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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1638)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

- Total revenue for the year increased by 62.6% to approximately RMB17,771.5 million from 2015
- Gross profit for the year increased by 573.3% to approximately RMB2,312.0 million and gross profit margin for the year increased by 9.9% to 13.0% from 2015
- Loss for the year decreased by 72.3% to approximately RMB347.5 million from 2015
- Contracted sales for the year increased by 222% to approximately RMB29.8 billion

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	4	**17,771,517**	10,926,535
Cost of sales	7	**(15,459,546)**	(10,583,158)
Gross profit		**2,311,971**	343,377
Other losses, net	5	**(560,512)**	(216,339)
Selling and marketing costs	7	**(842,695)**	(559,419)
Administrative expenses	7	**(1,745,262)**	(1,066,169)
Changes in fair value of investment properties		**4,161,371**	3,824,520
Changes in fair value of financial derivatives		**(21,500)**	(42,219)
Operating profit		**3,303,373**	2,283,751
Share of results from associates		**(40,578)**	(3,586)
Share of results from joint ventures		**8,223**	–
Finance income		**39,236**	10,717
Finance costs		**(2,159,602)**	(2,117,161)
Finance costs, net	6	**(2,120,366)**	(2,106,444)
Gain on extinguishment of financial liabilities	8	**716,143**	–
Profit before income tax		**1,866,795**	173,721
Income tax expenses	9	**(2,214,306)**	(1,428,205)
Loss for the year		**(347,511)**	(1,254,484)
Other comprehensive loss, including reclassification adjustments			
Items that will be reclassified subsequently to profit or loss			
Changes in fair value of available-for-sale financial assets, net of tax		**(210)**	–
Other comprehensive loss for the year, including reclassification adjustments		**(210)**	–
Total comprehensive loss for the year		**(347,721)**	(1,254,484)

	Notes	**2016**	2015
		RMB'000	*RMB'000*
(Loss)/profit for the year attributable to:			
Equity holders of the Company		**(612,380)**	(1,121,577)
Non-controlling interests		**264,869**	(132,907)
		(347,511)	(1,254,484)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(612,590)**	(1,121,577)
Non-controlling interests		**264,869**	(132,907)
		(347,721)	(1,254,484)
Loss per share for loss attributable to equity holders of the Company during the year (expressed in RMB per share)	*10*		
– Basic		**(0.119)**	(0.218)
– Diluted		**(0.119)**	(0.218)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property and equipment		**1,087,064**	760,171
Investment properties		**30,690,680**	20,738,703
Land use rights		**163,178**	162,942
Investments in associates	*12a*	**1,331,121**	783,175
Investments in joint ventures	*12b*	**931,751**	–
Available-for-sale financial asset	*13*	**154,538**	–
Goodwill and intangible assets	*14*	**217,798**	–
Long-term bank deposits		**–**	1,479
Deferred income tax assets		**26,543**	32,207
		34,602,673	22,478,677
Current assets			
Properties under development		**60,559,839**	63,861,735
Completed properties held for sale		**16,246,233**	17,663,012
Available-for-sale financial assets	*13*	**13,104**	10,000
Debtors, deposits and other receivables	*3*	**5,786,042**	5,357,835
Deposits for land acquisition		**17,693,750**	4,002,386
Prepayments for proposed development projects		**13,620,415**	10,566,950
Prepaid taxes		**727,280**	298,157
Restricted cash		**5,696,597**	969,403
Short-term bank deposits		**56,917**	13,974
Cash and cash equivalents		**10,819,117**	2,324,546
		131,219,294	105,067,998
Current liabilities			
Advance proceeds received from customers and deposits received		**27,973,395**	14,524,168
Accrued construction costs		**10,704,790**	14,591,720
Income tax payable		**4,440,460**	3,989,909
Borrowings		**7,762,301**	33,713,019
Financial derivatives		**263,822**	–
Other payables		**6,816,833**	5,287,570
Amounts due to non-controlling interests of subsidiaries		**836,019**	672,405
		58,797,620	72,778,791
Net current assets		**72,421,674**	32,289,207
Total assets less current liabilities		**107,024,347**	54,767,884

	2016	2015
	RMB'000	*RMB'000*
Non-current liabilities		
Borrowings	**79,774,515**	38,405,150
Deferred income tax liabilities	**4,203,433**	3,163,089
	83,977,948	41,568,239
Net assets	**23,046,399**	13,199,645
EQUITY		
Share capital	**450,450**	450,450
Share premium	**4,253,704**	4,253,704
Reserves	**8,241,973**	8,845,390
Equity attributable to equity holders of the Company	**12,946,127**	13,549,544
Non-controlling interests	**10,100,272**	(349,899)
Total equity	**23,046,399**	13,199,645

NOTES

1 GENERAL INFORMATION

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

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

These consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 25 March 2017.

2 STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance and of the applicable Listing Rules. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets and financial liabilities (including financial derivatives) at fair value through profit or loss, which are carried at fair value.

Other key events

In accordance with the Circular on the full implementation of Levying Value-added Tax ("VAT") in place of Business Tax (Caishui No.36, 2016) (the "Circular") jointly issued by the Ministry of Finance and the State Administration of Taxation in the PRC, taxpayers providing taxable services included in the Circular would be subject to VAT rather than business tax starting from 1 May 2016. The Group has applied the Circular since 1 May 2016.

(i) Amended standards adopted by the Group

The following amended standards that may be relevant to the Group's operations have been adopted by the Group for the first time for the financial year beginning on 1 January 2016:

Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle

The application of the above amended standards did not have material financial impact to the Group.

(ii) New standards, amended standards and interpretation that have been issued but were not yet effective

The following new and amended standards, and interpretation have been issued but were not effective for the financial year beginning on 1 January 2016 that are relevant to and have not been adopted early by the Group:

		Effective for the accounting period beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKAS 7 (Amendments)	Statement of Cash Flows	1 January 2017
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

The Group will adopt the above new and amended standards and interpretation when they become effective. The Group has commenced the assessment of the potential impact to the Group and is not yet in a position to state whether these would have any significant impact on its results of operations and financial position.

