KAISA GROUP HOLDINGS LTD.
佳兆業集團控股有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1638)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

- Total revenue for the six months ended 30 June 2019 increased by 33.8% to approximately RMB20,106.0 million from the corresponding period in 2018.
- Gross profit for the six months ended 30 June 2019 increased by 41.6% to approximately RMB6,707.5 million whereas the gross profit margin for the period increased by 1.8 percentage points to 33.4% from the corresponding period in 2018.
- Profit for the six months ended 30 June 2019 increased by 24.4% to approximately RMB2,777.1 million from the corresponding period in 2018.
- Profit attributable to owners of the Company for the six months ended 30 June 2019 increased by 66.5% to approximately RMB2,837.2 million from the corresponding period in 2018.
- Core net profit attributable to owners of the Company (excluding net loss on repurchase of senior notes, net fair value loss on financial assets at fair value through profit or loss, net exchange losses, fair value gain on investment properties, and net of respective deferred tax) amounted to RMB2,753.2 million, representing an increase of 55.0% as compared to the corresponding period in 2018.
- Contracted sales of the Group, together with its joint ventures and associated companies, increased by 37.0% to approximately RMB34,690 million.
- The Board recommended payment of an interim dividend of HK3 cents per share.

* *for identification purpose only*

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Kaisa Group Holdings Ltd. (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2019 together with the comparative figures for the corresponding period in 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Unaudited	
		Six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**20,105,995**	15,027,788
Cost of sales	*4*	**(13,398,448)**	(10,291,313)
Gross profit		**6,707,547**	4,736,475
Other gains and (losses), net	*5*	**(314,136)**	115,704
Provisional gain on deemed disposals of subsidiaries		**979,449**	1,994,891
Selling and marketing costs	*4*	**(730,644)**	(361,269)
Administrative expenses	*4*	**(1,323,494)**	(1,402,041)
Fair value gain on investment properties		**390,345**	134,806
Operating profit		**5,709,067**	5,218,566
Share of results of associates	*10(a)*	**(63,182)**	(55,223)
Share of results of joint ventures	*10(b)*	**(122)**	33,234
Finance income		**224,226**	106,152
Finance costs		**(577,865)**	(730,108)
Finance costs, net	*6*	**(353,639)**	(623,956)
Profit before income tax		**5,292,124**	4,572,621
Income tax expenses	*7*	**(2,514,984)**	(2,340,530)
Profit for the period		**2,777,140**	2,232,091
Profit/(Loss) for the period attributable to:			
Owners of the Company		**2,837,222**	1,704,082
Non-controlling interests		**(60,082)**	528,009
		2,777,140	2,232,091
Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB per share)			
– Basic	*8*	**0.467**	0.281
– Diluted	*8*	**0.459**	0.276

	Unaudited Six months ended 30 June **2019** ***RMB'000***	 2018 *RMB'000*
Profit for the period	**2,777,140**	2,232,091
Other comprehensive (loss)/income for the period, including reclassification adjustments		
Item that may be reclassified subsequently to profit or loss		
Exchange (loss)/gain on translation of foreign operations	**(31,692)**	13,516
Other comprehensive (loss)/income for the period, including reclassification adjustments	**(31,692)**	13,516
Total comprehensive income for the period	**2,745,448**	2,245,607
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	**2,822,823**	1,712,587
Non-controlling interests	**(77,375)**	533,020
	2,745,448	2,245,607

