,306)
Loss for the year							(347,511)

	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 4)*	45,085	3,740	3,116	4,841	10,838	1,117	32,632	101,369
Amortisation of intangible assets *(note 4)*	–	–	–	–	85,796	–	–	85,796
Amortisation of land use rights *(note 4)*	2,160	–	–	1,808	2,318	–	–	6,286
Write-down of completed properties held for sale and properties under development *(note 5)*	670,615	–	–	–	–	–	–	670,615

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	267,711,662	17,032,340	3,400,867	2,650,132	908,139	25,309,894	(152,112,532)	164,900,502
Unallocated								921,465
Total assets								165,821,967
Segment liabilities	174,256,468	5,601,559	1,595,338	1,868,984	1,030,745	10,177,772	(148,199,829)	46,331,037
Unallocated								96,444,531
Total liabilities								142,775,568
Other information:								
Capital expenditure	4,671	3,404,525	2,101	3,696	25,976	6,522	–	3,447,491
Investments in associates	–	–	–	–	–	579,611	–	579,611
Investments in joint ventures *(note 11(b))*	922,728	–	–	–	–	800	–	923,528

For the year ended 31 December 2017 and 31 December 2016, none of the Group's customer accounted for more than 10% of the Group's total revenue.

Sales between segments are carried out at agreed terms amongst relevant parties. The revenue from external parties reported to the management is measured in a manner consistent with that in the profit or loss.

As at 31 December 2017, segment assets of property development segment, cinema, department store and cultural centre operations segment and others segment included the investments in associates accounted for using the equity method totalling approximately RMB2,040,453,000, RMB300,000 and RMB3,244,082,000 (2016: RMB760,274,000, nil and RMB570,847,000) respectively. In addition, the segment assets of property development segment and other segment included the investments in joint ventures accounted for using the equity method totalling RMB6,812,423,000 and RMB5,695,000 (2016: RMB922,382,000 and RMB9,369,000) respectively.

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

Segment liabilities consist primarily of advance proceeds received from customers and deposits received, accrued construction costs, operating borrowings and other payables. They exclude deferred tax liabilities, financial derivatives, income tax payable and corporate borrowings.

4. EXPENSES BY NATURE

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

	2017	2016
	RMB'000	*RMB'000*
Auditor's remunerations		
– Audit services	**5,500**	5,000
– Non-audit services	**1,900**	2,300
Advertising and other promotional costs	**453,372**	418,101
Agency fee	**253,538**	131,252
Amortisation of land use rights	**7,360**	6,286
Amortisation of intangible assets *(note 13)*	**119,027**	85,796
Bank charges	**45,791**	34,028
Business taxes and other levies	**680,981**	737,201
Cost of properties sold	**21,775,815**	13,947,887
Depreciation	**109,124**	101,369
Direct operating expenses arising from		
– investment properties	**23,582**	9,613
– property management services	**220,069**	153,151
– hotel and catering operations	**51,286**	29,306
– cinema, department store, and cultural centre operations	**182,414**	158,540
– water-way passenger and cargo transportation	**335,413**	98,126
Donations *(note)*	**136,589**	25,989
Entertainment	**57,467**	31,095
Legal and professional fees	**339,985**	265,586
Office expenses	**119,852**	106,805
Operating lease rental	**37,630**	35,509
Others	**624,000**	721,244
Staff costs – including directors' emoluments	**1,627,862**	921,334
Travelling	**33,816**	21,985
	27,242,373	18,047,503

Note:

The Group made donations amounted to RMB136,589,000 during the year ended 31 December 2017.

5. OTHER GAINS AND (LOSSES) – NET

	2017	2016
	RMB'000	*RMB'000*
Bad debt of other receivable recovery	**450,000**	–
Dividend income received from		
– listed available-for-sale financial assets	**55**	–
– unlisted available-for-sale financial assets	**22,214**	20,801
Forfeited customer deposits	**16,300**	9,099
Government subsidy income *(note)*	**89,620**	80,104
Gain on deemed disposal of an associate	**429**	–
Gain on disposal of available-for-sale financial assets	**–**	38,505
Gain/(loss) on disposal of property, plant and equipment	**3,427**	(793)
Reversal of impairment loss on land use rights	**2,887**	–
Compensation for breach of the contract	**(254,048)**	–
Net fair value loss on financial assets at fair value through profit or loss	**(24,786)**	–
Others	**(16,242)**	(37,613)
Write-down of completed properties held for sale and properties under development	**(262,332)**	(670,615)
Written off of trade and other receivables	**(140,510)**	–
Written off of intangible assets *(note 13)*	**(10,468)**	–
	(123,454)	(560,512)

Note:

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

6. FINANCE INCOME/(COSTS) – NET

	2017	2016
	RMB'000	*RMB'000*
Finance income		
Interest income on bank deposits	**131,708**	39,236
Interest income from associates	**32,067**	–
Interest income from loans to third parties	**22,043**	–
Net exchange gains	**1,300,266**	–
	1,486,084	39,236
Finance costs		
Interest expense		
– Bank borrowings	**3,725,923**	3,661,536
– Senior Notes	**2,481,915**	1,615,848
– Convertible Bonds	**99,888**	89,610
– MEBs	**–**	79,405
– Other borrowings	**1,668,835**	1,493,656
Total interest expense	**7,976,561**	6,940,055
Less: interest capitalised *(note)*	**(6,738,275)**	(6,017,783)
	1,238,286	922,272
Net exchange losses	**–**	1,237,330
	1,238,286	2,159,602
Finance income/(costs) – net	**247,798**	(2,120,366)

Note: The capitalisation rate of borrowings is 13.32% (2016: 14.37%) for the year.

7. GAIN ON EXTINGUISHMENT OF FINANCIAL LIABILITIES

On 21 July 2016, the Debt Restructuring (as defined in the Company's announcement dated 22 July 2016 (the "**Announcement**")) was effected whereby the Group's offshore debts, including various senior notes, convertible bonds, bank and other borrowings (collectively and individually referred to as the "**Original Offshore Debts**") were exchanged for new notes, being Series A-E Senior Notes and Mandatorily Exchangeable Notes as described in the Announcement (collectively and individually referred to as the "**New Offshore Debts**"). For those exchanges with substantially different terms, the Original Offshore Debts were derecognised and the New Offshore Debts were recognised at their fair values at the effective date. A gain of approximately RMB716,143,000 was recognised for the year ended 31 December 2016, representing the difference between the carrying amount of the related Original Offshore Debts derecognised and the fair value of the related New Offshore Debts recognised, net of the related fees paid and transaction costs. For the remaining exchanges, the consent fees amounting to RMB104,346,000 in aggregate were adjusted against the carrying amounts of the related Original Offshore Debts and amortised over the remaining terms of the related New Offshore Debts.

