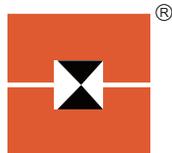


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KAISA GROUP HOLDINGS LTD.

佳兆業集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1638)

KEY FINDINGS OF THE INDEPENDENT INVESTIGATION

On 7 October 2016, FTI Consulting (Hong Kong) Limited (“**FTI Consulting**”) issued its investigation report on the audit issues (“**Audit Issues**”) identified during the audit of the Group’s financial statements for the year ended 31 December 2014. The key findings by FTI Consulting and the report of the Independent Committee to the Board are summarised in this announcement.

Trading in the shares of the Company has been suspended on the Stock Exchange from 9:00 a.m. on 31 March 2015 and will continue to be suspended until further notice.

BACKGROUND

Reference is made to the Company’s announcement dated 15 July 2016 in relation to the resignation of PwC as the Company’s auditors (the “**Auditor Announcement**”). A copy of the Auditor Announcement is appended to this announcement.

On 17 February 2015 and before its resignation, PwC communicated to the Board six issues identified in its course of audit of the financial statements for FY2014 and requested the Board to form an independent investigation on these issues.

As announced on 29 April 2015, the Board established the Independent Committee, and FTI Consulting was engaged, to conduct the investigation. On 7 October 2016, FTI Consulting issued the report on its findings.

The key findings by FTI Consulting in its investigation and the report of the Independent Committee to the Board are summarised as follows.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

KEY FINDINGS OF FTI CONSULTING

Audit Issue 1 – Identification of certain agreements during 2014 and authenticity of the accounting records

The background to this issue is set out in the section headed “1. Identification of certain agreements during 2014 and authenticity of the accounting records” of the extract of the resignation letter of PwC in the Auditor Announcement.

The key findings of FTI Consulting on this issue are summarised below.

- (1) During the financial years ended 31 December 2012 to 31 December 2014, the Group entered into 41 borrowing agreements with NBFIs (“**Non-bank financial institutions**”) which had a total loan facility of approximately RMB35.2 billion. As at 31 December 2014, the Group’s outstanding liabilities from these agreements were approximately RMB30.8 billion, based on the Company’s calculations. 39 of the approval forms of the 41 borrowing agreements were found to have been stored in the office-automation system of the Group and extracts were provided to FTI Consulting by the current management of the Company in the investigation. The remaining two borrowing agreements were not found in the system.
- (2) These agreements had not previously been disclosed or provided to the Group’s auditor, PwC, and led to the identification by the Company of significant accounting errors in the Group’s then accounting records.
- (3) These outstanding liabilities in the amount of RMB30.8 billion were misclassified in the Group’s accounting records as at 31 December 2014, as follows:
 - (i) an amount of approximately RMB13.8 billion was recorded as *other payables*;
 - (ii) an amount of approximately RMB4.4 billion was recorded as *equity*;
 - (iii) an amount of approximately RMB8.2 billion had previously been misclassified as *other payables* in prior years, but had since been reclassified as *short/long term debt* by 31 December 2014; and
 - (iv) an amount of approximately RMB4.4 billion was not recorded.
- (4) Whilst these 41 borrowing agreements were, based on information provided by the Company’s current management, properly approved and authorised in accordance with the Group’s then policies and procedures, FTI Consulting has identified that certain former employees of the Group attempted to obscure the existence of the 41 borrowing agreements through an elaborate scheme, which involved:
 - (i) the creation of fictitious agreements and documents;
 - (ii) substantial improper and unauthorised payments;