3 DEBTORS, DEPOSITS AND OTHER RECEIVABLES

Debtors, deposits and other receivables include trade receivables, other receivables, other deposits, prepayment for construction costs to third parties and prepaid other taxes.

Trade receivables mainly arose 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:

	2016	2015
	RMB'000	*RMB'000*
Within 90 days	**250,634**	186,102
91-180 days	**–**	7
181-270 days	**7,825**	98
271-365 days	**6**	187
Over 365 days	**69,537**	439,362
	328,002	625,756

Included in the Group's trade receivables balances of RMBNil and RMB6,130,000 as at 31 December 2016 and 2015, respectively, were not yet due. The balances represented receivables from sales of commercial and residential properties, properties under development/held for sale and proposed development projects from independent third parties. These receivables were repayable within one year after the completion of certain legal documents, which were expected to be settled in the next year.

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

	2016	2015
	RMB'000	*RMB'000*
Overdue within 90 days	**250,634**	179,972
Overdue within 91-180 days	**–**	7
Overdue within 181-270 days	**7,825**	98
Overdue within 271-365 days	**6**	187
Overdue over 365 days	**69,537**	439,362
	328,002	619,626

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

Up to the date of this announcement, the amounts of RMB100,590,000 and RMB552,610,000 of the trade receivables as at 31 December 2016 and 2015 have been settled, respectively.

4 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker 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 operating segment based on a measure of profit before changes in fair value of financial derivatives, corporate and other unallocated expenses, gain on extinguishment of financial liabilities, finance income, finance costs and income tax expenses.

The executive directors identified the segments based on the nature of business operations. Specifically, the management assessed the performance of sales of properties, rental income, property management services, hotel and catering operations and cinema, department store and cultural centre operations and regarded these being the reportable segments. No geographical segment analysis is presented as the majority of the assets and operations of the Group were located in the People's Republic of China (the "**PRC**"), which is considered as one geographical location in an economic environment with similar risk and returns.

Revenue for the year consists of the following:

	2016	2015
	RMB'000	*RMB'000*
Sales of properties		
– Completed properties held for sale	**16,739,010**	10,230,515
– Properties under development/held for sale and proposed development projects	**–**	61,380
Rental income	**228,054**	232,180
Property management services	**271,622**	224,089
Hotel and catering operations	**81,967**	67,274
Cinema, department store and cultural centre operations	**253,270**	111,097
Others	**197,594**	–
	17,771,517	10,926,535

The segment information provided to the executive directors of the Company for the reportable segments for the year ended 31 December 2016 is as follows:

	Property development	Property investment	Property management	Hotel and catering operations	Cinema, department store and cultural centre operations	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	16,739,010	242,829	524,384	88,702	257,905	197,594	18,050,424
Less: inter-segment revenue	–	(14,775)	(252,762)	(6,735)	(4,635)	–	(278,907)
Revenue from external customers	16,739,010	228,054	271,622	81,967	253,270	197,594	17,771,517
Segment results before changes in fair values of investment properties and share of results from associates and joint ventures	(867,614)	126,243	104,537	(37,746)	(68,146)	115,222	(627,504)
Share of results from associates and joint ventures	(40,578)	–	–	–	–	8,223	(32,355)
Changes in fair value of investment properties	–	4,161,371	–	–	–	–	4,161,371
Segment results	(908,192)	4,287,614	104,537	(37,746)	(68,146)	123,445	3,501,512
Changes in fair value of financial derivatives							(21,500)
Corporate and other unallocated expenses							(208,994)
Finance income							39,236
Finance costs							(2,159,602)
Finance costs – net							(2,120,366)
Gain on extinguishment of financial liabilities							716,143
Profit before income tax							1,866,795
Income tax expenses							(2,214,306)
Loss for the year							(347,511)

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Other information:								
Depreciation	45,085	3,740	3,116	4,841	10,838	1,117	32,632	101,369
Amortisation of land use rights	2,160	–	–	1,808	2,318	–	–	6,286
Amortisation of intangible assets	–	–	–	–	85,796	–	–	85,796
Write-down of completed properties held for sale and properties under development	670,615	–	–	–	–	–	–	670,615

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

The segment information provided to the executive directors of the Company for the reportable segments for the year ended 31 December 2015 is as follows:

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel and catering operations *RMB'000*	Cinema, department store and cultural centre operations *RMB'000*	Total *RMB'000*
Revenue	10,291,895	244,450	450,106	71,403	113,251	11,171,105
Less: inter-segment revenue	–	(12,270)	(226,017)	(4,129)	(2,154)	(244,570)
Revenue from external customers	10,291,895	232,180	224,089	67,274	111,097	10,926,535
Segment results before changes in fair values of investment properties and share of results from associates	(1,479,395)	68,028	37,296	(69,933)	9,004	(1,435,000)
Share of results from associates	(3,586)	–	–	–	–	(3,586)
Changes in fair value of investment properties	–	3,824,520	–	–	–	3,824,520
Segment results	(1,482,981)	3,892,548	37,296	(69,933)	9,004	2,385,934
Changes in fair value of financial derivatives						(42,219)
Corporate and other unallocated expenses						(63,550)
Finance income						10,717
Finance costs						(2,117,161)
Finance costs – net						(2,106,444)
Profit before income tax						173,721
Income tax expenses						(1,428,205)
Loss for the year						(1,254,484)

	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*	Unallocated *RMB'000*	Total *RMB'000*
Other information:							
Depreciation	47,066	6,142	7,627	33,436	9,954	616	104,841
Amortisation of land use rights	680	–	–	2,195	3,411	–	6,286
Write-down of completed properties held for sale and properties under development	240,276	–	–	–	–	–	240,276