8. INCOME TAX EXPENSES

	2017	2016
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax	**1,919,823**	674,476
– PRC land appreciation tax	**1,611,358**	465,003
Under provision in prior years		
– PRC land appreciation tax	**–**	28,819
Deferred income tax	**91,398**	1,046,008
	3,622,579	2,214,306

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax. The Group companies in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, exempted from British Virgin Islands income tax.

Hong Kong profits tax

No Hong Kong profits tax has been provided for the years ended 31 December 2017 and 2016 as the Group has no assessable profits arising in or derived from Hong Kong for the years.

PRC enterprise income tax

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

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

9. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share are calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2017	2016
Profit/(Loss) attributable to owners of the Company *(RMB'000)*	**3,284,889**	(612,380)
Weighted average number of ordinary shares in issue	**5,459,531,620**	5,135,427,910
Basic earnings/(loss) per share *(RMB)*	**0.602**	(0.119)

The calculation of basic earnings/(loss) per share is based on the Group's profits attributable to owners of the Company of RMB3,284,889,000 (2016: loss of RMB612,380,000) and the weighted average number of 5,459,531,620 (2016: 5,135,427,910) ordinary shares, after adjusting for the issue of shares on exercise of share options and the conversion of convertible bonds during the year ended 31 December 2017.

(b) Diluted

	2017 *RMB'000*	2016 *RMB'000*
Profit/(Loss) attributable to owners of the Company	**3,284,889**	(612,380)

	2017	2016
Weighted average number of ordinary shares in issue during the year	**5,459,531,620**	n/a
Effect of issue of shares under adjustment for share option scheme	**80,310,257**	n/a
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**5,539,841,877**	n/a
Diluted earnings per share *(RMB)*	**0.593**	n/a

Diluted earnings per share for the year ended 31 December 2017 is calculated based on the weighted average number of ordinary shares outstanding adjusted to assume conversion all dilutive potential ordinary shares.

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

No diluted earnings per share was calculated for the year ended 31 December 2016 as there was no potential diluted ordinary share in existence.

10. DIVIDEND

	2017 *RMB'000*	2016 *RMB'000*
Proposed final dividend of HK11.8 cents (2016: nil) per share	**598,103**	–

The Board recommended the payment of a 2017 final dividend of HK11.8 cents per share, totalling HK$715,520,000 (equivalent to RMB598,103,000). Such dividend is to be approved by the shareholders at the forthcoming annual general meeting. These consolidated financial statements do not reflect this dividend payable.

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

(a) Investments in associates

	2017	2016
	RMB'000	*RMB'000*
Cost of investments in associates, less accumulated impairment		
– Listed	**2,677,741**	386,920
– Unlisted	**2,620,207**	988,999
Share of post-acquisition loss and other comprehensive loss, net of dividend received	**(13,113)**	(44,798)
	5,284,835	1,331,121
Fair value of listed investments	**1,871,289**	327,045

Note:

On 13 November 2017, Kaisa Health Group, listed on the Main Board of the Hong Kong Stock Exchange, completed a right issue of 1,275,402,343 shares to the shareholders of Kaisa Health Group at the subscription of HK$0.4 per share, on the basis of one Kaisa Health Group share for every three Kaisa Health Group shares held on 15 September 2017. Upon the completion of right issue, an aggregate 1,273,050,748 shares were allotted to and subscribed by the Group. As a result, the Group's equity interests in Kaisa Health Group increased from 21.72% to 41.24%. The Group is able to control over Kaisa Health Group by directing the relevant activities of Kaisa Health Group. Kaisa Health Group became a subsidiary of the Company.

During the year ended 31 December 2017, the Group completed the acquisition of 24.50% and 21.25% equity interests in Nam Tai Property Inc. ("Nam Tai") and Guangdong Mingjia Lianhe Mobile Technology Co., Ltd.* ("**Mingjia Lianhe**") (廣東明家聯合移動科技股份有限公司) at the total consideration of RMB919,705,000 and RMB1,758,036,000 respectively. Nam Tai and Mingjia Lianhe are listed on the New York Stock Exchange and the Shenzhen Stock Exchange, respectively.

(b) Investments in joint ventures

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**931,751**	–
Additions	**1,410,775**	923,528
Reclassification	**4,484,925**	–
Disposal	**(9,370)**	–
Share of results of joint ventures	**37**	8,223
At 31 December	**6,818,118**	931,751

Note:

For the year ended 31 December 2017, the Group entered into agreements with third parties to acquire four immaterial joint ventures in aggregate amounts of RMB10,775,000 and a material joint venture namely Guangzhou Nantian Company Limited* ("**Nantian**") (廣州南天商業大廣場建設發展有限公司) of RMB1,400,000,000. Nantian is engaged in property leasing and development.

Previously, the Group accounted for the development project of a parcel of land located in Dapeng Xiasha in Shenzhen with a joint arrangement partner, which had been accounted for as joint operation. During the second half of 2017, the parcel of land was divided and transferred to three joint venture companies and the joint venture became effective. Therefore, the directors derecognised the assets and liabilities in relation to the former joint operation and accounted for the interests in joint ventures.