- (iii) the use of fund remittance agents to disguise the true purpose of the improper and unauthorised payments;
 - (iv) incorrect accounting treatment of the payments and the outstanding liability in the Group's accounting records; and
 - (v) collusion between multiple parties, including the Group's former employees, suppliers, fund remittance agents and certain other third parties.
- (5) In particular, the fictitious agreements and documents created the illusion that approximately RMB15.4 billion of the funds from some of the 41 borrowing agreements originated instead from cash deposits received by the Group arising from the purported sale of certain property projects to a number of third party buyers. Nevertheless, these purported sale transactions were, based on FTI Consulting's enquiries, not genuine.
- (6) Many of these purported sale transactions were subsequently cancelled; leading to the Group making cash payments of approximately RMB12.9 billion to third parties on the pretence the payments were refunds for the cash deposits previously received. None of these refund payments were made to the purported buyers of the property projects, and they were instead mostly made, through arrangements by certain former employees of the Group, to fund remittance agents allegedly appointed by the purported buyers to receive payments on their behalf. These fund remittance agents then dissipated the funds to unknown accounts and beneficiaries.
- (7) To further obscure the nature of the above cash payments, a series of fictitious accounting journal entries were recorded by the former employees to associate some of the RMB12.9 billion cash payments with the settlement of considerations of approximately RMB8.2 billion made by the Group for the purchase of 19 project companies, which is the subject of Issue 3 below. However, based on FTI Consulting's enquiries, the Group did not in fact make any payment at all for the purchase of the 19 project companies.
- (8) In addition to the above 41 borrowing agreements, the Company's current management also identified, after the commencement of FTI Consulting's investigation, an additional 14 borrowing agreements entered into by the Group with the NBFIs in prior financial years, which had not been identified and disclosed to PwC. As at 31 December 2014, there was no amount due by the Group pursuant to these 14 additional borrowing agreements. Nevertheless, approximately RMB1.4 billion of funds from these additional agreements were paid to fund remittance agents during the financial years of 2013 and 2014.
- (9) FTI Consulting has identified that some of the financial liabilities, amounting to RMB3.7 billion for borrowing costs and RMB2.2 billion for the repayment of NBF loan principal amounts were settled by a number of third parties on behalf of the Group. The representatives of these third parties stated during interviews with FTI Consulting that these repayments were made under the instructions of a former employee of the Group, in return for a service fee. FTI Consulting has identified that these repayments made by the third parties were not recorded in the Group's accounting ledgers.

- (10) FTI Consulting has not been able to contact any of the former employees identified above (with the exception of one former employee) to respond to the statements made against them by the various third parties. This former employee has however denied any involvement in the different transactions in which documents identified him as being involved.
- (11) Several of the former senior members/employees of the financial management group of the operation in the PRC of the Company were identified to have been consistently connected with the suspicious, improper and unauthorized transactions that fell within this audit issue.

The report of the Independent Committee to the Board on this issue is set out below:

- (a) The Company should seek legal advice on PRC law regarding the appropriate action to be taken against the former employees identified by FTI Consulting that were involved in the fraudulent scheme against the former members/employees and the third parties including both criminal and civil actions.
- (b) Mr Chen Gengxian (who is a former executive director of the Company) and Mr Kwok Ying Shing, the Chairman of the Board, were involved in the approval of 39 of the borrowing agreements that had been recorded in the Group's office-automation system. There is no evidence in the findings of FTI Consulting to suggest that either Mr Chen or Mr Kwok had knowledge of the subsequent accounting treatments of all the 41 borrowing agreements by the wrongdoers. The present evidence is insufficient to suggest either Mr Chen or Mr Kwok has breached his duty as the final approver.
- (c) Given that the opinions expressed by PwC in its audit of the Group's financial statements were true and fair despite that the fact that the information on 39 of the borrowing agreements were recorded in the Group's office-automation system, it would be reasonable not to expect the management in Hong Kong to be discernible of the fraudsters' deliberate act of concealing the borrowings from the account.

Audit Issue 2-Identification of unexplained cash payments and receipts

The background to this issue is set out in the section headed "2. Identification of unexplained cash payments and receipts" of the extract of the resignation letter of PwC in the Auditor Announcement.

The key findings of FTI Consulting on this issue are summarised below.

