KAISA GROUP HOLDINGS LTD.
佳兆業集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1638)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

- Total revenue for the six months ended 30 June 2018 increased by 75.0% to approximately RMB15,027.8 million from the corresponding period in 2017.
- Gross profit for the six months ended 30 June 2018 increased by 65.7% to approximately RMB4,736.5 million whereas the gross profit margin for the period decreased by 1.8 percentage points to 31.5% from the corresponding period in 2017.
- Profit for the six months ended 30 June 2018 increased by 23.7% to approximately RMB2,232.1 million from the corresponding period in 2017.
- Core net profit (excluding net gain on repurchase of senior notes, net fair value gain on financial assets at financial assets at fair value through profit or loss, fair value gain on investment properties, and net of deferred tax) amounted to RMB1,884.7 million, representing an increase of 66.0% as compared to the corresponding period in 2017.
- Contracted sales of the Group, together with its joint ventures and associated companies, increased by 12.7% to approximately RMB25,319 million.
- The Board recommended payment of an interim dividend of HK3 cents per share.

* *for identification purpose only*

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Kaisa Group Holdings Ltd. (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2018 together with the comparative figures for the corresponding period in 2017.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Unaudited	
		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**15,027,788**	8,586,802
Cost of sales	*5*	**(10,291,313)**	(5,728,185)
Gross profit		**4,736,475**	2,858,617
Other gains and (losses), net	*6*	**115,704**	480,216
Provisional gain on deemed disposal		**1,994,891**	–
Selling and marketing costs	*5*	**(361,269)**	(262,086)
Administrative expenses	*5*	**(1,402,041)**	(788,016)
Fair value gain on investment properties		**134,806**	1,320,415
Fair value loss on financial derivatives		**–**	(321,816)
Operating profit		**5,218,566**	3,287,330
Share of results of associates	*11(a)*	**(55,223)**	(31,818)
Share of results of joint ventures	*11(b)*	**33,234**	(9,202)
Finance income		**106,152**	57,486
Finance costs		**(730,108)**	(70,442)
Finance costs, net	*7*	**(623,956)**	(12,956)
Profit before income tax		**4,572,621**	3,233,354
Income tax expenses	*8*	**(2,340,530)**	(1,429,459)
Profit for the period		**2,232,091**	1,803,895
Profit for the period attributable to:			
Owners of the Company		**1,704,082**	1,890,586
Non-controlling interests		**528,009**	(86,691)
		2,232,091	1,803,895
Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB per share)			
– Basic	*9*	**0.281**	0.368
– Diluted	*9*	**0.276**	0.367

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Profit for the period	**2,232,091**	1,803,895
Other comprehensive income/(loss) for the period, including reclassification adjustments		
Item that may be reclassified subsequently to profit or loss		
Exchange gain/(loss) on translation of foreign operations	**13,516**	(12,309)
Other comprehensive income/(loss) for the period, including reclassification adjustments	**13,516**	(12,309)
Total comprehensive income for the period	**2,245,607**	1,791,586
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	**1,712,587**	1,881,964
Non-controlling interests	**533,020**	(90,378)
	2,245,607	1,791,586

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Notes	**Unaudited 30 June 2018** *RMB'000*	Audited 31 December 2017 *RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**2,821,403**	2,551,580
Investment properties		**33,476,100**	32,025,830
Land use rights		**399,721**	395,815
Investments in associates	*11(a)*	**5,427,123**	5,284,835
Investments in joint ventures	*11(b)*	**7,513,722**	6,818,118
Available-for-sale financial assets		**–**	4,400,796
Financial assets at fair value through profit or loss		**6,160,364**	–
Debtors, deposits and other receivables	*12*	**466,828**	823,860
Goodwill and intangible assets		**1,163,389**	1,206,237
Long-term bank deposits		**400,000**	–
Convertible bonds receivable		**–**	41,328
Deferred tax assets		**111,652**	9,699
		57,940,302	53,558,098
Current assets			
Properties under development		**58,784,519**	68,066,413
Completed properties held for sale		**12,915,303**	18,170,966
Inventories		**4,221**	2,714
Deposits for land acquisition		**20,370,801**	21,422,522
Prepayments for proposed development projects		**17,928,102**	15,925,608
Debtors, deposits and other receivables	*12*	**19,322,902**	14,124,677
Prepaid taxes		**1,360,294**	850,499
Restricted cash		**10,097,550**	7,939,574
Financial assets at fair value through profit or loss		**63,045**	96,467
Short-term bank deposits		**42,430**	1,232,206
Cash and bank balances		**15,746,532**	11,998,423
		156,635,699	159,830,069
Current liabilities			
Advance proceeds received from customers and deposits received		**–**	29,564,933
Contract liabilities		**34,372,036**	–
Accrued construction costs		**11,609,397**	15,170,791
Income tax payable		**6,154,901**	5,649,679
Borrowings	*13*	**18,304,868**	22,173,037
Other payables		**15,904,440**	17,315,611
		86,345,642	89,874,051
Net current assets		**70,290,057**	69,956,018
Total assets less current liabilities		**128,230,359**	123,514,116

	Notes	**Unaudited 30 June 2018** ***RMB'000***	Audited 31 December 2017 *RMB'000*
Non-current liabilities			
Borrowings	*13*	**91,316,785**	89,000,150
Other payables		**–**	104,171
Deferred tax liabilities		**4,641,014**	4,411,645
		95,957,799	93,515,966
Net assets		**32,272,560**	29,998,150
EQUITY			
Share capital		**533,279**	532,865
Share premium		**6,318,120**	6,913,069
Reserves		**13,768,364**	11,641,988
Equity attributable to owners of the Company		**20,619,763**	19,087,922
Non-controlling interests		**11,652,797**	10,910,228
Total equity		**32,272,560**	29,998,150

NOTES TO THE CONDENSED CONSOLIDATION INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Kaisa Group Holdings Ltd. (the "**Company**") was incorporated in the Cayman Islands on 2 August 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands.

The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands.

The Company is engaged in investment holding and the subsidiaries (collectively, the "**Group**") are principally engaged in property development, property investment, property management, hotel and catering operations, cinema, department store and cultural centre operations, water-way passenger and cargo transportation and healthcare business in the People's Republic China (the "**PRC**").

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

This condensed consolidated interim financial information is presented in Renminbi ("**RMB**"), unless otherwise stated, and was authorised for issue by the Board of Directors on 28 August 2018.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Accounting Standard ("**HKAS**") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA.

(ii) Summary of significant accounting policies

Except as described in note 2(iv), the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements.