* The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	RMB'000	*RMB'000*
Listed equity investments, at fair value	**–**	1,104
Unlisted equity investments, at cost	**4,400,796**	166,538
	4,400,796	167,642

13. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	**Contracts with sports players**	**Trademarks and patent**	**Customer relationship**	**Technology**	**Distribution network**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Cost								
At 1 January 2016	–	–	–	–	–	–	–	–
Acquisitions of subsidiaries	121,779	107,437	–	–	–	–	–	229,216
Additions	–	74,378	–	–	–	–	–	74,378
At 31 December 2016 and 1 January 2017	121,779	181,815	–	–	–	–	–	303,594
Acquisitions of subsidiaries	210,600	–	23,600	59,700	8,440	497,400	7,895	807,635
Additions	–	310,299	–	–	–	–	–	310,299
Written off	–	(18,856)	–	–	–	–	–	(18,856)
At 31 December 2017	332,379	473,258	23,600	59,700	8,440	497,400	7,895	1,402,672
Accumulated amortisation								
At 1 January 2016	–	–	–	–	–	–	–	–
Amortisation – expensed in administrative expenses *(note 4)*	–	(85,796)	–	–	–	–	–	(85,796)
At 31 December 2016 and 1 January 2017	–	(85,796)	–	–	–	–	–	(85,796)
Amortisation – expensed in administrative expenses *(note 4)*	–	(119,027)	–	–	–	–	–	(119,027)
Written off	–	8,388	–	–	–	–	–	8,388
At 31 December 2017	–	(196,435)	–	–	–	–	–	(196,435)
Net carrying amounts								
At 31 December 2017	332,379	276,823	23,600	59,700	8,440	497,400	7,895	1,206,237
At 31 December 2016	121,779	96,019	–	–	–	–	–	217,798

14. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

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

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

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**240,801**	250,634
91-180 days	**10,512**	–
181-270 days	**1,612,128**	7,825
271-365 days	**1,006**	6
Over 365 days	**99,943**	69,537
	1,964,390	328,002

Included in the Group's trade receivables balances of RMB40,831,000 and nil as at 31 December 2017 and 2016, respectively, were not yet due.

The balances mainly represented receivables from sales of commercial and residential properties, and proposed development project from independent third parties. These receivables were repayable within one year after the completion of certain legal documents, which were expected to be settled in the next year.

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

	2017	2016
	RMB'000	*RMB'000*
Overdue within 90 days	**1,797,872**	250,634
Overdue within 91-180 days	**10,512**	–
Overdue within 181-270 days	**14,226**	7,825
Overdue within 271-365 days	**1,006**	6
Overdue over 365 days	**99,943**	69,537
	1,923,559	328,002

Receivables that were past due but not impaired related to the balances primarily represented receivables from residential properties to independent third parties of which the majority of the balances were due from customers in the process of applying mortgage loans, and sales of proposed development project. Significant concentration of risk exists where the Group has material exposures to the trade receivables from sales of proposed development project from one customer located in Mainland China which accounted for 81.3% of the total trade receivables at 31 December 2017 (2016: nil).

Generally, no credit terms were granted to the customers of residential properties. These relate to a number of independent customers of residential properties for whom there was no recent history of default. The receivable from sale of proposed development project was repayable within 180 days from the agreement date.

15. COMMITMENTS

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

	2017	2016
	RMB'000	*RMB'000*
Contracted but not provided for		
– Acquisitions of land use rights and property development activities	**31,849,843**	27,186,258
– Acquisitions of subsidiaries	**834,598**	461,400
– Acquisition of an associate	**1,947,851**	–
	34,632,292	27,647,658

(b) Operating lease commitments

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

	2017	2016
	RMB'000	*RMB'000*
Not later than one year	**37,528**	27,278
Later than one year and not later than five years	**46,439**	29,906
Later than five years	**3,005**	324
	86,972	57,508

(c) Operating lease rentals receivable

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

	2017	2016
	RMB'000	*RMB'000*
Not later than one year	**209,090**	176,819
Later than one year and not later than five years	**569,683**	427,198
Later than five years	**193,586**	236,789
	972,359	840,806

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Kaisa Group Holdings Ltd. ("**Kaisa**" or the "**Company**", together with its subsidiaries, the "**Group**"), I hereby present to you the annual results of the Group for the year ended 31 December 2017 (the "**Year**") together with the comparative figures for the previous year.

RESULTS AND DIVIDEND

For the year ended 31 December 2017, the Group's turnover and gross profit increased significantly by approximately 84.4% and 286.4% to approximately RMB32,779.3 million and RMB8,934.2 million respectively, as compared to 2016. Profit for the year attributable to equity holders of the Company and basic earnings per share were RMB3,284.9 million and RMB60.2 cents respectively, representing a turnaround from loss in 2016.

The Board recommended the payment of a final dividend of HK11.8 cents per share. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting (2016: nil).

BUSINESS REVIEW

Policies Continued to Exert its Influence on the Property Market

In 2017, China's GDP increased by 6.9% to more than RMB80 trillion, marking the first increase in annual growth rate of China's economy since 2011. Consumption has become the main driver of the economic growth, where the final consumption expenditure contributed to 58.8% to the domestic GDP growth. China's economic development has shifted from high-speed to high-quality growth.

During the Year, regulatory measures from both demand-side and supply-side were imposed on the property markets of popular cities nationwide. Local governments introduced various short-term measures to cope with different market conditions of the cities so as to effectively curb the speculative demand in the property market. Meanwhile, in order to thoroughly follow the guiding principle of General Secretary Xi Jinping's major policy addresses and the report delivered at the 19th National Congress, local governments gradually set up the housing system which ensures supply through multiple sources, provides housing support through multiple channels, and encourages both housing purchase and leasing to secure the sound and healthy development of the property market.

Owing to the dampening effects of regulatory policies, both the gross floor area ("**GFA**") sold and property prices decreased in first-tier cities, while divergence was seen in second-tier cities with increases in both GFA sold and property prices were recorded in certain cities. However, the property markets of third and fourth-tier cities saw increases in both the transaction volume and prices, making good performance in inventory clearance. This was benefited from the spillover effect of the regulatory measures in first and second-tier cities and the boost from monetary housing compensation for people displaced by rebuilding of run-down urban areas.

According to the data from the National Bureau of Statistics, commodity properties saw GFA sold reached 1.69 billion square meters ("**sq. m**.") in 2017, representing a growth of 7.7% as compared to 2016; while transaction value aggregated RMB13.4 trillion, representing a year-on-year growth of 13.7%. It was notable that both of the GFA sold and aggregated transaction value hit new records for two consecutive years. As at the end of December 2017, GFA of commodity properties held-for-sale reached 590 million sq. m., representing a decrease of 15.3% as compared to the end of 2016.

Record High in Contracted Sales

In the light of the ever-changing market conditions, the Group flexibly adjusted its launch plan and sales pace based on the conditions in various markets during the Year. It also strived to realise quick inventory turnover on the premise of reasonable profit, by taking differentiated marketing strategies in accordance with the characteristics of the respective projects.