- (1) FTI Consulting has identified 31 third parties, which likely fell within the definition of the Alleged Third Parties as identified by PwC.
- (2) During the financial years of 2013 and 2014, the Group was involved in transactions with 12 of these 31 third parties. There were no cash receipt or payment transactions identified between the Group and the remaining 19 third parties, except that 15 of these 19 third parties were the original buyers and subsequent sellers of the project companies, which are the subject of Issue 3 below. These 15 third parties purportedly appointed agents to transact with the Group on their behalf.

- (3) FTI Consulting has identified the following payment and receipt transactions with respect to the 12 third parties as follows:
- (i) approximately RMB25.0 billion of payments were made by the Group to these 12 third parties during the financial year of 2013 and the financial year of 2014; and approximately RMB24.1 billion, or 96% of these payments by the Group were found to have no clear business purpose. Many of these payments were identified, according to the Company's books and records, to have been approved by a number of former employees of the Group. Nevertheless, the Company's current management does not accept that the approval records were *bona fide*;
 - (ii) the Group received approximately RMB21.6 billion from these 12 third parties during the same period; and approximately RMB21.4 billion, or 99% of the amount received by the Group were either not properly authorised or had no identifiable business purpose; and
 - (iii) the Group has recorded an un-accounted-for difference of RMB3.4 billion (that is, RMB25 billion less RMB21.6 billion) in the transactions with these 12 third parties during the FY2013 and FY2014.
- (4) Nine of these 12 third parties have been identified as fund remittance agents, most of whom in return transacted for a fee, facilitated the transfer of funds between multiple parties, including the Group. In connection with this, it is found that:
- (i) approximately 98%, or RMB23.6 billion of the RMB24.1 billion of unauthorised payments by the Group in the financial year of 2013 and the financial year of 2014 were made to these nine fund remittance agents. In interviews held by FTI Consulting with representatives of the fund remittance agents, they all declined to provide any details of where they transferred the funds and the identities of the ultimate beneficiaries.
 - (ii) the Group received amounts of approximately RMB21.2 billion from these nine fund remittance agents during the same period. Similarly, the fund remittance agents declined to disclose the original source of these funds.
- (5) Nevertheless, representatives of the fund remittance agents interviewed by FTI Consulting all stated that the transactions in which they were involved were initiated under instructions by certain former employees of the Group, who provided them with the necessary account details in order for them to effect the transactions.
- (6) FTI Consulting has not been able to contact any of the former employees identified above (with the exception of the same former employee as referenced to in paragraph (10) under Issue 1 above) to respond to the statements made against them by the fund remittance agents.

The report of the Independent Committee to the Board on this issue is set out below:

- (a) 15 of the 31 third parties were genuine buyers and subsequent sellers of the project companies in Audit Issue 3.
- (b) 12 of the 31 third parties had transactions with the Group. As for the un-accounted-for difference in the sum of RMB3.4 billion, FTI is currently in the process of quantifying the financial loss, if any, suffered by the Group on this issue.
- (c) There is prima facie evidence in the findings of FTI Consulting to suggest impropriety of the un-accounted-for difference in the sum of RMB3.4 billion. The cash payment and receipt transactions to and from the 12 third parties had no clear business purposes, nor with proper authorization. However, there is no evidence that the management in Hong Kong had any knowledge of these improper transactions. When a report under Audit Issue 1 is made, it is worth to also bring to the attention of the police the possibility of impropriety including possible embezzlement of the un-accounted for difference by the 12 third parties.

Audit Issue 3 – Re-purchases, sales, cancellation of sales, and purchases of properties under development, complete properties held for sale in bulk and proposed development project

The background to this issue is set out in the section headed “3. Re-purchases, sales, cancellation of sales, and purchases of properties under development, complete properties held for sale in bulk and proposed development project” of the extract of the resignation letter of PwC in the Auditor Announcement.

The key findings of FTI Consulting on this issue are summarised below.