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

The following new/revised standards, amendments and improvements have been issued but were not yet effective for the financial period beginning on 1 January 2018 that are relevant to and have not been adopted early by the Group:

		Effective for the accounting period beginning on or after
HKFRS 9 (amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Other than as disclosed below, the Directors of the Company anticipate that the application of the other new and revised HKFRSs issued but not yet effective for the financial period beginning on 1 January 2018 will have no significant impact on the financial performance and the financial position of the Group.

HKFRS 16 "Leases"

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

Currently the Group classifies leases into finance leases and operating leases and accounts for 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 statement of profit or loss over the period of the lease. As at 30 June 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to RMB676,495,000 for land and buildings, 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.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

(iv) New accounting standards and changes in accounting policies

The following amended standards that may be relevant to the Group's operations have been adopted by the Group for the first time for the financial period beginning on 1 January 2018.

Annual Improvements Project HKFRS 1 and HKAS 28 (amendments)	Annual Improvements 2014-2016 Cycle
HKFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers
HKAS 40 (amendments)	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The amendments are effective from 1 January 2018 and are not expected to have any significant impact on the Group's interim financial information.

Other than amendments to HKAS 40, HKFRS 9 "Financial Instruments" ("**HKFRS 9**") and HKFRS 15 "Revenue from Contracts with Customers" ("**HKFRS 15**"), the application of the above amended standards which are effective for the financial period beginning on 1 January 2018 did not have material financial effect to the Group.

(v) Impact on the interim financial information

HKFRS 9 and HKFRS 15 were generally adopted by the Group retrospectively without restating comparative information. As a result of the changes in the entity's accounting policies, certain reclassifications and adjustments are therefore not reflected in the restated condensed consolidated statement of financial position on 1 January 2018.

The following tables show the adjustments recognised for each individual line item, line items that were not affected by the changes have not been included.

Condensed consolidated interim statement of financial position (extract)	At 31 December 2017 (Audited) *RMB'000*	Impact on initial application of HKFRS 9 *RMB'000*	Impact on initial application of HKFRS 15 *RMB'000*	At 1 January 2018 (Restated) *RMB'000*
Non-current assets				
Available-for-sale financial assets	4,400,796	(4,400,796)	–	–
Financial assets at fair value through profit or loss("FVTPL")	96,467	5,086,320	–	5,182,787
Convertible bonds receivables	41,328	(41,328)	–	–
Deferred tax assets	9,699	63,459	–	73,158
Current assets				
Debtors, deposits and other receivables	14,124,677	(253,832)	–	13,870,845
Current liabilities				
Advance proceeds received from customers and deposits received	29,564,933	–	(29,564,933)	–
Contract liabilities	–	–	29,564,933	29,564,933
Non-current liabilities				
Deferred tax liabilities	4,411,645	161,049	–	4,572,694
Equity				
Retained earnings	10,973,620	299,998	–	11,273,618
Non-controlling interests	10,910,228	(7,224)	–	10,903,004

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

4. REVENUE AND SEGMENT INFORMATION

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

The CODM identified the segments based on the nature of business operations. Specifically, the CODM assessed the performance of sales of properties, rental income, property management services, hotel and catering operations, cinema, department store and cultural centre operations and water-way passenger and cargo transportation and regarded these being the reportable segments.

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

Revenue for the period consists of the following:

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Sales of properties		
– Completed properties held for sale	**13,984,832**	5,787,764
– Proposed development project	**–**	2,079,641
Rental income	**126,400**	125,700
Property management services	**201,814**	172,614
Hotel and catering operations	**105,441**	45,380
Cinema, department store and cultural centre operations	**107,184**	99,832
Water-way passenger and cargo transportation	**362,571**	249,524
Others	**139,546**	26,347
	15,027,788	8,586,802

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2018 is as follows:

	Unaudited							
	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel and catering operations *RMB'000*	Cinema, department store and cultural centre operations *RMB'000*	Water-way passenger and cargo transportation *RMB'000*	Others *RMB'000*	Total *RMB'000*
Revenue	13,984,832	169,341	448,980	117,682	115,408	366,470	484,859	15,687,572
Less: Inter-segment revenue	–	(42,941)	(247,166)	(12,241)	(8,224)	(3,899)	(345,313)	(659,784)
Revenue from external customers	13,984,832	126,400	201,814	105,441	107,184	362,571	139,546	15,027,788
Segment results before provisional gain on deemed disposal, fair value gain on investment properties and share of results of associates and joint ventures	3,604,922	71,183	46,325	(38,775)	(247,885)	171,636	(299,546)	3,307,860
Provisional gain on deemed disposal	1,994,891	–	–	–	–	–	–	1,994,891
Share of results of associates *(note 11(a))*	(54,659)	–	–	–	–	–	(564)	(55,223)
Share of results of joint ventures *(note 11(b))*	32,732	–	–	–	–	–	502	33,234
Fair value gain on investment properties	–	134,806	–	–	–	–	–	134,806
Segment results	5,577,886	205,989	46,325	(38,775)	(247,885)	171,636	(299,608)	5,415,568
Net fair value gain on financial assets at FVTPL *(note 6)*								103,515
Corporate and other unallocated expenses								(322,506)
Finance income								106,152
Finance costs								(730,108)
Finance costs – net *(note 7)*								(623,956)
Profit before income tax								4,572,621
Income tax expenses *(note 8)*								(2,340,530)
Profit for the period								2,232,091

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

	Unaudited							
	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel and catering operations *RMB'000*	Cinema, department store and cultural centre operations *RMB'000*	Water-way passenger and cargo transportation *RMB'000*	Others *RMB'000*	Total *RMB'000*
Revenue	7,867,405	136,329	283,881	50,746	205,416	254,606	481,455	9,279,838
Less: Inter-segment revenue	–	(10,629)	(111,267)	(5,366)	(105,584)	(5,082)	(455,108)	(693,036)
Revenue from external customers	7,867,405	125,700	172,614	45,380	99,832	249,524	26,347	8,586,802
Segment results before fair value gain on investment properties and share of results of associates and joint ventures	2,483,533	74,255	43,014	(27,970)	(276,554)	106,680	18,126	2,421,084
Share of results of associates *(note 11(a))*	(1,408)	–	–	–	–	2,246	(32,656)	(31,818)
Share of results of joint ventures *(note 11(b))*	(633)	–	–	–	–	(8,569)	–	(9,202)
Fair value gain on investment properties	–	1,320,415	–	–	–	–	–	1,320,415
Segment results	2,481,492	1,394,670	43,014	(27,970)	(276,554)	100,357	(14,530)	3,700,479
Fair value loss on financial derivatives								(321,816)
Corporate and other unallocated expenses								(132,353)
Finance income								57,486
Finance costs								(70,442)
Finance costs – net *(note 7)*								(12,956)
Profit before income tax								3,233,354
Income tax expenses *(note 8)*								(1,429,459)
Profit for the period								1,803,895