For the year ended 31 December 2017, the Group's contracted sales surged by 49.8% to approximately RMB44,714 million, exceeding the Group's increased sales target of RMB44,000 million and hitting a record high in the Group's contracted sales. By virtue of the Group's extensive presence in Guangdong Hong Kong Macao Bay Area (the "**Bay Area**"), the contracted sales contributed in this region accounted for 56% of the Group's overall contracted sales.

Despite both the GFA sold and selling price of commodity housing decreased in first-tier cities during the Year, the Group's projects in Shenzhen, Guangzhou and Shanghai maintained good sales momentum. Projects such as Shenzhen Kaisa City Plaza, Shenzhen Kaisa Qianhai Plaza, Guangzhou Kaisa City Plaza and Shanghai Kaisa Monarch Residence received overwhelming responses, reflecting consumers' confidence in the Group's brand and recognition of its high quality. During the Year, the contracted sales in first-tier cities accounted for 51% of the Group's overall contracted sales. In view of active transactions in second-tier cities such as Nanjing, Hangzhou, Changsha and Huizhou, the Group also seized the opportunity to launch projects for sale. In third-tier cities, the de-stocking was effective during the Year.

According to the "2017 TOP 200 Real Estate Enterprise Property Developers" jointly compiled by CRIC and China Real Estate Appraisal Center, Kaisa moved up three notches from 2016 to the 37th in terms of attributable contracted sales amount.

Penetrating Further into the Bay Area and Focusing on First-tier and Key Second-tier Cities

In 2017, the Development Plan of the Guangdong-Hong Kong-Macao-Bay Area was consecutively included in Report on the Work of the Government, the 13th Five-Year Plan and the Report at the 19th National Congress, demonstrating the importance of developing the Bay Area has been elevated to a national strategic level. The construction of infrastructure in the Bay Area will be further accelerated in the future, and the air, sea and land transport networks will be interconnected to effectively enhance the interaction among cities in the Bay Area. The convenient one-hour metropolitan life circle will attract high-quality talents to reside, and stimulate mobility and re-allocation of population in the Bay Area. At the same time, convergence of core industries in the Bay Area and coordination among cities will be beneficial to the improvement of the core competitiveness of the Bay Area's city cluster as a whole. It is expected that the land and property prices in the area will further climb.

Development of the city cluster in the Bay Area provided Kaisa, which has been penetrating into the Pearl River Delta for 19 years, with historic opportunities. The Group continued to actively strengthen its presence in the markets within the Bay Area by acquiring new projects in Guangzhou, Zhongshan, Foshan, Huizhou and Zhuhai with aggregate attributable GFA of 1.97 million sq. m., representing approximately 63% of the newly added land bank during the Year. In addition, the Group made its first foray into the property markets of Shaoxing and Jiaxing in Zhejiang province and Zhengzhou in Henan province, further consolidating the Group's footholds in cities surrounding Shanghai and Beijing.

In terms of urban redevelopment, the Group actively tapped into the national urban redevelopment markets during the Year. In addition to the project reserves in Shenzhen, Guangzhou, Zhuhai and Shanghai, the Group established its presence in Huizhou, Zhongshan, Foshan and Dongguan to capture the potential opportunities of economic development in the Bay Area. Meanwhile, the Group continued to push ahead with the land supply for the existing urban redevelopment projects. In particular, the pre-sale of Shenzhen Kaisa Future City commenced at the end of 2017 and achieved satisfactory results; the pre-sale of Shenzhen Pinghu Kaisa Plaza is scheduled within this year; Shenzhen Yantian City Plaza is also under construction. The supply of these urban redevelopment projects lays a solid foundation for the Group's sales.

In terms of land bank, as at the end of December 2017, the Group had a total land bank of approximately 22 million sq. m., of which land bank in the Bay Area accounted for 58%.

Equipping Core Property Business with Diversified Development to Create New Strength in New Era

Currently, China's economic structure and development are undergoing significant changes. The guiding principles of "New Era" and "Better Life" suggested by the 19th National Congress aim at improving the consumption system and enhancing the fundamental function of consumption in economic growth. This indicates that China's economy is no longer under extensive growth driven by investment and industrialisation, and the role of real estate business in the domestic economy has gradually shifted from pillar industry to an important building block that strengthens the establishment of social housing support system.

Against the backdrop of China's economic structural adjustment, the Group also actively explored new opportunities under the new economic normal, and developed new businesses that are promoted by national policies with the promising prospects, such as healthcare, new science and technology, leisure and sports, to strengthen its capability in tackling the challenges brought by the economic transformation.

In July 2017, the Group acquired from a major shareholder 17.7% equity interest in Nam Tai Property Inc., (a company principally engaged in real estate development and management in Shenzhen and listed on the NYSE under the symbol NTP), at a consideration of approximately US$110 million. Nam Tai Property owned three parcels of industrial land located in Bao'an District, Shenzhen which will later be developed into a technological innovation park. This investment will provide the Group with good opportunities in exploring the high-tech industrial property.

During the Year, the Group acquired 21.25% equity interest in Guangdong Mingjia Lianhe Mobile Technology Co. Ltd. ("**Mingjia Lianhe**", a company principally engaged in internet marketing and listed on the Shenzhen Stock Exchange under the stock code 300242) from the controlling shareholder at a consideration of approximately RMB1.76 billion. Mingjia Lianhe covered substantially all of mainstream media resources of the mobile distribution sector and has established its own mobile advertising platform and extensive customer resources in the industry. The purpose of the acquisition by the Group is to leverage Mingjia Lianhe's mobile internet marketing as an entrance to facilitate the Group's integration of various resources, and upgrade the Group's existing businesses to give full play to their potential.

Apart from this, the Group continued to enhance its presence in the healthcare sector by acquiring 18.57% of equity interest in Zhenxing Biopharmaceutical & Chemical Co., Ltd. ("**Zhenxing Biopharmaceutical**", a company principally engaged in production and sales of blood products and listed on the Shenzhen Stock Exchange under the stock code 403) at a consideration of approximately RMB2.19 billion. The core asset of Zhenxing Biopharmaceutical is Guangdong Shuanglin Biological Pharmaceutical Co., Ltd., located in Zhanjiang, Guangdong. It's one of the few listed companies in biopharmaceutical in the market which is armed with the national GMP certificate and strong research and development capability. The acquisition will serve the Group with opportunity for entering the biopharmaceuticals sector. In the meantime, the Group completed the rights issue of Kaisa Health Group Holdings Limited (formerly known as "**Mega Medical Technology Limited**", a company principally engaged in manufacturing and trading in dental prosthesis and listed on the Hong Kong Stock Exchange under the stock code 876), through which Kaisa's shareholding further increased to 41.24%. In the future, the Group will explore business opportunities in the health town, medical and healthcare sectors, by leveraging on its own strengths in property development, operation and its resources in biopharmaceutical and medical equipment industries.