	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*	Elimination *RMB'000*	Total *RMB'000*
Segment assets	230,715,816	15,261,027	2,202,259	2,402,689	404,888	(123,780,368)	127,206,311
Unallocated							340,364
Total assets							127,546,675
Segment liabilities	151,056,825	2,167,609	1,568,503	1,457,390	319,788	(121,498,966)	35,071,149
Unallocated							79,275,881
Total liabilities							114,347,030
Other information:							
Capital expenditure	17,570	661,649	1,236	2,074	1,289	–	683,818

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

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

5 OTHER LOSSES – NET

	2016 ***RMB'000***	2015 *RMB'000*
Forfeited customer deposits	**(9,099)**	(4,480)
Write-down of completed properties held for sale and properties under development	**670,615**	240,276
Government subsidy income *(note)*	**(80,104)**	(53,740)
Gain on disposal of available-for-sales financial assets	**(38,505)**	–
Dividend income received from available-for-sales financial assets	**(20,801)**	–
Loss on disposal of property and equipment	**793**	6,499
Others	**37,613**	27,784
	560,512	216,339

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 were no unfulfilled conditions and other contingencies attached to the receipt of the subsidy.

6 FINANCE COSTS – NET

	2016 *RMB'000*	2015 *RMB'000*
Finance income		
Interest income on bank deposits	**39,236**	10,717
Finance costs		
Interest expense		
– Bank borrowings	**3,661,536**	2,882,827
– Senior Notes	**917,594**	1,578,482
– Convertible Bonds	**89,610**	188,405
– New HY notes	**698,254**	–
– Mandatority exchangable bonds	**79,405**	–
– Other borrowings	**1,493,656**	1,702,922
Total interest expenses	**6,940,055**	6,352,636
Less: interest capitalised *(note)*	**(6,017,783)**	(5,230,439)
	922,272	1,122,197
Net exchange losses	**1,237,330**	994,964
	2,159,602	2,117,161
Finance costs – net	**(2,120,366)**	(2,106,444)

Note: The capitalisation rate of borrowings is 14.37% (2015: 10.91%) for the year.

7 EXPENSES BY NATURE

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

	2016 *RMB'000*	2015 *RMB'000*
Auditors' remuneration	**5,230**	6,127
Advertising and other promotional costs	**405,204**	347,709
Agency fee	**131,252**	51,599
Business taxes	**737,201**	624,255
Cost of properties sold	**14,091,333**	9,686,224
Depreciation	**101,369**	104,841
Amortisation of land use rights	**6,286**	6,286
Amortisation of intangible asset	**85,796**	–
Donations	**25,989**	10
Legal and professional fees	**265,586**	121,053
Operating lease rental	**35,509**	33,434
Staff costs – including directors' emoluments	**777,888**	517,717
Office expenses	**106,805**	55,520
Travelling	**21,985**	8,445
Others	**1,250,070**	645,526
	18,047,503	12,208,746

8 GAIN ON EXTINGUISHMENT OF FINANCIAL LIABILITIES

On 21 July 2016, the Debt Restructuring (as defined in the Company's announcement dated 22 July 2016 (the "**Announcement**")) was effected whereby the Group's offshore debts, including various senior notes, convertible bonds, bank and other borrowings (collectively and individually referred to as the "Original Offshore Debts") were exchanged for new notes, being Series A-E Senior Notes and Mandatorily Exchangeable Notes as described in the Announcement (collectively and individually referred to as the "**New Offshore Debts**").

For those exchanges with substantially different terms, the Original Offshore Debts were derecognised and the New Offshore Debts were recognised at their fair values at the effective date. A gain of approximately RMB716,143,000 was recognised for the year ended 31 December 2016, representing the difference between the carrying amount of the related Original Offshore Debts derecognised and the fair value of the related New Offshore Debts recognised, net of the related fees paid and transaction costs.

For the remaining exchanges, the consent fees amounting to RMB104,346,000 in aggregate were adjusted against the carrying amounts of the related Original Offshore Debts and amortised over the remaining terms of the related New Offshore Debts.

9 INCOME TAX EXPENSES

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

PRC enterprise income tax

PRC enterprise income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2015: 25%).

Hong Kong profits tax

No Hong Kong profits tax was provided for the years ended 31 December 2016 and 2015 as the Group has no assessable profits arising in or derived from Hong Kong for the years.

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 consolidated statement of profit or loss as income tax.

	2016	2015
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax	**674,476**	258,557
– PRC land appreciation tax	**465,003**	178,701
Under-provision in prior years		
– PRC land appreciation tax	**28,820**	8,200
Deferred income tax	**1,046,007**	982,747
	2,214,306	1,428,205

10 LOSS PER SHARE

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

	2016	2015
Loss attributable to equity holders of the Company (RMB'000)	**(612,380)**	(1,121,577)
Weighted average number of ordinary shares of the Company in issue	**5,135,427,910**	5,135,427,910
Basic loss per share (RMB)	**(0.119)**	(0.218)

The calculation of basic loss per share is based on the Group's loss attributable to equity holders of the Company of RMB612,380,000 (2015: RMB1,121,577,000) and the weighted average number of 5,135,427,910 (2015: 5,135,427,910) ordinary shares of the Company in issue during the year.

Diluted loss per share for the years ended 31 December 2016 and 2015 was calculated based on the weighted average number of ordinary share of the Company in issue. The diluted loss per share for the years ended 31 December 2016 and 2015 was the same as the basic loss per share as the potential ordinary shares (convertible bonds and share options) were anti-dilutive.

11 DIVIDEND

No dividend was declared by the Company for the years ended 31 December 2016 and 2015.