The segment assets and liabilities as at 30 June 2018 are as follows:

	Unaudited								
	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management** *RMB'000*	**Hotel and catering operations** *RMB'000*	**Cinema, department store and cultural centre operations** *RMB'000*	**Water-way passenger and cargo transportation** *RMB'000*	**Others** *RMB'000*	**Elimination** *RMB'000*	**Total** *RMB'000*
Segment assets	**396,985,700**	**40,365,400**	**2,673,000**	**3,072,158**	**2,366,120**	**17,843,214**	**99,462,482**	**(355,887,428)**	**206,880,646**
Unallocated									**7,695,355**
Total assets									**214,576,001**
Segment liabilities	**298,422,783**	**8,048,489**	**1,770,777**	**2,694,135**	**3,098,373**	**16,539,725**	**80,068,853**	**(304,130,933)**	**106,512,202**
Unallocated									**75,791,239**
Total liabilities									**182,303,441**

The segment assets and liabilities as at 31 December 2017 are as follows:

	Audited								
	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel and catering operations *RMB'000*	Cinema, department store and cultural centre operations *RMB'000*	Water-way passenger and cargo transportation *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Segment assets	339,842,097	37,616,411	1,553,818	2,964,885	2,484,709	17,386,862	87,274,219	(281,092,295)	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	69,895,423	(239,811,698)	109,160,968
Unallocated									74,229,049
Total liabilities									183,390,017

For the six months ended 30 June 2018, none of the Group's customer accounted for more than 10% of the Group's total revenue. For the six months ended 30 June 2017, the Group's largest customer accounted for more than 10% of the Group's total revenue.

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

There is no change in the basis of segmentation or basis of measurement of segment profit or loss for the six months ended 30 June 2018.

Segment assets consist primarily of all assets excluding financial assets at FVTPL, deferred tax assets and prepaid taxes.

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

5. EXPENSES BY NATURE

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

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Auditor's remuneration	**2,500**	1,900
Advertising and other promotional costs	**165,079**	88,297
Agency fee	**93,001**	27,192
Amortisation of land use rights	**6,112**	736
Amortisation of intangible assets	**88,773**	56,072
Bank charges	**21,197**	30,155
Business taxes/value-added taxes	**138,037**	174,287
Cost of properties sold	**9,527,356**	4,993,411
Depreciation	**84,907**	50,474
Direct operating expenses arising from		
– Investment properties	**18,310**	6,609
– Property management service	**100,854**	104,984
– Hotel and catering operations	**32,674**	16,203
– Cinema, department store and cultural centre operations	**143,224**	41,090
– Water-way passenger and cargo transportation	**223,730**	142,528
Donations	**45,358**	628
Entertainment	**32,843**	22,504
Legal and professional fees	**88,057**	72,611
Office expenses	**71,154**	50,951
Operating lease rental	**31,250**	20,395
Others	**270,581**	207,231
Staff costs – including directors' emoluments	**848,583**	658,041
Travelling	**21,043**	11,988
	12,054,623	6,778,287

6. OTHER GAINS AND (LOSSES) – NET

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Bad debt recovery of other receivable	**–**	450,000
Dividend income from		
– listed available-for-sale financial assets	**–**	11
– unlisted available-for-sale financial assets	**–**	22,214
– financial assets at FVTPL	**21,162**	–
Forfeited customer deposits	**3,484**	6,442
Government subsidy income *(note)*	**357,581**	30,278
Net gain on repurchase of senior notes	**142,745**	–
Provision for expected credit loss	**(129,679)**	–
Net fair value gain on financial assets at FVTPL	**103,515**	2,474
Net (loss)/gain on disposal of property, plant and equipment	**(261)**	416
Others	**8,616**	(4,024)
Write-down of completed properties held for sale and properties under development	**(390,962)**	(17,765)
Write off of intangible assets	**(497)**	(9,830)
	115,704	480,216

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 subsidy.

7. FINANCE COSTS – NET

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Finance income		
Interest income		
– third parties	**69,822**	57,486
– associates	**36,330**	–
	106,152	57,486
Finance costs		
Interest expense:		
– Bank and other borrowings	**2,922,589**	2,359,897
– Senior notes	**1,436,760**	954,992
– Convertible bonds	**–**	99,873
Total interest expenses	**4,359,349**	3,414,762
Less: interests capitalised *(note)*	**(4,048,415)**	(2,912,061)
	310,934	502,701
Net exchange losses/(gains)	**419,174**	(432,259)
	730,108	70,442
Finance costs – net	**(623,956)**	(12,956)

Note: The capitalisation rate of borrowings is 12.82% (2017: 13.15%) for the period.

8. INCOME TAX EXPENSES

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax	**1,373,948**	851,949
– PRC land appreciation tax	**914,620**	247,407
Deferred tax	**51,962**	330,103
	2,340,530	1,429,459

Income tax expense for the six months ended 30 June 2018 and 2017 is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

Cayman Islands income tax

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

Hong Kong profits tax

No Hong Kong profits tax was provided for the six months ended 30 June 2018 and 2017 as the Group has no assessable profits arising in or derived from Hong Kong for the periods.

PRC enterprise income tax

PRC enterprise income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2017: 25%).

PRC land appreciation tax

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

9. EARNINGS PER SHARE

(a) Basic

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

	Unaudited Six months ended 30 June	
	2018	2017
Profit attributable to owners of the Company *(RMB'000)*	**1,704,082**	1,890,586
Weighted average number of ordinary shares in issue	**6,064,446,329**	5,136,367,766
Basic earnings per share *(RMB)*	**0.281**	0.368

The calculation of basic earnings per share is based on the Group's profit attributable to owners of the Company of RMB1,704,082,000 (unaudited) (six months ended 30 June 2017: RMB1,890,586,000 (unaudited)) and the weighted average number of 6,064,446,329 (30 June 2017: 5,136,367,766) ordinary shares, after adjusting for the issue of shares on exercise of share options during the period.

(b) Diluted

	Unaudited Six months ended 30 June	
	2018	2017
Profit attributable to owners of the Company *(RMB'000)*	**1,704,082**	1,890,586
Weighted average number of ordinary shares in issue as at 30 June	**6,064,446,329**	5,136,367,766
Effect of issue of shares under adjustment for share option scheme	**107,993,528**	21,043,365
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**6,172,439,857**	5,157,411,131
Diluted earnings per share *(RMB)*	**0.276**	0.367

Diluted earnings per share for the six months ended 30 June 2018 is calculated based on the weighted average number of ordinary shares outstanding adjusted to assume conversion or exercise of all dilutive potential ordinary shares (share options).