In response to the national policy against the backdrop of the macro economy trends and economic structure optimisation, the Group has made efforts in diversifying its businesses. This could help the Group extend its operation scope in the property industry and generate new profit drivers. At the same time, it could help the Group enhance its core competitiveness in acquiring land resources, and strengthen its capabilities in tackling challenges arising from China's economic transformation, so as to lay solid foundation for its sustainable development.

Focusing on Funding and Capital Market Managements

In 2017, new policies were imposed successively on industries including banking, securities and insurance to regulate the real estate financing. The domestic financing channel of property companies has become increasingly narrow. Overseas financing has become the main source of funding for real estate enterprises.

The Group actively seized opportunities in the overseas market. On 30 June 2017, the Group completed the Exchange Offer and successfully issued New Senior Notes amounting to a total of US$3.45 billion, following which, the Group issued additional New Senior Notes of US$285 million, US$805 million and US$619 million in August, September and November 2017, respectively, for refinancing existing indebtedness, financing existing and new property projects and general corporate purposes. These financing arrangements enabled the Group to extend the maturity of its indebtedness denominated in foreign currency and strengthen its cash flow management. As for domestic financing, the Group continued to deepen cooperation with all major banks to secure funding for subsequent development.

The Group also strived to accelerate collection of sales proceeds and strengthened capital and budget management to optimise cost and expense management during the Year.

In addition, following the inclusion into the MSCI China Small Cap Index in May 2017, and being 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 in September 2017, the Group has been selected as a constituent of Hang Seng Composite LargeCap & MidCap index since 5 March 2018, reflecting investors' affirmation and recognition of the Company's value.

PROSPECTS

Cautiously Optimistic on Market Prospect and Consistently Focus on the Bay Area

Year 2018 is the first year following the 19th National Congress, and is also an important year for the establishment of a well-off society and the continuity of the implementation of the 13th Five-Year Plan. It is expected that macro economic policies will further shift the focus of economic growth from demand-side to supply-side and the economy will sustain a stable and moderate growth for the whole year.

In the short term, the regulatory policies imposed on the real estate market will be maintained in the near future, and the funding environment will probably remain tight to continue curbing investment demand in the real estate market. From the perspective of market demand, the pent-up demand in first- and key second-tier cities is relatively abundant after more than one-year clampdown while demand in third- and fourth-tier cities may sustain slow growth amid the boost from monetary housing compensation for people displaced by rebuilding of run-down urban areas.

Following the national strategic plans such as Beijing-Tianjin-Hebei Integration and the Development plan of the Yangtze Economic Belt, the expected completion of the formulation on the Development Plan of the Guangdong-Hong Kong-Macao Bay Area indicates that, cities in the Bay Area will play an important role in promoting regional economic interaction and resources integration. As a property developer which possesses a large amount of land bank in the Bay Area, the Group will actively seize the opportunities arising from the economic development and continue to strengthen its presence in the region. Meanwhile, the Group will pay close attention to the development opportunities in the regions surrounding Shanghai and Beijing as well. It will identify opportunities for merger and acquisition while prudently participating in land auctions to further penetrate into first-tier and key second-tier cities across the country.

In this regard, the Group will closely monitor changes of market conditions and adjust its sales strategies and pace in a flexible manner by seizing opportunities to launch projects and accelerate de-stocking and collection of sales proceeds.

Exploring New Business Model to Enhance Operation and Management Capabilities Under the Economic New Era

With the Central government's promotion on further implementation of supply-side structural reforms and establishment of the long-term housing mechanism, the development of Chinese property will shift from the incremental market at the old times to the inventory market under a new era. The new trends under the new economy has set higher requirements to the Group's existing quick turnover model. As a result, the Group has equipped itself with the diversified businesses, so as to strengthen its capabilities in operation management to face the challenges under the new market trends.

Looking ahead, emphasising both leasing and purchasing will become an important step in optimising housing supply structure and increasing the effective supply under the trend of China's supply-side reforms. The implementation of long-term housing mechanism by both Central and local governments, such as confirmation of leasing land, clear leasing system and measures like tax concession will further promote the growth of leasing market, and become the main form of the housing market over a long run. In this regard, the Group will devote to explore a business model in the long-term leasing market that is feasible to the Group's existing situation, while accelerating the penetration of the rental apartment and co-working fields in first-tier and major second-tier cities, in order to optimise the operation of stocking house and provide new immigrants and the new class with high-quality living space and services.

In addition, to cater the requirements of optimisation of China's economic structure and industrial reforms, the construction of towns with distinctive features will assist in resolving the conflicts of imbalance and insufficiency in China's urban development, and will become the new engine in driving economic growth in rural areas. As a result, the Group will leverage its advantages in diversified businesses and explore the business model which is applicable to the Group, in order to establish its nationwide presence under the guiding principle of "formulating localised measures and building the town with industries". Currently, the Group has initially formed four product lines for its featured towns business, namely, "technology town", "health town", "culture and sports town" and "tourism resort town". In the future, the Group will continue to identify resources with local characteristics within the five major city clusters and along the "Belt and Road" in China in which the economic base and population are able to support its project development. The Group will introduce industry resources, and strengthen its asset operation and management to lay a sound foundation for its development in the economic new era.

Capital and Financial Management and Control

As to its financial management and control, the Group will continue to explore more channels for low-cost financing and improve liability management. It will also continue to enhance the collection of sales proceeds and strengthen capital management by revitalising its assets.

In addition, the Group will consider the spin-off and separate listing of its property management business on the Main Board of the Stock Exchange of Hong Kong as and when appropriate.