- (1) FTI Consulting has established that the Group acquired the equity interests of 19 project companies during the financial year of 2014 for a total purported consideration of approximately RMB8.1 billion.
- (2) It has been found that 16 of the 19 project companies had previously been owned and sold by the Group, with 12 in prior accounting periods and four during the first half of 2014. FTI Consulting has been informed by the Company’s current management that these 16 disposal transactions were properly authorised in accordance with the Group’s then policies and procedures, although it acknowledges that no approval records can now be located. FTI Consulting has identified that the legal title of 10 of the 16 original disposals were not transferred to the buyers before the dates at which the re-purchase or the sale and cancellation transaction took place in FY2014.
- (3) Based on FTI Consulting’s enquiries with representatives of the sellers, a former employee of the Group was identified as being responsible for instigating, negotiating and effecting all of the 16 disposal transactions. The representatives stated that this former employee had persuaded them to enter into the transactions by providing them with a verbal and unconditional guarantee that the Group would re-purchase the project companies, if requested. Nevertheless, the Company’s current management stated that it was not aware of this guarantee.

- (4) For each of the 16 disposal transactions, the Company's current management has identified an independent valuation report dated between February 2012 and July 2014. FTI Consulting has however noted that all of the valuation reports were prepared after the dates of the relevant share transfer agreements. FTI Consulting has not been able to meet with the former employee as identified above to understand the reasons for the date differences.
- (5) FTI Consulting has been unable to find any payments (or other types of consideration) made by the Group for the proposed acquisition of any of these 19 project companies. FTI Consulting has been informed by the Company's current management that none of the 19 acquisition transactions were authorised and approved by the Board.
- (6) The 19 project companies were accounted for as subsidiaries in the Group's consolidated financial statements for FY2014. The Group's current management suspects that the accounting journal entries effecting their inclusion were made in February 2015 and were created to appear as if they had been entered into the Group's accounting records during the period from July 2014 to November 2014, in order to closely coincide with the dates of certain of the RMB12.9 billion cash payments identified in Issue 1 above. These accounting journal entries were likely to be false and were made, in part, to obscure the fact that no actual payment was made by the Group for the 19 project companies and to bring about the appearance that previous cash payments, which were improper payments, were related to the purchase of the 19 project companies, when they were in fact not.
- (7) The Company has obtained written confirmations from representatives of the sellers of the 19 project companies that there was no outstanding consideration due from the Company as at 31 December 2014. It is unclear to FTI Consulting how the sellers have received payments from the Company, as the sellers have all declined to provide any information regarding from whom they received the funds.

The report of the Independent Committee to the Board on this issue is set out below:

- (a) The parties that had received payments had either been dissolved or refused to disclose to FTI Consulting the purpose of the payments they received and the identities of the beneficiaries of the payments. FTI Consulting is unable to ascertain the ultimate recipients of those funds.
- (b) As advised by legal counsel, the legal title to the project companies have been fully and properly vested in the Group. For completeness sake, the Company should secure confirmatory assignments from the sellers of their respective transfers of the equity interests in the project companies to the Group. The Board should approve the post-events of the Company's acquisition of the equity interests in the 19 project companies.
- (c) The Independent Committee cannot advise on how an accounting adjustment could be made to reconcile the acquisitions of these 19 project companies with the acknowledgment by the respective sellers of the receipts of the considerations in full with no debt owed by the Company to each of them on one hand and the fact that no payments were identified on the other.

Audit Issue 4 – Disposal of subsidiaries located in Dongguan and Huizhou

The background to this issue is set out in the section headed “4. Disposal of subsidiaries located in Dongguan and Huizhou” of the extract of the resignation letter of PwC in the Auditor Announcement.

The key findings of FTI Consulting on this issue are summarised below.