The Company's dilutive potential ordinary shares consist of share option. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average semi-annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise in full of the share options.

10. DIVIDEND

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Dividends declared during the period: 2018 interim – HK$0.03 (2017: nil) per share	**153,530**	–
Dividends recognised during the period: 2017 final – HK$0.118 (2017: nil) per share	**603,729**	–

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

The Board recommended to declare an interim dividend of RMB2.53 cents (equivalent to HK3.0 cents) for the six months ended 30 June 2018. The aggregate amount of interim dividend declared from share premium of the Company amounted to approximately RMB153,530,000 (equivalent to HK$182,102,000) (six months ended 30 June 2017: nil). Such dividend is to be approved by the shareholders at the forthcoming extraordinary general meeting. These condensed consolidated interim financial information do not reflect this dividend payable.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

(a) Investments in associates

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Cost of investments in associates, less accumulated impairment		
– Listed	**2,678,941**	2,677,741
– Unlisted	**2,804,200**	2,620,207
Share of post-acquisition loss and other comprehensive loss, net of dividend received	**(56,018)**	(13,113)
	5,427,123	5,284,835

Movements of investments in associates during the six months ended 30 June 2018 are as follows:

	Unaudited Six months ended 30 June	
	2018 *RMB'000*	2017 *RMB'000*
At 1 January	**5,284,835**	1,331,121
Additions	**49,877**	–
Transfer from subsidiary	**20,004**	–
Capital injection to associates	**127,630**	14,000
Disposals	**–**	(12,885)
Share of results of associates	**(55,223)**	(31,818)
At 30 June	**5,427,123**	1,300,418

(b) Investments in joint ventures

Movements of investments in joint ventures during six months ended 30 June 2018 are as follows:

	Unaudited Six months ended 30 June	
	2018 *RMB'000*	2017 *RMB'000*
Unlisted investments		
At 1 January	**6,818,118**	931,751
Additions	**30,600**	9,998
Transfer from subsidiaries	**631,270**	–
Capital injection to joint ventures	**500**	–
Disposal	**–**	(800)
Share of results of joint ventures	**33,234**	(9,202)
At 30 June	**7,513,722**	931,747

12. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

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

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

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Within 90 days	**643,336**	240,801
91–180 days	**18,301**	10,512
181–270 days	**9,858**	1,612,128
271–365 days	**1,929**	1,006
Over 365 days	**64,862**	99,943
	738,286	1,964,390
Less: allowance for impairment	**(7,449)**	–
	730,837	1,964,390

Included in the Group's trade receivables balances of nil (unaudited) and RMB40,831,000 (audited) as at 30 June 2018 and 31 December 2017, respectively, were not yet due, the balances represented receivables from sales of proposed development project from an independent third party. These receivables were repayable within one year.

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

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Overdue within 90 days	**643,336**	1,797,872
Overdue within 91-180 days	**18,301**	10,512
Overdue within 181-270 days	**9,858**	14,226
Overdue within 271-365 days	**1,929**	1,006
Overdue over 365 days	**64,862**	99,943
	738,286	1,923,559

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2018, a provision of RMB7,449,000 was made against the gross amount of trade receivables (31 December 2017 (audited): nil).

Generally, no credit terms were granted to the customers of residential properties. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. The receivable from sale of proposed development project was repayable within 180 days from the agreement date.

13. BORROWINGS

The summary of the borrowings are as follows:

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Borrowings included in current liabilities:		
Bank borrowings – secured	**4,073,652**	6,824,887
Bank borrowings – unsecured	**1,278,000**	1,606,325
Other borrowings – secured	**6,540,455**	6,255,979
Other borrowings – unsecured	**5,370,430**	6,273,065
Loans from a related company	**108,781**	108,781
Loans from associates	**933,550**	1,104,000
	18,304,868	22,173,037
Borrowings included in non-current liabilities:		
Senior Notes	**35,977,249**	34,752,933
Bank borrowings – secured	**36,721,749**	36,469,412
Bank borrowings – unsecured	**1,956,830**	2,442,000
Other borrowings – secured	**16,260,957**	14,905,519
Other borrowings – unsecured	**400,000**	307,086
Loans from associates	**–**	123,200
	91,316,785	89,000,150
Total borrowings	**109,621,653**	111,173,187

14. COMMITMENTS

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

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Contracted but not provided for		
– Acquisition of land use rights and property development activities	**38,654,545**	31,849,843
– Acquisitions of subsidiaries	**996,198**	834,598
– Acquisition of associate	**1,879,002**	1,947,851
	41,529,745	34,632,292

(b) Operating lease commitments

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

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Not later than one year	**103,374**	46,920
Later than one year and not later than five years	**253,009**	91,077
Later than five years	**320,112**	70,055
	676,495	208,052

(c) Operating lease rentals receivable

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

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Not later than one year	**237,871**	209,090
Later than one year and not later than five years	**813,672**	569,683
Later than five years	**255,590**	193,586
	1,307,133	972,359

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Kaisa Group Holdings Ltd. ("**Kaisa**" or the "**Company**", together with its subsidiaries, the "**Group**"), I present the results of the Group for the six months ended 30 June 2018 together with the comparative figures for the previous corresponding period.

RESULTS AND DIVIDEND

For the period under review, the Group's revenue and gross profit amounted to approximately RMB15,027.8 million and RMB4,736.5 million, representing significant increases of approximately 75.0% and 65.7% over the corresponding period of last year, respectively. Profit attributable to owners of the Company and basic earnings per share amounted to approximately RMB1,704.1 million and RMB28.1 cents, respectively.

The Board recommended the payment of an interim dividend of HK3 cents per share for the six months ended 30 June 2018 (30 June 2017: nil). Such dividend is to be approved by the shareholders at the forthcoming extraordinary general meeting.

BUSINESS REVIEW

The Property Market and Policies

In the first half of 2018, against the backdrop of Federal Reserve's rate hike and balance-sheet reduction, global liquidity conditions continued to tighten. The US-initiated trade war has largely reduced the export volume from countries including China and EU member states, pulling down the economic growth of China, US, and even that of the world. The Chinese government expanded domestic demand and consumption to boost the economic growth. During the period, the overall economy in China continued its steady and upward trend, with a GDP of RMB41.9 trillion, representing a growth of 6.8% over the same period last year. The growth of investment in fixed assets continued to fall as consumption became a main driving force to support China's economic growth. Contribution of the service sector to the economic growth increased gradually and further supported China's economy in pursuit of high quality development.