Acknowledgement

The steady development of the Group during the Year depended on the enormous support from the community, as well as the dedication and contribution 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, 27 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

During the year ended 31 December 2017, the Group recorded a turnover of approximately RMB32,779.3 million, representing an increase of 84.4% as compared with approximately RMB17,771.5 million in 2016. Profit for the year attributable to owners of the Company amounted to approximately RMB3,284.9 million (2016: Loss of approximately RMB612.4 million). The core net profit, excluding changes in fair value of investment properties and financial derivatives, net of deferred tax, and gain on extinguishment of financial liabilities, increased to approximately RMB2,446.4 million (2016: core net loss of approximately RMB4,163.2 million). Basic earnings per share was amounted to RMB60.2 cents (2016: basic loss per share of RMB11.9 cents).

The Board recommended the payment of a final dividend of HK11.8 cents per share. Such dividend is to be approved by the shareholders at the forthcoming annual general meeting (the "**AGM**") (2016: nil).

Contracted sales in 2017

In 2017, the Group's contracted sales amounted to approximately RMB44,714 million, representing an increase of 49.8% from 2016. Aggregated GFA sold for the Year was 2,786,289 sq. m., representing an increase of 22.8% from 2016. Average selling price of the contracted sales in 2017 increased by 22.0% to RMB16,048 per sq. m. from RMB13,150 per sq. m. in 2016. The table below shows the Group's contracted sales by region in 2017:

Region	**Contracted sales area** *(sq. m.)*	**Contracted sales amount** *(RMB in Millions)*
Pearl River Delta	1,098,264	24,853
Yangtze River Delta	464,390	9,453
Central China Region	339,609	3,580
Western China Region	454,948	3,347
Pan-Bohai Bay Rim	429,078	3,481
Total	2,786,289	44,714

Property development

Projects completed in 2017

The Group adopts a strict and prudent practice in project development and adjusts its pace of business expansion as and when appropriate. During the Year, the GFA of newly completed projects of the Group amounted to approximately 4.5 million sq. m..

Projects under development

As at 31 December 2017, the Group had 40 projects under development with an aggregate of GFA of approximately 8.6 million sq. m..

Property management

The Group generated revenue from providing property management services. During the year ended 31 December 2017, the Group managed a total GFA of approximately 25.3 million sq. m.. The Group's property management is striving to deliver excellent and professional services to its customers and enhance brand and corporate image. As of 31 December 2017, the Group's property services penetrated into nearly 40 cities nationwide and had approximately 130 master management projects, covering residential, commercial, office, tourism and large-scale stadiums and serving approximately 150,000 customers in China. As an enterprise with the national first-class property services qualification, Kaisa has obtained ISO9001 quality management certificate. Kaisa has been awarded TOP 100 Property Service Companies for seven consecutive years and ranked 8th among 2017 China Property Management Leading Brand in Service Specialization in 2017, reflecting full trust and confidence in Kaisa brand.

Investment properties

The Group adopts a diversified business strategy, characterised by its increase in property investment. The portfolio of investment properties will generate steady and reliable income and enlarge the overall income base of the Group. The Group develops commercial properties such as office buildings, retail stores and car parks for leasing purpose. In managing its investment property portfolio, the Group takes into account long-term growth potential, the overall market conditions, and its cash flows and financial condition. As at 31 December 2017, the Group held 20 investment property projects, with an aggregate GFA of 1,429,580 sq. m., including completed investment properties of GFA of 563,919 sq. m. for leasing purpose.

Land bank

The Group remained cautious in its replenishing land bank by making reference to the availability of land supply and its existing land bank in the regions. During the Year, redevelopment projects such as Shenzhen Pinghu Kaisa Plaza, Shenzhen Kaisa Future City and Shenzhen Yantian City Plaza continued to provide the Group with land for development, and hence, mitigated the pressure arising from supply shortage of residential land in first tier cities. As for certain second tier cities with low inventory yet active in commodity house transaction, the Group prudently participated in local bidding for land replenishment and promptly entered into the development cycle. It also actively identified opportunities for merger and acquisition of projects, striving to reduce land acquisition cost.

In 2017, the Group acquired a total of 25 parcels of land or related interests by way of bidding, auction and listing, joint development and acquisition. The aggregate equity consideration for land acquisition amounted to approximately RMB13,527.7 million. The total GFA per maximum allowed plot ratio attributable to the Group was approximately 3,562,483 sq. m..

As at 31 December 2017, the Group had a total land bank of approximately 22 million sq. m. and approximately 58% of land bank was located in the Bay Area, which is sufficient for the Group's development needs for the next five years.

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

Time of Acquisition	Location	Attributable Interest	Site Area *(sq. m.)*	Capacity Building Area *(sq. m.)*	Equity 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
July 2017	Nanjing	100%	27,376	62,956	1,250.0	Residential
July 2017	Zhongshan	100%	21,061	52,652	220.2	Commercial and Residential
July 2017	Hangzhou	100%	26,000	19,500	126.3	Residential
July 2017	Huizhou	70%	274,003	403,334	286.5	Commercial and Residential
August 2017	Jiaxing	51%	38,881	46,657	150.7	Residential
October 2017	Chengdu	100%	113,411	340,233	1,514.0	Commercial and Residential
October 2017	Zhongshan	80%	61,873	176,800	763.9	Commercial
October 2017	Zhongshan	80%	22,307	66,921	289.1	Commercial and Residential
November 2017	Chongqing	100%	56,788	141,945	470.0	Commercial and Residential
November 2017	Wuhan	100%	128,500	257,400	1,602.5	Residential
December 2017	Guangzhou	100%	3,038	16,200	696.6	Residential
December 2017	Guangzhou	100%	7,759	19,398	450.0	Residential
December 2017	Foshan	100%	11,533	46,131	175.0	Commercial
			1,660,001	**3,562,483**	**13,527.7**	

Outlook

Looking ahead into 2018, pursuing high-quality growth and further promoting supply-side structural reform will be the focuses of China's economic policy. The Central government will continue to adopt a stable and moderate monetary policy and establish a sound and healthy financial regulatory system. It is expected that China's macro-economy will remain stable.

Despite the fact that the adjustment measures on the real estate market will be maintained in the near future, factors such as the on-going renovation of shanty towns, acceleration of construction of the housing system that emphasising both renting and purchasing, land acquisitions by enterprises and sufficient land supply, will facilitate the stable growth of the real estate market.