- (1) In early December 2014, the Group disposed of its nine subsidiaries in Dongguan and one subsidiary in Huizhou to three buyers for approximately RMB559 million. According to PwC, the Group recorded a loss on these disposals of approximately RMB423 million.
- (2) FTI Consulting’s work indicates that the disposal transactions were properly authorised and approved in accordance with the Company’s then operating policies and procedures. FTI Consulting has also identified that the buyers and their ultimate beneficial owners were not, based on the available information, Connected Persons of the Company at the relevant time of the transactions as defined by Chapter 14A of the Listing Rules.
- (3) There is limited contemporaneous documentation explaining the background to and the commercial rationale for a number of the key disposal features. This is due to, according to the Company’s current management, the transactions being negotiated and executed in haste. In addition, most of the senior management involved in the negotiation and approval of the disposal transactions have resigned from the Company, and are not available to assist in the investigation.
- (4) The sale agreements required the buyers to pay deposits of approximately 20% of the agreed equity purchase consideration, with the balance falling due one year after the signing of the agreements. On receipt of the initial deposit amounts, the Group transferred legal ownership of four of the subsidiaries to the buyers. FTI Consulting has been informed by the Company’s current management that the buyers did not have sufficient financial resources to make full payment for the subsidiaries. Accordingly, the Company structured the transactions in such a way to allow the buyer’s time to use the assets they had purchased as security to obtain further funding. FTI Consulting has not been able to determine whether the buyers attempted to obtain additional funding.
- (5)
 - (i) The disposal considerations were supported by valuation reports prepared by an independent accountant, who valued the subsidiaries using a cost based valuation approach. No adjustments were made by the valuer to reflect differences, if any, between the carrying book values of the properties held by the subsidiaries and their market values.
 - (ii) The Group’s current management explained that the Group would ordinarily finance its property development projects by raising offshore debts in Hong Kong and capitalising interest expenses directly attributable to those development projects through consolidation adjustments. These consolidation adjustments were not reflected in the unaudited balance sheets of these project companies that were relied on for the valuation.

- (iii) The Group's current management further explained that approximately 80% of the loss of RMB423 million as alleged by PwC was due to the write-off of offshore capitalised interest expenses previously allocated to the property projects in the financial year of 2014 and in the prior years.
- (6) Subsequent to completion of the disposals, FTI Consulting has found that the Group maintained joint operating control of the subsidiaries and did not change either the legal representatives or the management teams. This arrangement of both parties maintaining joint operating control was not documented in the sale agreements but was acknowledged by the buyers.
- (7) The disposal transactions were cancelled in November 2015 due to the buyers being unable to pay the outstanding considerations. In June 2016, the Company refunded approximately RMB136 million to the buyers. This refunded amount comprised the partial consideration payments the Group had received from the buyers, and the net receivable/payable amounts between the Dongguan and Huizhou subsidiaries and various third parties, which had been re-designated to the buyers.
- (8) FTI Consulting has confirmed that legal ownership of the Dongguan and Huizhou subsidiaries was subsequently transferred back to the Group by July 2016.

The report of the Independent Committee to the Board on this issue is that given that the Company has not suffered any loss as a result of the disposals and the subsequent cancellations and the titles to the properties that are held by the subsidiaries are not affected by the disposals and cancellations, it is not recommended that any legal action shall or can be taken on the disposals.

Audit Issue 5 – Re-designation of advance proceeds received to other payables

The background to this issue is set out in the section headed “5. Re-designation of advance proceeds received to other payables” of the extract of the resignation letter of PwC in the Auditor Announcement.

The key findings of FTI Consulting on this issue are summarised below.

- (1) During the period from June 2012 to August 2012, the Group executed certain borrowing agreements with two NBFIs for aggregated loan facilities of approximately RMB1.1 billion. These borrowing agreements were duly approved in accordance with the Company's then authorisation policies and procedures.
- (2) (i) As at 31 December 2012 and 31 December 2013, the outstanding financial liabilities associated with these borrowing agreements had been incorrectly recorded in the Group's accounting records as other payables, as opposed to debt.
- (ii) FTI Consulting has identified that at about the same time when the loan facilities were drawn down by the Group, three fictitious agreements were created, which purported to show that the Group received cash advances, in the equivalent amounts to the loan facilities, from a number of third parties.