During the period, upholding the principle of "houses are for living in, not for speculation", the domestic property market entered a new stage of development. Local governments, on one hand, proactively curbed irrational demand by various regulatory measures and, on the other hand, secured effective supply and adjusted the mid-to-long-term supply structure of the property market through the introduction of housing development planning and mid-to-long term plan for land supply. According to the data from the National Bureau of Statistics, the gross floor area ("**GFA**") of commodity properties sold amounted to 771.43 million square meters ("**sq. m.**") in the first half of 2018, representing a growth of 3.3% as compared to the same period last year, while the growth rate decreased by 12.8 percentage points year on year; transaction value of commodity properties aggregated to RMB6.69 trillion, representing a growth of 13.2% as compared to the same period last year, while the growth rate decreased by 8.3 percentage points year on year.

Meanwhile, the Chinese government made strenuous efforts in financial deleveraging during the period to prevent and mitigate financial risks. Under this guiding principle, financing activities in the domestic real estate market are in better compliance with the regulations, and gradual changes were seen in financing threshold and structure. During the first half of 2018, mortgage loan increased by RMB3.54 trillion, and as a proportion of all loans for the period decreased by 1.9 percentage points as compared to the previous year.

Contracted Sales

In face of the current policy and market environment, the Group adhered to the "cash is king" principle and regarded "quick turnover" as the main goal of its operation in the course of land bidding, development and construction, and project launch. Through focusing on mainstream products in the market, the Group efficiently integrated resources and realised the goal of "quick investment, quick development and quick sales".

For the six months ended 30 June 2018, the Group achieved an aggregate contracted sales of approximately RMB25.32 billion, representing an increase of 12.7% as compared with the same period last year; and an average contracted selling price of approximately RMB17,880 per sq. m., representing an increase of 10.6% as compared with the same period last year. Benefitted from the Group's efforts in penetrating the Guangdong-Hong Kong-Macao Greater Bay Area (the "**Bay Area**") over the years, contracted sales of this area contributed 55% to the Group's total contracted sales for the period, of which, Shenzhen accounted for 37%.

Given the Group's investment and development strategy of focusing on first-tier and major second-tier cities, the total contracted sales for the period were almost equally divided between the first-tier cities and major second-tier cities. In the first-tier cities, Shenzhen Kaisa Future City, Shenzhen Kaisa City Plaza, and Guangzhou Kaisa City Plaza achieved outstanding sales performance. In particular, according to data from the Shenzhen Centaline Research Centre (深圳中原研究中心), with 650 units sold, Shenzhen Kaisa Future City ranked first in Longgang District and second in Shenzhen in terms of total units sold in the first half of 2018. In addition, in the major second-tier cities where the Group has already set up a presence, Nanjing Kaisa City Plaza, Chengdu Kaisa Mansion No.8, and Changsha Kaisa Meixi Lake Project also maintained positive sales momentum.

Land Bank

As at 30 June 2018, the Group has established footholds in 43 cities in five major city clusters. In addition to the first- and major second-tier cities, the Group also proactively explores opportunities in the neighboring cities with good prospects of economic growth, support from population and industries, and capability to meet the spillover demand from the first– and major second-tier cities. During the period, through land bidding, auction, listing and acquisition, the Group has, for the first time, entered Yangjiang in Guangdong, Xuzhou and Zhangjiagang in Jiangsu, Ningbo in Zhejiang, Gu'an and Bazhou in Hebei, Hengyang in Hunan, and Pengzhou in Sichuan, to seize the opportunities brought by the development of lower-tier cities.

In addition to land bidding, auction and listing, and acquisition, the Group's urban redevelopment business also provided the Company with stable and high quality project resources. During the period, land supplies from the Dongmen Road Project in Luohu District, Shenzhen, Guangdong and Phase III of Lake View Wardolf Garden in Xiangzhou District, Zhuhai, Guangdong have been in place, laying a solid foundation for the Group's future sales. In addition, Shenzhen Pinghu Kaisa Plaza and Shenzhen Yantian City Plaza, the redevelopment projects under construction, have been making steady progress. It is expected that these projects will be launched in the second half of this year.

During the period, the Group acquired a total of 14 parcels of land at an aggregate consideration of approximately RMB5,371.5 million, with an attributable capacity building area of approximately 1,088,770 sq. m., of which the majority of the lands were located in the Bay Area and the Yangtze River Delta, and the average project acquisition cost was approximately RMB4,934 per sq. m..

In terms of land bank, as at the end of June 2018, the Group's land bank amounted to 22.2 million sq. m., of which 57.0% was located in the Bay Area.

Financing and Capital Market Management

In the first half of 2018, mortgage lending environment remained tight as the government introduced tight restrictions on trust loan, bank loan, and entrusted loan, meanwhile the National Development and Reform Commission and the Ministry of Finance made a joint announcement that stipulates the use of proceeds from offshore bond issuances. All of these measures imposed a higher financing requirement for real estate enterprises.

In view of this, the Group has regarded sales proceeds as one of the important assessment indicators in determining its operating direction for the year, ensuring that the collections of down payment and mortgage payment are at manageable levels, speeding up the collection of sales proceeds, and increasing the capital turnover rate. Meanwhile, leveraging on its own premium project resources, the Group strived to secure capital funding from traditional domestic financing channels, laying the foundation for project re-financing.

The Group also strives to expand its financing channels domestically and abroad to reduce finance costs. During the period, the Group was granted an "AA+" credit rating with a "Stable" rating outlook by China Chengxin Securities Credit Rating Co., Ltd., an authoritative rating agency in China. This rating has laid a foundation for the Group's expansion of domestic financing channels. As for the offshore market, thanks to the Group's forward-looking measures for offshore debt management and optimisation of debt structure, the Group is under low pressure from the repayment of short-term offshore debt, which helps the Group steer through the current tight credit environment.

The Group repurchased US$108.0 million 8.5% senior notes due 2022 and US$67.5 million 9.375% senior notes due 2024 from the public market in May and June 2018, reflecting its positive debt management.

As at 30 June, 2018, the Group's cash and bank deposits amounted to approximately RMB26,286.5 million, improving significantly as compared with the end of 2017.

In addition, following its inclusion as a constituent of Hang Seng Composite LargeCap & MidCap Index in March 2018, the Group was included as a constituent of Hang Seng Stock Connect Big Bay Area Composite Index in May 2018, indicating that the Group's outstanding business performance in the Bay Area has received wide attention and recognition from the market.

Prospects

Looking ahead to the second half of this year, global political and economic instabilities could derail the stability of China's economic growth. At the Chinese Communist Party's Politburo meeting held in late July, the Central government pledged to support stable economic and social development in the second half of 2018, deepen supply-side structural reforms and maintain its economic growth within a reasonable range. Meanwhile, the Central government will stay committed to implementing active fiscal policy and prudent monetary policy so as to keep liquidity at a reasonable and sufficient level. It is expected that China will continue to optimise leverage structure through reinforcing "tight credit" and "easing monetary policy" measures.