In the face of the ever-changing market conditions, the Group will consolidate and strengthen its real estate business as usual and continue to optimise its allocation of land resources nationwide by intensifying its presence in the Bay Area and capturing the development opportunities in key cities in Beijing-Tianjin-and-Hebei city cluster and the economic circles along Yangtze River. Meanwhile, the Group will also speed up project turnover and collection of sales proceeds with reference to the progress of land acquisition, construction and launch plan pursuant to the policy trends in the respective markets.

Leveraging Kaisa's resources, skills and experience accumulated in healthcare, new technology, and culture, sports and tourism industries, the Group will make every endeavor to encourage resources sharing, complementary and synergized development in all business segments.

FINANCIAL REVIEW

Revenue

The Group's revenue was primarily derived from business segments: (i) property development, (ii) property investment, (iii) property management, (iv) hotel and catering operations, (v) cinema, department store and cultural centre operations, (vi) water-way passenger and cargo transportation and (vii) others. Revenue increased by 84.4% to approximately RMB32,779.3 million in 2017 from approximately RMB17,771.5 million in 2016. 95.2% of the Group's revenue was generated from the sales of properties (2016: 94.2%) and 4.8% from other segments (2016: 5.8%).

Sales of properties

Revenue from sales of properties increased by approximately RMB14,467.1 million, or 86.4%, to approximately RMB31,206.1 million in 2017 from approximately RMB16,739.0 million in 2016. The increase was primarily due to increase in the total delivered GFA from approximately 1,866,540 sq. m. in 2016 to approximately 2,241,286 sq. m. in 2017.

Rental income

Rental income increased by approximately RMB21.5 million, or 9.4%, to approximately RMB249.6 million in 2017 from approximately RMB228.1 million in 2016.

Property management

Revenue from property management services increased by approximately RMB44.3 million, or 16.3%, to approximately RMB315.9 million in 2017 from approximately RMB271.6 million in 2016. This increase was primarily attributable to the increased GFA under property management.

Hotel and catering operations

Revenue from hotel and catering operations of the Group increased by approximately RMB80.6 million, or 98.4% to approximately RMB162.6 million in 2017 from approximately RMB82.0 million in 2016. This increase was mainly attributable to the commencement of operation of new hotels.

Cinema, department store and cultural centre operations

Revenue from cinema, department store and cultural centre operations decreased by approximately RMB17.8 million, or 7.0%, to approximately RMB235.5 million in 2017 from approximately RMB253.3 million in 2016.

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 2017 amounted to approximately RMB536.5 million.

Gross profit

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

Other gains and losses – net

The Group had net other losses of approximately RMB123.5 million in 2017, as compared to net other losses of approximately RMB560.5 million in 2016. The Group's net other losses in 2017 mainly comprised compensation for breach of the contract of approximately RMB254.0 million, write-down of completed properties held for sale and properties under development of approximately RMB262.3 million, written off of trade and other receivables of approximately RMB140.5 million and other losses of approximately RMB15.8 million, offset by bad debt of other receivable recovery of approximately RMB450.0 million and government subsidy income of approximately RMB89.6 million. The Group's net other losses in 2016 mainly comprised write-down of completed properties held for sale and properties under development of approximately RMB670.6 million and other losses of approximately RMB37.6 million, offset by government subsidy income of approximately RMB80.1 million, gain on disposal of available-for-sale financial assets of approximately RMB38.5 million and dividend income received from available-for-sale financial assets of approximately RMB20.8 million.

Selling and marketing costs

The Group's selling and marketing costs increased by approximately RMB53.3 million, or 6.3%, to approximately RMB896.0 million in 2017 from approximately RMB842.7 million in 2016. The increase in selling and marketing costs was in line with the increase in the Group's contracted sales for the year ended 31 December 2017.

Administrative expenses

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

Changes in fair value of investment properties

The changes in fair value of the Group's investment properties was approximately RMB2,088.8 million in 2017 and approximately RMB4,164.4 million in 2016. The increase in fair value of the Group's investment properties as at 31 December 2017 was in line with the prevailing market conditions of general increases in rental levels of comparable properties.

Changes in fair value of financial derivatives

The Group recorded a loss arising from the changes in fair value of financial derivatives of approximately RMB969.2 million in 2017 and RMB21.5 million in 2016. The changes in fair value of financial derivatives in 2017 was primarily attributable to the changes in fair value of financial derivatives component of convertible bonds as result of the rise in share price of the Company.

Loss on step acquisition of a subsidiary

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

Gain on extinguishment of financial liabilities

In 2016, the debt restructuring was effected whereby the Group's offshore debts were exchanged for new notes. For those exchanges with substantially different terms, the offshore debts were derecognised and the new notes were recognised at their fair values at the effective date and resulted in a gain of approximately RMB716.1 million was recognised for the year ended 31 December 2016.

Finance income/(costs) – net

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

Income tax expenses

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

Profit for the year and total comprehensive income for the year

As a result of the foregoing, the Group's profit for the year and total comprehensive income for the year amounted to approximately RMB3,043.8 million and approximately RMB3,037.5 million, respectively. (2016: loss for the year and total comprehensive loss for the year amounted to approximately RMB347.5 million and RMB347.7 million, respectively).

Liquidity, financial and capital resources

Cash position

As at 31 December 2017, the carrying amount of the Group's cash and bank deposits was approximately RMB21,170.2 million (31 December 2016: approximately RMB16,572.6 million), representing an increase of 27.7% 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 received at designated bank accounts as guarantee deposits for construction of the relevant properties. Such guarantee deposits will be released after pre-sold properties are completed or their property ownership certificates are issued, whichever is the earlier. Additionally, as at 31 December 2017, certain of the Group's cash was deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties. The aggregate of the above guarantee deposits amounted to approximately RMB7,939.6 million as at 31 December 2017 (31 December 2016: approximately 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 senior notes (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, the New 2022 Notes, the New 2024 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. In August 2017, the Company redeemed the outstanding amounts of approximately US$197.6 million of the Existing Series A-E Notes. Concurrently, the Company issued additional New Senior Notes with aggregate principal amount of approximately US$285 million, US$805 million and US$619 million in August, September and November 2017 respectively that form a single series with the corresponding senior notes issued in the Exchange Offer. The New Senior Notes are listed and traded 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. During the period from July 2017 to October 2017, convertible bonds of approximately US$265.2 million have been converted into ordinary shares of the Company and the Company has redeemed in aggregate of approximately US$0.7 million convertible bonds in August 2017 and November 2017.