- (iii) The Company's current management suspects that these three fictitious agreements were created to obscure the existence of the borrowing agreements and the true nature of the cash inflow from the loan drawdowns, and to facilitate the incorrect accounting treatment.
 - (iv) FTI Consulting has further identified that, in order to obscure the cash flow associated with the loan drawdowns, a former employee of the Group instructed a third party to remit cash in the amount of RMB491 million to the Group on the pretence that the receipt was originated from one of the three fictitious agreements.
 - (v) Two of three fictitious agreements were subsequently cancelled such that the Group paid a total amount of RMB700 million to a third party appointed by the original counterparty to the fictitious agreements. Such payment was alleged to have been approved by a number of former employees of the Group. Nevertheless, the Company's current management does not accept that the approval records were *bona fide*.
 - (vi) Separately, FTI Consulting has identified another cash payment of RMB386 million being made by the Group from the proceeds received from one of the loans. This payment, which was made to a different third party, was not supported by any documentary evidence and had no identifiable business purpose.
- (3) (i) As at 31 December 2014, the Group's liabilities under the aforementioned two borrowing agreements had been settled in full through a combination of repayments made by the Group, and by two third parties which received funds in advance pre-arranged by a former employee of the Group. The repayment amount by the third parties amounted to RMB222.1 million for borrowing costs and RMB296.0 million for loan principal amounts.
- (ii) The representatives of these third parties stated during interviews with FTI Consulting that these repayment transactions were made under instructions of a former employee of the Group, in return for which the third parties received a service fee.
- (iii) Nevertheless, FTI Consulting has identified that these repayments made by the third parties were not recorded in the Group's accounting ledgers.

The report of the Independent Committee to the Board on this issue is set out below:

- (a) a report should be made to the police in the PRC regarding the wrongdoings which involve suspected embezzlement of the Company's fund, false accounting and forgeries by creation of fictitious documents; and
- (b) the Company should consider taking civil action in the PRC against the wrongdoers for damages that the Group has suffered if FTI Consulting's further findings confirm that the Group has suffered financial loss under this audit issue.

Audit Issue 6 – Blockage of property projects

The background to this issue is set out in the section headed “1. Blockage of property projects” of the extract of the resignation letter of PwC in the Auditor Announcement.

The key findings of FTI Consulting on this issue are summarised below.

- (1) FTI Consulting has identified that 39 of the Company’s property projects have been subject to different types of restrictions imposed by the local government authorities in Shenzhen and/or the PRC courts since November 2014.
- (2) As at 30 September 2016, three of the above 39 property projects remained partially restricted. The total net book value of these three property projects was approximately RMB3.4 billion as at 31 December 2014.

The report of the Independent Committee to the Board on this issue is that FTI Consulting has not identified any evidence of fraud that was involved in those restrictions and as such, no legal action has to be taken.

METHODOLOGY

FTI Consulting has proceeded with its investigation based on a comprehensive work plan approved by the Independent Committee, which focused on the following objectives:

- (1) Independently determine the facts and circumstances surrounding the identification of the Audit Issues;
- (2) Consider PwC’s areas of concern on which it indicated that it would require additional audit evidence;
- (3) Identify, to the extent possible, whether there is evidence indicative of fraudulent accounting and/or other irregularities in connection with the Audit Issues; and
- (4) Identify, to the extent possible, whether there is evidence of potential misstatement or error in the Company’s Financial Statements.

The methodology adopted by FTI Consulting in the course of the investigation includes, but is not limited to, the following:

- (1) Collation, review and analysis of a significant volume of the Group’s internal policies and procedures, accounting records, bank statements, accounting journal vouchers, legal agreements and other relevant books and records;
- (2) Computer-assisted data analytics on the Group’s electronic accounting system, electronic transaction approval workflow system and other information databases;
- (3) Forensic data collection of email archives, computer hard-drives, back-ups and server files belonging to selected senior management and former employees;

- (4) Meetings and interviews with the Company's employees (both current and former) and with representatives of selected third party entities; and
- (5) Investigative research regarding the identities of selected third party entities that are relevant to the Audit Issues.