12 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2016	2015
	RMB'000	*RMB'000*
(a) Investment in associates		
Investment cost	**1,371,699**	786,761
Share of results from associates	**(40,578)**	(3,586)
	1,331,121	783,175
(b) Investment in joint ventures		
Investment cost	**923,528**	–
Share of results from joint ventures	**8,223**	–
	931,751	–

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 **RMB'000**	2015 RMB'000
Listed equity securities	**1,104**	–
Unlisted equity securities	**166,538**	10,000
	167,642	10,000

14 GOODWILL AND INTANGIBLE ASSETS

	Goodwill ***RMB'000***	**Sports players' registrations** ***RMB'000*** ***(note)***	**Total** ***RMB'000***
Cost			
Acquisition of subsidiaries	**121,779**	**107,437**	**229,216**
Additions	**–**	**74,378**	**74,378**
At 31 December 2016	**121,779**	**181,815**	**303,594**
Accumulated amortisation			
Amortisation – expensed in administrative expenses	**–**	**(85,796)**	**(85,796)**
At 31 December 2016	**–**	**(85,796)**	**(85,796)**
Net carrying amount			
At 31 December 2016	**121,779**	**96,019**	**217,798**

Note:

Sports players' registrations represent the costs of acquiring sports players' registrations or extending their contracts, including agent's fees. The remaining amortisation period of the sports players' registrations is based on respective players' contracts ranging from 1 to 4 years.

15 COMMITMENTS

(a) Commitments for property development expenditures

	2016	2015
	RMB'000	*RMB'000*
Contracted but not provided for	**27,186,258**	24,511,831

Note: The amount represented capital commitments for land use rights, prepayments for proposed development contracts and construction contracts.

(b) Operating lease commitments

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

	2016	2015
	RMB'000	*RMB'000*
Not later than one year	**27,278**	22,884
Later than one year and not later than five years	**29,906**	14,301
Later than five years	**324**	648
	57,508	37,833

(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:

	2016	2015
	RMB'000	*RMB'000*
Not later than one year	**176,819**	194,728
Later than one year and not later than five years	**427,198**	484,406
Later than five years	**236,789**	305,882
	840,806	985,016

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Kaisa Group Holdings Ltd. ("**Kaisa**" or the "**Company**", together with its subsidiaries, the "**Group**"), I hereby present to you the annual results of the Group for the year ended 31 December 2016 (the "**Year**") together with the comparative figures for the previous year.

Once again, on behalf of the Board, I would like to take this opportunity to express our sincerest and utmost appreciation to all the shareholders of the Company, investors, business partners and other stakeholders for their patience and continued support to the Company despite the suspension of trading in the shares of the Company (the "**Shares**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 31 March 2015. For the resumption progress, please refer to the section headed "Resumption Progress" in the annual report of the Company for the year ended 31 December 2016.

RESULTS AND DIVIDEND

For the year ended 31 December 2016, the Group's turnover and gross profit grew significantly by approximately 62.6% and 573.3% to approximately RMB17,771.5 million and RMB2,312.0 million, respectively, as compared to 2015. Loss for the year attributable to equity holders of the Company and basic loss per share were approximately RMB612.4 million and RMB11.9 cents, respectively, as compared with RMB1,121.6 million and RMB21.8 cents in 2015.

The Board does not recommend payment of a final dividend for the year ended 31 December 2016 (2015: nil).

BUSINESS REVIEW

In 2016, the real estate market in China experienced a progressively tightening trend with most of the cities putting inventory clearance and provision of support to owner-occupier housing demand on their top priorities during the first three quarters, with only a few hot-spot cities preserved their tightening policies. However, following the introduction of extensive adjustments in 22 cities since 30 September 2016, austerity measures, such as purchase and loan restrictions, spread among hot-spot cities, calling increases in transaction volume and prices to a halt in the fourth quarter of 2016. According to the data from the National Bureau of Statistics, commodity properties saw GFA sold reached 1.573 billion sq. m. in 2016, representing a year-on-year growth of 22.5% and transaction value aggregated RMB11.76 trillion, representing a year-on-year growth of 34.8%. While both the GFA sold and aggregated transaction value hit new records, commercial banks started tightening their residential mortgage lending since the fourth quarter in 2016.

In view of this, the Group actively facilitated negotiation of its onshore debts and restructuring of its offshore debts to lift of blockages and re-launching of projects for sale in major cities to unleash sales momentum on one hand, while adjusted its pace of sales and launching schedule of new projects/phases based on the respective market conditions in different cities on the other. Reaping benefits from its success in implementation of development strategies in the first tier cities and key second tier cities, the Group achieved contracted sales of approximately RMB29.8 billion for the year ended 31 December 2016, hitting a record high. In particular, sales from Pearl River Delta contributed to nearly 50% of the total contracted sales. According to the "2016 TOP 200 Real Estate Enterprise Property Developers" jointly compiled by China Real Estate Information Corporation and China Real Estate Appraisal Center, Kaisa ranked 46th in terms of contracted sales amount.

With respect to land acquisitions, during the Year, the Group acquired land parcels in Shenzhen, Wuhan, Chongqing and Huizhou through public tender, merger and acquisition, cooperative development to deliberately replenish its land bank. Leveraging its strengths in urban re-development accumulated over the years, the Group facilitated supply of land through re-development projects including Shenzhen Pinghu old town project, Shenzhen Argent Project, Shenzhen Yantian project and Zhuhai Wanzhai project. These will in turn provide high quality land bank to support the Group's sustainable development at low costs. As at 31 December 2016, approximately 80% of the Group's 21 million sq.m. land bank was located in the first tier cities and key second tier cities, laying a solid foundation for the Group's future development.

While principally engaged in real estate development, the Group has also been selectively participating in other operations such as culture and sports. The Group believes that these operations will provide Kaisa' s existing and potential customers a wide range of ancillary services and premium experiences, and would lift their recognition and loyalty towards Kaisa' s brand. In the long run, such operating strategy will strengthen the Group's competitiveness in acquiring land resources and help the Group upscale the industrial ecosystem and lengthen the industrial chain, which in turn will create new profit growth drivers for the Group amid intensive competition, enabling the Group to achieve sustainable development.