Note: The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	**Unaudited 30 June 2019 *RMB'000***	Audited 31 December 2018 *RMB'000*
Non-current assets			
Property, plant and equipment		**3,148,424**	3,055,880
Right-of-use assets		**1,212,966**	–
Investment properties		**35,755,000**	35,930,000
Land use rights		**673,599**	669,078
Investments in associates	*10(a)*	**12,282,319**	7,072,822
Investments in joint ventures	*10(b)*	**10,975,540**	8,677,152
Financial assets at fair value through profit or loss		**5,624,026**	6,567,622
Debtors, deposits and other receivables	*11*	**4,074,912**	1,652,852
Goodwill and intangible assets		**1,985,744**	1,105,288
Long-term bank deposits		**1,600,000**	400,000
Deferred tax assets		**845,886**	784,310
		78,178,416	65,915,004
Current assets			
Properties under development		**67,015,369**	64,764,338
Completed properties held for sale		**16,718,753**	13,130,534
Inventories		**242,824**	105,305
Deposits for land acquisition		**21,791,115**	19,445,196
Prepayments for proposed development projects		**19,563,549**	19,080,815
Debtors, deposits and other receivables	*11*	**26,083,457**	22,600,171
Prepaid taxes		**774,791**	1,134,324
Restricted cash		**6,988,334**	6,792,292
Financial assets at fair value through profit or loss		**265,408**	328,204
Short-term bank deposits		**347,341**	252,718
Cash and bank balances		**21,044,089**	15,479,139
		180,835,030	163,113,036
Current liabilities			
Contract liabilities		**45,343,569**	39,154,089
Accrued construction costs		**12,505,088**	12,599,547
Income tax payable		**8,983,485**	7,773,315
Lease liabilities		**143,533**	–
Borrowings	*12*	**22,446,501**	16,965,694
Other payables		**25,882,484**	19,917,262
		115,304,660	96,409,907
Net current assets		**65,530,370**	66,703,129
Total assets less current liabilities		**143,708,786**	132,618,133

	Note	**Unaudited 30 June 2019** *RMB'000*	Audited 31 December 2018 *RMB'000*
Non-current liabilities			
Lease liabilities		**1,077,023**	–
Borrowings	*12*	**93,091,705**	91,800,258
Deferred tax liabilities		**4,661,351**	4,478,563
		98,830,079	96,278,821
Net assets		**44,878,707**	36,339,312
EQUITY			
Share capital		**534,314**	533,389
Share premium		**5,710,319**	6,168,607
Reserves		**17,854,951**	14,938,114
Equity attributable to owners of the Company		**24,099,584**	21,640,110
Non-controlling interests		**20,779,123**	14,699,202
Total equity		**44,878,707**	36,339,312

Note: The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

NOTES TO THE CONDENSED CONSOLIDATION FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

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

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

This condensed consolidated financial information is presented in Renminbi ("**RMB**"), the currency of the primary economic environment in which most of the group entities operate (the functional currency of the Company and most of the entities comprising the Group), and all values are rounded to the nearest thousand ('000), unless otherwise stated. The condensed consolidated financial information was authorised for issue by the Board of Directors on 27 August 2019.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of preparation

This condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Hong Kong Accounting Standard ("**HKAS**") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA.

(ii) Changes in significant accounting policies

The condensed consolidated financial information for the six months ended 30 June 2019 have been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2018, except for the adoption of the following new and amended HKFRSs effective as of 1 January 2019. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments

Other than the impact of the adoption of HKFRS 16 as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKFRS 16 "Leases"

HKFRS 16 "Leases" replaces HKAS 17 "Leases" ("**HKAS 17**") along with three Interpretations (HK(IFRIC)-Int. 4 "Determining whether an Arrangement contains a Lease" ("**HK(IFRIC)-Int 4**"), HK(SIC) Int-15 "Operating Leases – Incentives" and HK(SIC) Int-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained profits for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4. The Group has already recognised the prepaid lease payments for leasehold land where the Group is a lessee. The application of HKFRS 16 does not have impact on these assets except for the whole balance is now presented as "Land use rights" under non-current assets.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to HKFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 5.35%.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the opening balance for lease liabilities recognised at 1 January 2019:

	RMB'000
Total operating lease commitments at 31 December 2018 *note (13b)*	**1,152,467**
Less: commitments relating to lease exempt from capitalisation:	
– short-term lease with remaining lease term ending on or before 31 December 2019	**(11,378)**
Operating leases liabilities before discounting	**1,141,089**
Less: discounting using incremental borrowing rate as at 1 January 2019	**(341,922)**
Total lease liabilities recognised at 1 January 2019	**799,167**
Classified as:	
Current lease liabilities	**110,519**
Non-current lease liabilities	**688,648**
	799,167

The following table summarises the impact of transition to HKFRS 16 on the Group's condensed consolidated statement of financial position at 1 January 2019:

	RMB'000
Increase in right-of-use assets (non-current assets)	**799,167**
Increase in lease liabilities (current liabilities)	**(110,519)**
Increase in lease liabilities (non-current liabilities)	**(688,648)**

The condensed consolidated financial information has been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2018, except for the effects of applying HKFRS 16.