For the real estate market, it is expected that the housing prices in different tier cities will show divergent trends. In the first- and major second-tier cities, the rise in housing price will flatten out under the strict implementation of regulatory policies on all types of properties; in the third- and fourth-tier cities, the real estate market will continue to grow slowly on the back of demand from short-term investment.

In light of the operating environment, the Group will accelerate the capital turnover throughout its operation processes of project development and sales and acquire premium projects with good development potential through joint development and other means. Meanwhile, with the foundation underpinned by adhering to high product quality, the Group will speed up the implementation of standardisation to enhance its development efficiency. The Group will flexibly adjust its sales pace and rhythm based on the condition in various markets to accelerate collection of sales proceeds.

As for land bank replenishment, the Group will keep paying attention to the development opportunities in the Bay Area, the Yangtze River Delta, Beijing-Tianjin-Hebei, Central China, and Western China, and replenish its land bank through a wide range of means such as joint development, land bidding, auction, listing, and urban redevelopment. It is expected that certain urban redevelopment projects in Shenzhen, Guangzhou and Shanghai will realise land supply in the second half of the year and contribute premium sales resources to the Group in the future. In addition, the Group will leverage its advantages accumulated from diversified businesses like culture and leisure, technology, and healthcare, and acquire land resources through industrial real estate and other means in the long run.

Concerning financing, asset-backed securities, housing leasing special corporate bonds and collaboration with funds are expected to be major financing means for real estate enterprises. The Group will also explore various domestic financing means that are based on the balance payment of properties, supply chain, long-term leasing apartment, and others, striving to optimise its debt structure and reduce its finance costs through diversified financing channels. At the same time, as the Central government is accelerating the implementation of debt-to-equity swap program, the Group will also look for market opportunities through equity financing at the project level and joint development of resources with competent partners.

Furthermore, Kaisa Property Holdings Limited, the Group's subsidiary engaged in property management business, has submitted the listing application form (A1 Form) to The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the period for the application of listing of, and permission to deal in the shares on the main board of the Stock Exchange. The Group will make further announcement in relation to the proposed spin-off in due course.

Acknowledgement

The steady development of the Group during the period 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 fulfill and exceed our goals so as to maximise the value and returns to our shareholders and investors.

KWOK Ying Shing
Chairman

Hong Kong, 28 August 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Overall performance

During the period, the Group recorded a turnover of approximately RMB15,027.8 million, representing an increase of 75.0% as compared to the corresponding period in 2017. Profit attributable to owners of the Company amounted to approximately RMB1,704.1 million, representing a decrease of 9.9% as compared to the corresponding period in 2017. Core net profit for the period, excluding net gain on repurchase of senior notes, net fair value gain on financial assets at FVTPL, fair value gain on investment properties and net of deferred tax, reached approximately RMB1,884.7 million, representing an increase of 66.0% as compared to the corresponding period in 2017. Basic earnings per share were RMB28.1 cents (2017: RMB36.8 cents).

The Board recommended the payment of an interim dividend of HK3 cents per share for the six months ended 30 June 2018 (30 June 2017: nil). Such dividend is to be approved by the shareholders at the forthcoming extraordinary general meeting.

Contracted sales in the first half of 2018

In the first half of 2018, contracted sales of the Group amounted to approximately RMB25,319 million, representing an increase of 12.7% as compared to the corresponding period in 2017. Aggregate GFA sold during the period was approximately 1,416,053 sq. m., representing an increase of 1.9% as compared to the corresponding period in 2017. Average selling price of the contracted sales increased by 10.6% to approximately RMB17,880 per sq. m.. The table below shows the Group's contracted sales by region in the first half of 2018:

Region	**Contracted sales area** *(sq. m.)*	**Contracted sales amount** *(RMB in millions)*
Pearl River Delta	559,012	14,045
Yangtze River Delta	195,069	4,402
Central China Region	146,568	2,170
Western China Region	288,097	2,758
Pan-Bohai Bay Rim	227,307	1,944
Total	1,416,053	25,319

Property development

Projects completed for the six months ended 30 June 2018

The Group adopts a strict and prudent practice in property development projects and adjusts its pace of business expansion as and when appropriate. During the period, the GFA of newly completed projects of the Group amounted to approximately 1.0 million sq. m..

Projects under development

As at 30 June 2018, the Group had 47 projects under development with an aggregate GFA of approximately 9.0 million sq. m..

Property management

The Group derives revenue from the provision of property management services. During the period, the Group managed a total GFA of approximately 25.4 million sq. m.. The Group's property management team is striving to deliver excellent and professional services to its customers, with a view to enhancing its brand and corporate image. As at 30 June 2018, the Group's property services penetrated into nearly 40 cities nationwide, covering residential, commercial, office, tourism and large-scale stadiums.

Investment properties

The Group adopts a diversified business strategy, characterised by its increase in property investment. The portfolio of investment properties will generate steady and reliable income, and enlarge the overall income base of the Group. The Group develops commercial properties such as office buildings, retail stores and car parks for leasing purpose. In managing its investment property portfolio, the Group takes into account the long-term growth potential, the overall market conditions, its cash flows and financial condition. As at 30 June 2018, the Group held 20 investment property projects, with an aggregate GFA of 1,422,656 sq. m., of which an aggregate GFA of 570,183 sq. m. of completed investment properties were for rental purposes.

Land bank

The Group replenished its land bank by making reference to the Company's development, opportunities in the land market and its financial condition. The Group continued to identify project resources in five major city clusters in China by way of joint development, acquisition and merger, land tendering, auction or listing, and urban redevelopment. In addition to the existing 35 cities, the Group has entered into eight new cities in Jiangsu, Zhejiang, Hebei, Guangdong, Sichuan and Hunan provinces.

The Group purchased a total of 14 land parcels or related equity interests in the first half of 2018. The aggregate consideration for the land acquisitions was approximately RMB5,371.5 million, for an average land cost per attributable GFA of approximately RMB4,934 per sq. m.. The total planned GFA per maximum allowed plot ratio attributable to the Group is up to approximately 1,088,772 sq. m.

As at 30 June 2018, the Group had a total land bank of approximately 22.2 million sq. m., which is sufficient for the Group's development needs for the next five years, among which, approximately 57.0% of land bank is located in the Bay Area.