FINANCIAL MANAGEMENT AND FINANCING

In response to potential risks brought about by the slowdown of macro-economy, during the Year, the Group adhered to the "cash is king" principle and accelerated collection of sales proceeds in order to increase cash in hand, and strived to explore various financing channels with a view to lowering its finance costs and improving its debt structure.

In recognition of the Group's business model and development strengths by the capital market, the Group successfully entered into strategic cooperation agreements with well-known financial institutions including China Citic Bank and Ping An Bank, which have provided solid capital support for the Group to restore its rapid development.

INVESTOR RELATIONS

The Group endeavours to maintaining effective communications with its shareholders and investors through regulatory filings, announcements and meetings, in order to keep them updated with the Company's recent developments. The Group values inputs from investors and reviews its operational and financial management from time to time.

PROSPECTS

Looking forward in 2017, China's economic growth is expected to stabilise further as compared to 2016. The increases in the overall transaction volume and prices in the real estate market are expected to slow down, while the relaxed credit policy and environment will also be tightened. Despite these, the Central government will focus on supply-side structural reforms to stimulate demands modestly and the general direction to pursue reforms will stay intact. These will lay a solid foundation for the healthy and long-term development of the domestic real estate market.

The Group will continue to penetrate first tier cities and key second tier cities. Through a prudent layout of land reserves across the country, as well as reasonable allocation of sales resources based on the prevailing market conditions, the Group aims to accelerate project turnover cycles and maximise profitability. In terms of financial management and control, the Group will strengthen its cash flow management, increase efficiency of usage of funds, actively widen its financing channels, lower its finance costs and optimise its debt structure.

ACKNOWLEDGEMENT

The Board will continue to mitigate the negative impact and implement measures to manage any operational and reputational risks of the Group, and realise and enhance core strengths of the Group for its sustainable development.

I would like to take this opportunity to extend my sincerest gratitude to all of our shareholders for their enormous support on us. Our staff members have been serving the Group with their most dedicated efforts that, when coupled with support from our business partners and creditors, have fueled our courage and resilience to work with the relevant authorities and parties to resolve the whole situation surrounding us. On behalf of the Board, I would like to express my wholehearted tribute to all shareholders of the Company, investors, business partners and customers.

KWOK Ying Shing
Chairman

Hong Kong, 25 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

During the year, the Group recorded a turnover of approximately RMB17,771.5 million, representing an increase of 62.6% as compared to that of year 2015. Loss for the year attributable to equity holders of the Company amounted to approximately RMB612.4 million, as compared to approximately RMB1,121.6 million for year 2015. The net loss for the year, excluding gain on extinguishment of financial liabilities, changes in fair values of investment properties and financial derivatives, net of deferred tax increased to approximately RMB4,163.2 million, representing an increase of 2.0% as compared to that of year 2015. Basic loss per share was RMB11.9 cents as compared to RMB21.8 cents in 2015.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil).

Contracted sales in 2016

During the year ended 31 December 2016, the Group's contracted sales amounted to approximately RMB29.8 billion, representing an increase of 222%. Aggregated GFA sold for the year was approximately 2,269,379 sq.m., representing an increase of 81% year-on-year. Average selling price ("**ASP**") of the contracted sales increased by 78.3% year-on-year to RMB13,150 per sq.m.. The table below shows the Group's contracted sales by region in 2016:

Region	**Contracted sales area** *(sq.m.)*	**Contracted sales amount** *(RMB in Millions)*
Pearl River Delta	769,314	13,495
Yangtze River Delta	583,415	10,186
Western China Region	319,629	2,042
Central China Region	305,451	2,529
Pan-Bohai Bay Rim	291,569	1,591
Total	**2,269,379**	**29,843**

Property development

Projects completed in 2016

The Group adopts a strict and prudent practice in project development and adjusts its pace of business expansion as and when appropriate. During the year, the GFA of newly completed projects of the Group amounted to approximately 2.2 million sq.m..

Projects under development

As at 31 December 2016, the Group had 33 projects under development with an aggregate of GFA of approximately 6.8 million sq.m..

Property management

The Group provides property management services to properties developed by the Group. During the year under review, the Group managed a total floor area of approximately 19.3 million sq.m.. In December 2016, Kaisa was ranked 14th in "2016 China Top 100 Property Management Companies" jointly compiled by China Index Research Institute and China Real Estate Top 10 Research Team. The Group's property management arm is striving to deliver excellent and professional services to its customers.

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, and its cash flows and financial condition. As at 31 December 2016, the Group held an aggregate GFA of 408,665 sq.m. completed investment properties for rental purpose.

Land bank

It remains an ongoing effort of the Group to expand its land reserve to implement the business strategy of rapid turnover model. Since late 2011, the Group started to re-focus the opportunities in first and second tier cities and provincial capitals with a focus on end-user mass market. As at 31 December 2016, the Group had a total land bank of approximately 21.0 million sq.m., which is sufficient for the Group's development needs for the next five years.