Leases

(a) The Group as a lessee

Applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contain an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, the Group elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Measurement and recognition of leases as a lessee.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability on the condensed consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

Except for those right-of-use assets meeting the definition of investment properties and those relating to a class of property, plant and equipment to which revaluation model was applied, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use assets (except for those meeting the definition of investment properties) for impairment when such indicator exists.

At the lease commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less. Low-value assets comprise IT-equipment and small items of office equipment.

Applicable before 1 January 2019

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Operating leases

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(b) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

3. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker ("**CODM**") has been identified as the executive directors of the Company. The executive directors reviewed the Group's internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on these reports. The executive directors assessed the performance of each single operating segment based on a measure of segment results. Net fair value (loss) and gain on financial assets at fair value through profit or loss ("**FVTPL**"), net (loss)/gain on repurchase of senior notes, net gain on disposal of financial assets at FVTPL, corporate and other unallocated expenses, finance income, finance costs and income tax expenses are not included in the result for each operating segment.

The CODM identified the segments based on the nature of business operations. Specifically, the CODM assessed the performance of property development, property investment, property management services, hotel and catering operations, cinema, department store and cultural centre operations and water-way passenger and cargo transportation and regarded these being the reportable segments. The Group grouped its healthcare business under other operating segments which was insignificant to present as a separate segment.

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

Revenue for the period consists of the following:

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Sales of properties		
– Completed properties held for sale	**17,985,653**	13,984,832
– Properties under development	**516,086**	–
	18,501,739	13,984,832
Rental income	**194,669**	126,400
Property management services	**375,043**	201,814
Hotel and catering operations	**100,048**	105,441
Cinema, department store and cultural centre operations	**139,546**	107,184
Water-way passenger and cargo transportation	**393,230**	362,571
Others	**401,720**	139,546
	20,105,995	15,027,788

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2019 is as follows:

	Unaudited							
	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management** *RMB'000*	**Hotel and catering operations** *RMB'000*	**Cinema, department store and cultural centre operations** *RMB'000*	**Water-way passenger and cargo transportation** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Revenue	18,501,739	261,620	586,887	110,751	175,116	405,555	612,669	20,654,337
Less: Inter-segment revenue	–	(66,951)	(211,844)	(10,703)	(35,570)	(12,325)	(210,949)	(548,342)
Revenue from external customers	18,501,739	194,669	375,043	100,048	139,546	393,230	401,720	20,105,995
Timing of revenue recognition under HKFRS 15								
At a point in time	17,985,653	–	–	–	–	266,180	–	18,251,833
Over time	516,086	–	375,043	100,048	139,546	127,050	401,720	1,659,493
Revenue not in the scope of HKFRS 15	–	194,669	–	–	–	–	–	194,669
	18,501,739	194,669	375,043	100,048	139,546	393,230	401,720	20,105,995
Segment results before provisional gain on deemed disposals of subsidiaries, fair value gain on investment properties and share of results of associates and joint ventures	5,013,338	(216,555)	89,912	(44,516)	(396,957)	115,068	(177,996)	4,382,294
Provisional gain on deemed disposals of subsidiaries	979,449	–	–	–	–	–	–	979,449
Share of results of associates *(note 10(a))*	(54,056)	–	–	–	–	–	(9,126)	(63,182)
Share of results of joint ventures *(note 10(b))*	10,164	–	–	–	–	–	(10,286)	(122)
Fair value gain on investment properties	–	390,345	–	–	–	–	–	390,345
Segment results	5,948,895	173,790	89,912	(44,516)	(396,957)	115,068	(197,408)	5,688,784
Net fair value loss on financial assets at FVTPL *(note 5)*								(33,809)
Net loss on repurchase of senior notes *(note 5)*								(63,477)
Net gain on disposal of financial assets at FVTPL *(note 5)*								241,915
Corporate and other unallocated expenses								(187,650)
Finance income								224,226
Finance costs								(577,865)
Finance costs – net *(note 6)*								(353,639)
Profit before income tax								5,292,124
Income tax expenses *(note 7)*								(2,514,984)
Profit for the period								2,777,140