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

Time of Acquisition	Location	Attributable Interest	Site Area	Attributable GFA	Consideration	Type
			(sq. m.)	*(sq. m.)*	*(RMB in millions)*	
May 2018	Xuzhou, Jiangsu	50%	132,397	86,058	867.0	Residential
May 2018	Shenzhen, Guangdong	90%	34,129	144,081	2,015.0	Residential and commercial
May 2018	Shaoxing, Zhejiang	36%	61,234	16,798	112.1	Residential
May 2018	Bazhou, Hebei	51%	36,576	27,979	133.8	Residential
May 2018	Gu'an, Hebei	49%	32,484	23,876	87.7	Residential
June 2018	Ningbo, Zhejiang	30%	15,086	11,767	82.4	Residential and commercial
June 2018	Pengzhou, Sichuan	100%	104,964	278,192	267.7	Residential
June 2018	Suzhou, Jiangsu	100%	31,666	37,999	213.6	Residential
June 2018	Yangjiang, Guangdong	100%	39,063	60,553	168.7	Residential
June 2018	Shanghai	100%	44,590	80,262	398.1	Social housing
June 2018	Yangjiang, Guangdong	100%	39,389	98,472	251.7	Residential
June 2018	Hengyang, Hunan	51%	50,054	81,943	225.4	Residential
June 2018	Dalian, Shenyang	100%	41,150	104,392	232.3	Residential
June 2018	Shenzhen, Guangdong	72%	5,992	36,400	316.0	Residential and commercial
			668,774	**1,088,772**	**5,371.5**	

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 75.0% to approximately RMB15,027.8 million for the six months ended 30 June 2018 from approximately RMB8,586.8 million for the corresponding period in 2017. 93.1% of the Group's revenue was generated from the sales of properties (2017: 91.6%) and 6.9% from other segments (2017: 8.4%).

Sales of properties

Revenue from sales of properties increased by approximately RMB6,117.4 million, or 77.8%, to approximately RMB13,984.8 million for the six months ended 30 June 2018 from approximately RMB7,867.4 million for the corresponding period in 2017. The increase was primarily attributable to an increase in the total GFA delivered during the six months ended 30 June 2018.

Rental income

Revenue from rental income increased by approximately RMB0.7 million, or 0.6%, to approximately RMB126.4 million for the six months ended 30 June 2018 from approximately RMB125.7 million for the corresponding period in 2017.

Property management

Revenue from property management service increased by approximately RMB29.2 million, or 16.9%, to approximately RMB201.8 million for the six months ended 30 June 2018 from approximately RMB172.6 million for the corresponding period in 2017. The increase was primarily attributable to the increased GFA under property management.

Hotel and catering operations

Revenue from hotel and catering operations of the Group increased by approximately RMB60.0 million, or 132.2% to approximately RMB105.4 million for the six months ended 30 June 2018, from approximately RMB45.4 million for the corresponding period in 2017. This increase was primarily attributable to the commencement of new hotels during the second half of 2017.

Cinema, department stores and cultural centre operations

Revenue from cinema, department stores and cultural centre operations increased by approximately RMB7.4 million, or 7.4%, to approximately RMB107.2 million for the six months ended 30 June 2018 from approximately RMB99.8 million for the corresponding period in 2017. The increase was primarily attributable to business expansion.

Water-way passenger and cargo transportation

Revenue from water-way passenger and cargo transportation increased by approximately RMB113.1 million, or 45.3% to approximately RMB362.6 million for the six months ended 30 June 2018 from approximately RMB249.5 million for the corresponding period in 2017. The increase was primarily attributable to business expansion.

Gross profit

The Group recorded a gross profit of approximately RMB4,736.5 million and a gross profit margin of 31.5% for the six months ended 30 June 2018 respectively, as compared to gross profit of approximately RMB2,858.6 million and a gross profit margin of 33.3% in the corresponding period of last year.

Other gains – net

The Group had net other gains of approximately RMB115.7 million for the six months ended 30 June 2018, as compared to net other gains of approximately RMB480.2 million for the corresponding period in 2017. The Group's net other gains for the six months ended 30 June 2018 mainly comprised government subsidy income of approximately RMB357.6 million, gain on repurchase of senior notes of approximately RMB142.7 million, net fair value gain on financial assets at FVTPL of approximately RMB103.5 million and dividend income received from financial assets at FVTPL of approximately RMB21.2 million, offset by write-down of completed properties held for sale and properties under development of approximately RMB391.0 million and provision for expected credit loss of approximately RMB130.0 million. The Group's net other gains for the six months ended 30 June 2017 mainly comprised of bad debt of other receivable recovery of approximately RMB450.0 million, government subsidy income of approximately RMB30.3 million and dividend income received from available-for-sale financial assets of approximately RMB22.2 million, offset by write-down of completed properties held for sale and properties under development of approximately RMB17.8 million and write off of intangible assets of approximately RMB9.8 million.

Provisional gain on deemed disposal

The Group had recorded provisional gain on deemed disposal of subsidiaries of approximately RMB1,994.9 million for the six months ended 30 June 2018.

Selling and marketing costs

The Group's selling and marketing costs increased by approximately RMB99.2 million, or 37.8%, to approximately RMB361.3 million for the six months ended 30 June 2018 from approximately RMB262.1 million for the corresponding period in 2017. The increase in selling and marketing costs was due to higher advertising and other promotional costs.

Administrative expenses

The Group's administrative expenses increased by approximately RMB614.0 million, or 77.9%, to approximately RMB1,402.0 million for the six months ended 30 June 2018 from approximately RMB788.0 million for the corresponding period in 2017. The increase was primarily attributable to the increase in staff costs, office expenses and donations.

Fair value gain on investment properties

The fair value gain on the Group's investment properties was approximately RMB134.8 million for the six months ended 30 June 2018 and approximately RMB1,320.4 million for the corresponding period in 2017. In the first half of 2017, certain properties were transferred to investment properties and significant increase in fair value was resulted, while there is no such transfer incurred in the current period and led to the decrease in the Group's fair value gain in investment properties for the six months ended 30 June 2018.

Fair value loss on financial derivatives

The fair value loss on financial derivatives was RMB321.8 million for the six months ended 30 June 2017. The financial derivatives were derecognised in 2017 as a result of conversion of convertible bonds.

Finance costs – net

The Group's net finance costs increased by approximately RMB611.0 million, or 4,716.0% to approximately RMB624.0 million for the six months ended 30 June 2018 from approximately RMB13.0 million for the corresponding period in 2017. The increase was mainly attributable to the net exchange loss of RMB419.2 million whereas the net exchange gains of RMB432.3 million was recorded in the corresponding period of last year. The net exchange loss/gain mainly arised from the U.S. dollar denominated offshore financing as a result of the depreciation/appreciation of Renminbi against the U.S. dollar.

Income tax expenses

The Group's income tax expenses increased by approximately RMB911.0 million, or approximately 63.7%, to approximately RMB2,340.5 million for the six months ended 30 June 2018 from approximately RMB1,429.5 million for the corresponding period in 2017.