The table below sets forth information of these land acquisitions:

Time of Acquisition	Location	Attributable Interest	Site Area	Attributable GFA	Consideration	Type
			(sq.m.)	*(sq.m.)*	*(RMB in millions)*	
August 2016	Shenzhen	100%	25,966	51,930	780.0	Commercial
October 2016	Huizhou	51%	289,160	642,174	2,393.0	Commercial and Residential
October 2016	Wuhan	100%	26,996	105,434	1,436.0	Commercial and Residential
November 2016	Shenzhen	100%	168,430	475,000	1,363.8	Commercial and Residential
December 2016	Chongqing	100%	34,787	86,968	175.0	Commercial and Residential
December 2016	Shenzhen	80%	48,773	260,000	1,801.9	Commercial and Residential
			594,112	1,621,506	7,949.7	

Outlook

In 2017, the entirely easing credit environment may come to an end, with the monetary policy expected to remain stable and moderate. The intricacy and complexity of the international political and economic environment will cause a direct impact on China's foreign trade, while the stability in domestic consumption and investment demand will ensure a more moderate economic growth. The deepening of supply-side reforms together with the measures to revive the real economy taken by the Central government will provide a good environment for the real estate market to achieve a long term and stable development. Against this backdrop, the Group will further penetrate first tier cities and key second tier cities, and speed up to realise value of the urban re-development projects. By providing high quality products and services, the Group strives to accelerate turnover of its capital, maximise profit from its projects and deliver greater value to its shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue was primarily derived from six business segments: (i) property development, (ii) property investment, (iii) property management, (iv) hotel and catering operations, (v) cinema, department store and cultural centre operations and (vi) others. Revenue increased by 62.6% to approximately RMB17,771.5 million in 2016 from approximately RMB10,926.5 million in 2015. 94.2% of the Group's revenue was generated from the sales of properties (2015: 94.2%) and 5.8% from other segments (2015: 5.8%).

Sales of properties

Revenue from sales of properties increased by approximately RMB6,447.1 million, or 62.6%, to approximately RMB16,739.0 million in 2016 from approximately RMB10,291.9 million in 2015. The increase was primarily due to increase in the total delivered GFA from approximately 1,132,290 sq.m. in 2015 to approximately 1,866,540 sq.m. in 2016.

Since November 2014, processing and filing of the sale and purchase agreements for unsold units of some property projects of the Group in Shenzhen were blocked (the "**Blockage**") and a number of unsoldated units in those projects were subject to freezing order imposed by local courts in the PRC (the "**Seizure**"). All Seizure and the Blockage were lifted by July 2016.

Rental income

Rental income decreased by approximately RMB4.1 million, or 1.8%, to approximately RMB228.1 million in 2016 from approximately RMB232.2 million in 2015.

Property management

Revenue from property management services increased by approximately RMB47.5 million, or 21.2%, to approximately RMB271.6 million in 2016 from approximately RMB224.1 million in 2015. This increase was primarily attributable to the increased GFA under property management.

Hotel and catering operations

Revenue from hotel and catering operations of the Group increased by approximately RMB14.7 million, or 21.8% to approximately RMB82.0 million in 2016 from approximately RMB67.3 million in 2015. This increase was mainly attributable to the Group's business expansion in the Pearl River Delta.

Cinema, department stores and cultural centre operations

Revenue from cinema, department stores and cultural centre operations increased by approximately RMB142.2 million, or 128.0%, to approximately RMB253.3 million in 2016 from approximately RMB111.1 million in 2015. The increase was primarily attributable to the business expansion in this segment in 2016.

Gross profit

As a result of the foregoing, the Group's gross profit increased by approximately RMB1,968.6 million, or 573.3%, to approximately RMB2,312.0 million in 2016 from approximately RMB343.4 million in 2015. The Group's gross profit margin increased to 13.0% in 2016 from 3.1% in 2015. The increase in gross profit margin was primarily attributable to less construction cost per sq.m. of property sales recognised in 2016 as compared to 2015.

Other losses – net

The Group had net other losses of approximately RMB560.5 million in 2016, as compared to net other losses of approximately RMB216.3 million in 2015. The Group's net other losses in 2016 mainly comprised write-down of completed properties held for sale and properties under development of approximately RMB670.6 million and other losses of approximately RMB37.6 million, offset by government subsidy income of approximately RMB80.1 million, gain on disposal of available-for-sales financial assets of approximately RMB38.5 million and dividend income received from available-for-sales financial assets of approximately RMB20.8 million. The Group's net other losses in 2015 mainly comprised write-down of completed properties held for sale and properties under development of approximately RMB240.3 million and other losses of approximately RMB27.8 million, offset by government subsidy income of RMB53.7 million.

Selling and marketing costs

The Group's selling and marketing costs increased by approximately RMB283.3 million, or 50.6%, to approximately RMB842.7 million in 2016 from approximately RMB559.4 million in 2015. The increase in selling and marketing costs was in line with the increase in the Group's contracted sales for the year ended 31 December 2016.

Administrative expenses

The Group's administrative expenses increased by approximately RMB679.1 million, or 63.7%, to approximately RMB1,745.3 million in 2016 from approximately RMB1,066.2 million in 2015. The increase was primarily attributable to the increase in staff costs, legal and professional fees and office expenses.

Changes in fair value of investment properties

The increase in fair value of the Group's investment properties was approximately RMB4,161.4 million in 2016 and approximately RMB3,824.5 million in 2015. The increase in fair value of the Group's investment properties in 2016 was in line with the prevailing market conditions of general increases in rental levels of comparable properties.

Changes in fair value of financial derivatives

The decrease in fair value of financial derivatives was RMB21.5 million in 2016 and RMB42.2 million in 2015. The decrease in fair value of financial derivatives in 2016 was primarily attributable to the change in fair value of the financial derivative component of mandatorily exchangeable bonds. The decrease in fair value of financial derivatives in 2015 was primarily attributable to foreign exchange contracts.

Gain on Extinguishment of Financial Liabilities

On 21 July 2016, the Debt Restructuring (as defined in the Company's announcement dated 22 July 2016 (the "**Announcement**")) was effected whereby the Group's offshore debts, including various senior notes, convertible bonds, bank and other borrowings (collectively and individually referred to as the "**Original Offshore Debts**") were exchanged for new notes, being Series A-E Senior Notes and Mandatorily Exchangeable Notes as described in the Announcement (collectively and individually referred to as the "**New Offshore Debts**").