LIMITATIONS OF FTI CONSULTING'S INVESTIGATION

We draw attention below to a number of limitations and challenges encountered by FTI Consulting during the course of its work, which in some respects limited both the nature and extent of the procedures it was able to undertake and complete.

A summary of the main limitations is as follows:

- (1) PwC has refused to meet with FTI Consulting to assist with its understanding of the Audit Issues and to provide it with copies of the documents and/or information previously relied on in the course of the audit engagement;
- (2) A significant number of senior management and employees of the Company whom FTI Consulting considers to be integral to obtaining a full understanding of the Audit Issues have resigned since the identification of the Audit Issues and are not available to assist with the investigation;
- (3) FTI Consulting has been advised by the Company's current management that some of the documents and/or electronic records that it has requested are no longer retained, or cannot be located or they may have been inadvertently lost or misplaced in early 2015;
- (4) Many of the third party entities, the subjects of FTI Consulting's enquiries, have either been dissolved since the end of 2014, and/or they were offshore entities registered in the British Virgin Islands, whose exact ownership records are not publicly available. It is also common that these third party entities engaged financial intermediaries or agents to transact with the Company on their behalf, which obfuscated FTI Consulting's analysis of the transaction chronology and fund flows;
- (5) FTI Consulting has conducted interviews with representatives of selected third party entities, but noted that the interviewees generally have either limited or no knowledge of the relevant transactions, or they were reluctant to divulge any information to substantiate their statements owing to confidentiality reasons;
- (6) FTI Consulting's analysis of the Group's accounting records indicates that a large number of transactions, many of which the subjects of the investigation, were not supported by sufficient documentary evidence. It is noted that in some instances the transaction descriptions recorded in the Group's General Accounting Ledgers were incomplete, inaccurate or inadequate to explain the precise nature, substance and rationale behind a particular transaction.

- (7) The Company manages its liquidity and cash flows through use of a Capital Pool (資金池) system, whereby funds are aggregated in a central pool, and mixed and distributed between different subsidiaries on a regular basis in order to meet changing cash supply and demand requirements. In addition, a number of the Company's former employees executed a significant volume of cash transactions, both payments and receipts, through the use of fund remittance agents. It is acknowledged that the above features of cash movements facilitated many of the transactions, now the subject of FTI Consulting's investigation.

SUSPENSION OF TRADING

At the request of the Company, trading in the Company's shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 31 March 2015 and will continue to be suspended until further notice.

DEFINITION

“Alleged Third Parties”	third parties who were alleged to have received payments from, and have been paid by, the Group during and prior to the year ended 31 December 2014;
“Auditor Announcement”	has the meaning as set out in the paragraph headed “BACKGROUND” in this announcement;
“Board”	the board of the Company;
“Company”	Kaisa Group Holdings Ltd. (佳兆業集團控股有限公司*), a company incorporated in the Cayman Islands as an exempted company with limited liability and the shares of which are listed on the Stock Exchange;
“connected person”	has the meaning as set out in the Listing Rules;
“FTI Consulting”	FTI Consulting (Hong Kong) Limited;
“FY2013”	the financial year ended 31 December 2013;
“FY2014”	the financial year ended 31 December 2014;
“Group”	the Company and its subsidiaries;
“Independent Committee”	the committee of the Board comprising Mr. Zhang Yizhao and Mr. Rao Yong, the independent non-executive directors of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“NBFI”	non-bank financial institutions;
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement;
“PwC”	PricewaterhouseCoopers;
“RMB”	Renminbi, the lawful currency of the PRC; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 19 December 2016

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

* *For identification purposes only*