Profit and total comprehensive income for the six months ended 30 June 2018

As a result of the foregoing, the Group's profit and total comprehensive income for the six months ended 30 June 2018 amounted to approximately RMB2,232.1 million and approximately RMB2,245.6 million, respectively. (2017: profit and total comprehensive income amounted to approximately RMB1,803.9 million and RMB1,791.6 million, respectively.)

Liquidity, financial and capital resources

Cash position

As at 30 June 2018, the carrying amount of the Group's cash and bank deposits was approximately RMB26,286.5 million (31 December 2017: RMB21,170.2 million), representing an increase of 24.2% as compared to that as at 31 December 2017. Certain property development companies of the Group placed a certain amount of pre-sales proceeds to designated bank accounts as collateral for the construction loans. Such collateral will be released after the completion of the pre-sales properties or the issuance of the title of the properties, whichever is the earlier. Additionally, as at 30 June 2018, certain of the Group's cash was deposited in certain banks as collateral for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties. The aggregate of the above collaterals amounted to approximately RMB10,097.6 million as at 30 June 2018 (31 December 2017: RMB7,939.6 million).

Senior notes

During the six months ended 30 June 2018, the Group issued a principal amount of US$330.0 million additional 2020 Notes. In May and June 2018, the Group made on-market repurchases of a principal amount of US$108.0 million of the 2022 Notes and a principal amount of US$67.5 million of the 2024 Notes. The repurchased Notes were cancelled accordingly. As of 30 June 2018, the senior notes included:

	2019 Notes	**2020 Notes**	**2021 Notes**	**2022 Notes**	**2024 Notes**
	HK$'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
At 1 January 2018	2,325,000	460,000	325,000	1,255,000	3,119,000
New Issuance	–	330,000	–	–	–
Cancellation	–	–	–	(108,000)	(67,500)
	2,325,000	790,000	325,000	1,147,000	3,051,500

Borrowings and charges on the Group's assets

As at 30 June 2018, the Group had aggregate borrowings of approximately RMB109,621.7 million, of which approximately RMB18,304.9 million will be repayable within 1 year, approximately RMB23,152.7 million will be repayable between 1 and 2 years, approximately RMB45,009.3 million will be repayable between 2 and 5 years and approximately RMB23,154.8 million will be repayable over 5 years.

As at 30 June 2018, the Senior Notes were secured by the share pledge of the Company's subsidiaries incorporated outside the PRC, and are jointly and severally guaranteed by certain subsidiaries of the Company. The Group's domestic bank loans carried a floating interest rate linking up with the base lending rate of the People's Bank of China. The Group's interest rate risk is mainly from the floating interest rate of domestic bank loans.

Key financial ratios

As at 30 June 2018, the Group has a leverage ratio (i.e. its net debts (total borrowings, net of cash and bank balances, short-term bank deposits, long-term bank deposits and restricted cash) over total assets) of 38.8% (31 December 2017: 42.2%). The Group's net current assets increased by 0.5% from approximately RMB69,956.0 million as at 31 December 2017 to approximately RMB70,290.1 million as at 30 June 2018, and the current ratio remain stable at 1.8 times as at 31 December 2017 and as at 30 June 2018.

Cost of borrowings

For the six months ended 30 June 2018, the Group's total cost of borrowings (including net exchange gains/losses) was RMB4,778.5 million, representing an increase of approximately RMB1,796.0 million or 60.2% as compared to the corresponding period in 2017. The increase was primarily attributable to the increase in total interest expenses and the net exchange losses recorded in the current period.

Foreign currency risks

The Group's property development projects are all located in China and most of the related transactions are settled in RMB. The Company and certain of the Group's intermediate holding companies which operate in Hong Kong have recognised assets and liabilities in currencies other than RMB. As at 30 June 2018, the Group had cash balances denominated in US$ of approximately RMB546.7 million, and in HK$ of approximately RMB289.0 million and the Senior Notes in US$ and HK$ with an aggregate carrying amount of RMB34,016.1 million and RMB1,961.1 million respectively, and other offshore banking facilities denominated in US$ and HK$, of RMB794.0 million and RMB1,332.1 million respectively, which are subject to foreign currency exposure.

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

Financial guarantees

As at 30 June 2018, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by domestic banks to its customers amounting to approximately RMB30,013.8 million (31 December 2017: RMB30,094.9 million). Pursuant to the terms of the guarantees, upon default in mortgage payments by a purchaser, the Group would be responsible for repaying the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchaser to the bank, but the Group would be entitled to assume legal title to and possession of the related property. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage.

Employees and remuneration policy

As at 30 June 2018, the Group had approximately 13,320 employees (31 December 2017: approximately 12,810 employees). The related employees' costs (including the directors' remuneration), for the six months ended 30 June 2018 amounted to approximately RMB848.6 million. The remuneration of employees was based on their performance, skills, knowledge, experience and market trend. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. In addition to basic salaries, employees may be offered with discretionary bonus and cash awards based on individual performance. The Group provides trainings for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills. Further, the Company adopted the share option scheme on 22 November 2009. Further information of the share option scheme is available in the Annual Report of the Company for the year ended 31 December 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 six months ended 30 June 2018, the Company complied with the code provisions on the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the following deviation:

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. RAO Yong and Mr. LIU Xuesheng, were unable to attend the annual general meeting of the Company held on 11 June 2018.

AUDIT COMMITTEE

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

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the Group's interim report 2018. In addition, the independent auditor of the Company, Grant Thornton Hong Kong Limited, has reviewed the unaudited interim results for the six months ended 30 June 2018 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code as set out in Appendix 10 to the Listing Rules as the standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2018.

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

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

During the six months ended 30 June 2018, the Company made an on-market repurchase of the 2022 Notes and 2024 Notes which were listed on The Singapore Stock Exchange. The principal amounts of the 2022 Notes and 2024 Notes repurchased were US$108.0 million and US$67.5 million respectively.

Save as disclosed above, during the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board recommended the payment of an interim dividend (the "**Interim Dividend**") of HK3 cents per share for the six months ended 30 June 2018 (30 June 2017: nil), subject to the approval of the shareholders at the forthcoming extraordinary general meeting of the Company.

The Interim Dividend will be paid on or about 18 December 2018 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 5 December 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who qualify for the Interim Dividend, the register of members of the Company will be closed from Monday, 3 December 2018 to Wednesday, 5 December 2018, both days inclusive. In order to qualify for the Interim 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 Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 30 November 2018.

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

The Company's Interim Report for the six months ended 30 June 2018 will be published on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.kaisagroup.com in due course.

By Order of the Board
Kaisa Group Holdings Ltd.
Kwok Ying Shing
Chairman and Executive Director

Hong Kong, 28 August 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.