For those exchanges with substantially different terms, the Original Offshore Debts were derecognised and the New Offshore Debts were recognised at their fair values at the effective date. A gain of approximately RMB716,143,000 was recognised for the year ended 31 December 2016, representing the difference between the carrying amount of the related Original Offshore Debts derecognised and the fair value of the related New Offshore Debts recognised, net of the related fees paid and transaction costs.

Finance costs – net

The Group's net finance costs increased by approximately RMB14.0 million, or 0.7%, to approximately RMB2,120.4 million in 2016, from approximately RMB2,106.4 million in 2015. The increase was mainly due to the increase in net exchange loss by RMB242.4 million. The net exchange loss has mainly arised from the U.S. dollar denominated offshore financing as a result of the depreciation of Renminbi against the U.S. dollar.

Income tax expenses

The Group's income tax expenses increased by approximately RMB786.1 million, or approximately 55.0%, to approximately RMB2,214.3 million in 2016 from approximately RMB1,428.2 million in 2015. The increase was primarily attributable to the increase in operating profit in 2016.

Loss for the year and total comprehensive loss for the year

As a result of the foregoing, the Group's loss for the year and total comprehensive loss for the year amounted to approximately RMB347.5 million and approximately RMB347.7 million, respectively. (2015: loss for the year and total comprehensive loss for the year amounted to approximately RMB1,254.5 million).

Liquidity, Financial and Capital Resources

Cash position

As at 31 December 2016, the carrying amount of the Group's cash and bank deposits was approximately RMB16,572.6 million (31 December 2015: approximately RMB3,309.4 million), representing an increase of 400.8% as compared to that as at 31 December 2015. Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. Such guarantee deposits will be released after pre-sold properties are completed or their property ownership certificates are issued, whichever is the earlier. Additionally, as at 31 December 2016, certain of the Group's cash was deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties. The aggregate of the above guarantee deposits amounted to approximately RMB5,696.6 million as at 31 December 2016 (31 December 2015: approximately RMB969.4 million).

Offshore debt restructuring

The offshore debt restructuring, including the restructuring of the previous senior notes, convertible bonds and other offshore facilities, was completed on 21 July 2016 through the Company's proposed schemes of arrangement which had been respectively sanctioned by the Grand Court of the Cayman Islands and the High Court of Hong Kong. The United States Court had also granted the order to recognise the scheme sanctioned by the High Court of Hong Kong under Chapter 15 of Title 11 of the United States Code.

The previous senior notes, convertible bonds and other offshore facilities were exchanged into mandatorily exchangeable bonds, five new tranches of notes and contingent value rights with amounts summarised as below:

	Principal/ Notional Amount *(in US$)*	**Maturity/Termination**
Mandatorily Exchangeable Bonds	259,486,248	31 December 2019
Series A Notes	277,460,905	31 December 2019
Series B Notes	499,429,957	30 June 2020
Series C Notes	610,414,552	31 December 2020
Series D Notes	665,906,865	30 June 2021
Series E Notes	721,398,993	31 December 2021
Total	**3,034,097,520**	
Contingent Value Rights[1]	16,283,470	31 December 2021

1 Reflects 232,621 contingent value rights with a notional amount of US$70 each.

Borrowings and charges on the Group's assets

As at 31 December 2016, the Group had aggregate borrowings of approximately RMB87,536.8 million, of which approximately RMB7,762.3 million will be repayable within 1 year, approximately RMB78,916.5 million will be repayable between 2 and 5 years and approximately RMB858.0 million will be repayable over 5 years. As at 31 December 2016, the Group's bank loans of approximately RMB55,240.5 million were secured by plant and equipment, land use rights, investment properties, properties under development, completed properties held for sale of the Group and certain shares of the Company's subsidiaries with total carrying values of approximately RMB59,933.2 million.

As at 31 December 2016, the New Offshore Debts were secured by the share pledge of the Company's subsidiaries incorporated outside the PRC, and are jointly and severally guaranteed by certain subsidiaries of the Company. The Group's domestic bank loans carried a floating interest rate linking up with the base lending rate of the People's Bank of China. The Group's interest rate risk is mainly from the floating interest rate of domestic bank loans.

Key Financial Ratios

As at 31 December 2016, the Group had a leverage ratio (i.e. its net debts (total borrowings net of cash and cash equivalents, short-term bank deposits, restricted cash and long-term bank deposits) over total assets) of 42.8% (31 December 2015: 53.9%). The Group's net current assets increased by 124.3% from approximately RMB32,289.2 million as at 31 December 2015 to approximately RMB72,421.7 million as at 31 December 2016, and the current ratio increased to 2.2 times as at 31 December 2016 as compared to 1.4 times as at 31 December 2015.

Cost of borrowings

During the year ended 31 December 2016, the Group's total cost of borrowings was approximately RMB8,177.4 million, representing an increase of approximately RMB829.8 million or 11.3% as compared to the corresponding period in 2015. The increase was primarily attributable to higher average debt balance during the year as compared to that in 2015.

Foreign currency risks

The Group's property development projects are all located in China and most of the related transactions are settled in RMB. The Company and certain of the Group's intermediate holding companies which operate in Hong Kong have recognised assets and liabilities in currencies other than RMB. As at 31 December 2016, the Group had cash and bank balances denominated in US$ of approximately RMB19.2 million, and in HK$ of approximately RMB68.8 million and the New Offshore Debts and the contingent value rights with an aggregate outstanding principal amount of US$3,050.4 million, and other offshore banking facilities denominated in US$ and HK$, of US$60.7 million and HK$313.1 million respectively, which are subject to foreign currency exposure.

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

Financial guarantees

As at 31 December 2016, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by domestic banks to its customers amounting to approximately RMB21,843.2 million (31 December 2015: approximately RMB15,105.9 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.

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

On 12 May 2016, the Group entered into an agreement with a third party to acquire 70% equity interest in Shenzhen Marine Group Company Limited, a company that holds a parcel of land for property development in the PRC, for a cash consideration of approximately HK$6.8 billion (approximately equivalent to RMB5.8 billion). As the subsidiary acquired does not constitute a business, the acquisition was accounted for as acquisition of assets.