Borrowings and charges on the Group's assets

As at 31 December 2017, the Group had aggregate borrowings of approximately RMB111,173.2 million, of which approximately RMB22,173.0 million will be repayable within 1 year, approximately RMB17,946.5 million will be repayable between 1 and 2 years, approximately RMB48,989.1 million will be repayable between 2 and 5 years and approximately RMB22,064.6 million will be repayable over 5 years. As at 31 December 2017, the Group's bank and other borrowings of approximately RMB64,455.8 million were secured by other deposits, short-term bank deposits, property, plant and equipment, land use rights, investment properties, properties under development, completed properties held for sale of the Group and certain shares of the Company's subsidiaries and joint ventures with total carrying values of approximately RMB67,567.5 million.

As at 31 December 2017, the New Senior Notes were secured by the share pledge of the Company's subsidiaries incorporated outside the PRC, and are jointly and severally guaranteed by certain subsidiaries of the Company. The Group's domestic bank loans carried a floating interest rate linking up with the base lending rate of the People's Bank of China. The Group's interest rate risk is mainly from the floating interest rate of domestic bank loans.

Key financial ratios

As at 31 December 2017, the Group had 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 42.2% (31 December 2016: 42.8%). The Group's net current assets decreased by 3.4% from approximately RMB72,421.7 million as at 31 December 2016 to approximately RMB69,956.0 million as at 31 December 2017, and the current ratio decreased to 1.8 times as at 31 December 2017 as compared to 2.2 times as at 31 December 2016.

Cost of borrowings

During the year ended 31 December 2017, the Group's total cost of borrowings (including net exchange gains/losses) was approximately RMB6,676.3 million, representing a decrease of approximately RMB1,501.1 million or 18.4% as compared to the corresponding period in 2016. The decrease was primarily attributable to the net exchange gains recorded in the year, partially offset by the increase in total interest expense.

Foreign currency risks

The Group's property development projects are all located in China and most of the related transactions are settled in RMB. The Company and certain of the Group's intermediate holding companies which operate in Hong Kong have recognised assets and liabilities in currencies other than RMB. As at 31 December 2017, the Group had cash and bank balances denominated in US$ of approximately RMB1,951.4 million, in HK$ of approximately RMB1,716.4 million, and in EUR of approximately RMB2.6 million and the New Senior Notes, with an aggregate outstanding principal amount of approximately US$5,166.7 million, and other offshore banking facilities denominated in HK$ of approximately HK$835.9 million, which are subject to foreign currency exposure.

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

Financial guarantees

As at 31 December 2017, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by domestic banks to its customers amounting to approximately RMB30,094.9 million (31 December 2016: approximately 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

In July 2017, the Group entered into an agreement in relation to acquisition of 17.7% of the issued shares of Nam Tai Property Inc., a company incorporated in the British Virgin Islands, the common shares of which are listed and traded on the New York Stock Exchange under the symbol NTP.

In September 2017, the Group entered into an agreement in relation to acquisition of 21.25% of the issued share capital of Guangdong Mingjia Lianhe Mobile Technology Co. Ltd. (廣東明家聯合移動科技股份有限公司) a company established under the laws of PRC with limited liability which is currently listed on the Shenzhen Stock Exchange (stock code: 300242).

In November 2017, the Group entered into an agreement in relation to acquisition of 18.57% of the issued share capital of the Zhenxing Biopharmaceutical & Chemical Co., Ltd. (振興生化股份有限公司), a company established under the laws of PRC with limited liability which is currently listed on the Shenzhen Stock Exchange (stock code: 403).

On 13 November 2017, the Group increased its shareholding in the issued share capital of Kaisa Health Group Holdings Limited from 21.72% as at 31 December 2016 to 41.24%, after the completion of right issue of Kaisa Health Group Holdings Limited. Kaisa Health Group Holdings Limited is a company incorporated in Bermuda, which its shares are listed on the Hong Kong Stock Exchange (stock code: 876).

Save as disclosed above, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2017. There was no plan authorised by the Board for material investments or additions of capital assets at the date of this announcement.

Employees and remuneration policy

As at 31 December 2017, the Group had approximately 12,810 employees (31 December 2016: approximately 9,944 employees). The related employees' costs (including the directors' remuneration) for the year ended 31 December 2017 amounted to approximately RMB1,627.9 million. The remuneration of employees was based on their performance, skills, knowledge, experience and market trend. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. In addition to basic salaries, employees may be offered with discretionary bonus and cash awards based on individual performance. The Group provides trainings for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills. Further, the Company adopted the share option scheme on 22 November 2009. Further information of share option scheme would be set out in the annual report of the Company for the year ended 31 December 2017.

CORPORATE GOVERNANCE

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high standard of corporate governance. The Board is of the view that, for the year ended 31 December 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.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code as set out in Appendix 10 to the Listing Rules as the standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 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 year ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on the preliminary announcement.

DIVIDEND

The Directors recommended the declaration of a final dividend at the rate of HK11.8 cents per share, with the shareholders being given an option to elect to receive such proposed final dividend all in new shares or partly in new shares and partly in cash (the "**Scrip Dividend Scheme**"), to all persons registered as holders of shares of the Company on Friday, 22 June 2018, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company.

The Scrip Dividend Scheme is subject to (1) the approval of the proposed final dividend at the AGM to be held on Monday, 11 June 2018; and (2) The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

CLOSURE OF REGISTER OF MEMBERS

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

(a) For the purpose of determining shareholders of the Company who are entitled to attend and vote at the forthcoming AGM to be held on Monday, 11 June 2018, the register of members of the Company will be closed on Wednesday, 6 June 2018 to Monday, 11 June 2018, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 5 June 2018.

(b) For the purpose of determining shareholders of the Company who qualify for the final dividend, the register of members of the Company will be closed on Wednesday, 20 June 2018 to Friday, 22 June 2018, both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 19 June 2018.

ANNUAL GENERAL MEETING

The AGM will be held on Monday, 11 June 2018 and a notice convening the AGM will be published and dispatched in the manner as required by the Listing Rules on the Stock Exchange in due course.

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

The Company's Annual Report for the year ended 31 December 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 and Executive Director

Hong Kong, 27 March 2018

As at the date of this announcement, the executive Directors are Mr. Kwok Ying Shing, Mr. Sun Yuenan, Mr. Zhang Jianjun, Mr. Zheng Yi 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.