Save as disclosed above, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2016. There was no plan authorised by the Board for material investments or additions of capital assets at the date of this announcement.

Employees and remuneration policy

As at 31 December 2016, the Group had approximately 9,944 employees (31 December 2015: approximately 8,218 employees). The related employees' costs (including the directors' remuneration) for the year ended 31 December 2016 amounted to approximately RMB777.9 million. The remuneration of employees was based on their performance, skills, knowledge, experience and market trend. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. In addition to basic salaries, employees may be offered with discretionary bonus and cash awards based on individual performance. The Group provides trainings for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills. Further, the Company adopted the share option scheme on 22 November 2009. Further information of such share option scheme would be set out in the annual report of the Company for the year ended 31 December 2016.

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 Audit Committee comprises 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. The annual results of the Company for the year ended 31 December 2016 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high standard of corporate governance. The Board is of the view that, for the year ended 31 December 2016, the Company complied with the code provisions on the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange (the "**Listing Rules**"), save for the deviations below:

(a) Code provisions A.1.1 and A.1.2 provides that the Board should meet regularly and board meetings should be held at least four times a year and arrangements should be in place to ensure that all directors are given an opportunity to include matters in the agenda for regular board meetings. Code provision A.1.3 provides that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend and reasonable notice should be given for other board meetings. There were no regular Board meetings held for approving the annual and interim results of the Group during the year ended 31 December 2016. Due notice of all regular Board meetings will be given to all members of the Board.

(b) Code provision A.2.5 provides that the chairman should take responsibility for ensuring that good corporate governance practices and procedures are established. The Company was not in compliance with certain code provisions as set out in the CG Code. The chairman has confirmed that he will take active action to improve and monitor the corporate governance practice of the Group.

(c) Code provision A.4.2 provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. No general meeting was held during the year ended 31 December 2016. Therefore, no Directors have been subject to retirement and re-election by the Shareholders at the general meeting. All Directors will be subject to rotation in accordance with the Articles of Association of the Company and the Listing Rules. Every Director will be subject to retirement by rotation at least once every three years.

(d) 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. No general meeting was held during the year ended 31 December 2016 due to the suspension in trading of the Company's share.

(e) Code provision A.7.1 provides that for regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all directors. These should be sent in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or other agreed period). There were no regular Board meetings held for approving the annual and interim results of the Group during the year ended 31 December 2016.

(f) Code provision C.1.5 provides that the board should present a balanced, clear and understandable assessment in annual and interim reports and other financial disclosures required by the Listing Rules. It should also do so for reports to regulators and information disclosed under statutory requirements. There were no regular Board meetings held for approving the annual and interim results of the Group during the year ended 31 December 2016. The dispatches of the relevant annual reports and interim reports have been delayed.

(g) Code provision E.1.1 provides that for each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. Issuers should avoid "bundling" resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are "bundled", issuers should explain the reasons and material implications in the notice of meeting.

(h) Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. An issuer's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

(i) Code provision E.1.3 provides that the issuer should arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.

(j) Code provision E.2.1 provides that the chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.

The Company was not in compliance with the code provisions E.1.1, E.1.2, E.1.3 and E.2.1 as no general meeting was held during the year ended 31 December 2016 due to the suspension in trading of the Company's share. General meetings of the Company shall be arranged in due course.

Other non-compliances with the Listing Rules

(a) Pursuant to Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors. Pursuant to Rule 3.10A of the Listing Rules, the independent non-executive directors of a listed issuer must represent at least one-third of the board of directors of such listed issuer. Since the resignation of Mr. FOK Hei Yu on 31 December 2014, the number of independent non-executive Directors has fallen below the minimum number of three and does not consist of one-third of the Board as required under Rules 3.10(1) and 3.10A of the Listing Rules during the period from 31 December 2014 to 27 February 2017. In order to comply with Rules 3.10(1) and 3.10A of the Listing Rules, Mr. LIU Xuesheng was appointed as an independent non-executive Director on 28 February 2017.

(b) The Company was not able to timely comply with the financial reporting provisions under the Listing Rules in (i) publishing annual results and annual reports for the year ended 31 December 2015; (ii) announcing the interim results for the six months ended 30 June 2016; and (iii) publishing the interim report for the six months ended 30 June 2016. Such delay has constituted non-compliance with Rules 13.46(2)(a), 13.48 and 13.49 of the Listing Rules.

INTERNAL CONTROL

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition, the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publications and the compliance of applicable laws, rules and regulations.

The Directors conducted a review of the overall effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2016. An internal audit department has been established to perform regular financial and operational reviews and conduct audit of the Company and its subsidiaries. The work carried out by the internal audit department will ensure the internal controls are in place and functioning properly as intended.

During the course of audit performed by the external auditors, they reported on the weaknesses of the Group's risk management and internal control and accounting procedures which came to their attention.

Grant Thornton Advisory Services Limited ("**GT Advisory**"), an external professional adviser, was engaged by the Company in August 2016 to conduct an independent internal control review and to assist the management to improve the internal control systems of the Group. After the review conducted by GT Advisory, the Board considered that the Company's enhanced internal control system is adequate and effective to meet its Listing Rules obligations.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2016.

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

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

Save as disclosed in this announcement, during the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on the preliminary announcement.

PUBLICATION OF THE 2016 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company's Annual Report for the year ended 31 December 2016 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.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 31 March 2015. The Company has applied to the Stock Exchange for the resumption of trading in the Company's shares on the Stock Exchange with effect from 9:00 a.m. on 27 March 2017.

By Order of the Board
Kaisa Group Holdings Ltd.
Mr. Kwok Ying Shing
Chairman

Hong Kong, 25 March 2017

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, Mr. Rao Yong and Mr. Liu Xuesheng.