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

	Unaudited							
	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel and catering operations *RMB'000*	Cinema, department store and cultural centre operations *RMB'000*	Water-way passenger and cargo transportation *RMB'000*	Others *RMB'000*	Total *RMB'000*
Revenue	13,984,832	169,341	448,980	117,682	115,408	366,470	484,859	15,687,572
Less: Inter-segment revenue	–	(42,941)	(247,166)	(12,241)	(8,224)	(3,899)	(345,313)	(659,784)
Revenue from external customers	13,984,832	126,400	201,814	105,441	107,184	362,571	139,546	15,027,788
Timing of revenue recognition under HKFRS 15								
At a point in time	13,984,832	–	–	–	–	248,404	–	14,233,236
Over time	–	–	201,814	105,441	107,184	114,167	139,546	668,152
Revenue not in the scope of HKFRS 15	–	126,400	–	–	–	–	–	126,400
	13,984,832	126,400	201,814	105,441	107,184	362,571	139,546	15,027,788
Segment results before provisional gain on deemed disposals of subsidiaries, fair value gain on investment properties and share of results of associates and joint ventures	3,462,177	71,183	46,325	(38,775)	(247,885)	171,636	(299,546)	3,165,115
Provisional gain on deemed disposals of subsidiaries	1,994,891	–	–	–	–	–	–	1,994,891
Share of results of associates *(note 10(a))*	(54,659)	–	–	–	–	–	(564)	(55,223)
Share of results of joint ventures *(note 10(b))*	32,732	–	–	–	–	–	502	33,234
Fair value gain on investment properties	–	134,806	–	–	–	–	–	134,806
Segment results	5,435,141	205,989	46,325	(38,775)	(247,885)	171,636	(299,608)	5,272,823
Net fair value gain on financial assets at FVTPL *(note 5)*								103,515
Net gain on repurchase of senior notes *(note 5)*								142,745
Corporate and other unallocated expenses								(322,506)
Finance income								106,152
Finance costs								(730,108)
Finance costs – net *(note 6)*								(623,956)
Profit before income tax								4,572,621
Income tax expenses *(note 7)*								(2,340,530)
Profit for the period								2,232,091

The segment assets and liabilities as at 30 June 2019 are as follows:

	Unaudited								
	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management** *RMB'000*	**Hotel and catering operations** *RMB'000*	**Cinema, department store and cultural centre operations** *RMB'000*	**Water-way passenger and cargo transportation** *RMB'000*	**Others** *RMB'000*	**Elimination** *RMB'000*	**Total** *RMB'000*
Segment assets	**510,040,747**	**43,356,948**	**3,971,458**	**4,540,677**	**3,041,637**	**27,374,244**	**5,050,986**	**(347,086,328)**	**250,290,369**
Unallocated									**8,723,077**
Total assets									**259,013,446**
Segment liabilities	**407,925,814**	**7,039,357**	**2,652,426**	**4,058,249**	**4,155,210**	**19,285,688**	**6,875,089**	**(318,688,503)**	**133,303,330**
Unallocated									**80,831,409**
Total liabilities									**214,134,739**

The segment assets and liabilities as at 31 December 2018 are as follows:

	Unaudited								
	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel and catering operations *RMB'000*	Cinema, department store and cultural centre operations *RMB'000*	Water-way passenger and cargo transportation *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Segment assets	426,400,365	37,780,959	4,058,636	4,290,435	2,376,480	24,518,165	1,262,151	(280,473,611)	220,213,580
Unallocated									8,814,460
Total assets									229,028,040
Segment liabilities	331,132,956	6,623,833	2,426,885	3,965,223	3,274,999	17,578,090	3,348,064	(252,153,763)	116,196,287
Unallocated									76,492,441
Total liabilities									192,688,728

For the six months ended 30 June 2019 and 2018, none of the Group's customer accounted for more than 10% of the Group's total revenue.

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

There is no change in the basis of segmentation or basis of measurement of segment profit or loss for the six months ended 30 June 2019.

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

Segment liabilities consist primarily of all liabilities excluding lease liabilities, deferred tax liabilities, income tax payable and corporate borrowings.

4. EXPENSES BY NATURE

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

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Auditor's remuneration	**2,500**	2,500
Advertising and other promotional costs	**275,101**	165,079
Agency fee	**246,628**	93,001
Amortisation of land use rights	**9,079**	6,112
Amortisation of intangible assets	**139,371**	88,773
Bank charges	**27,175**	21,197
Business taxes/value-added taxes	**111,131**	138,037
Cost of properties sold	**12,027,806**	9,527,356
Depreciation		
– Property, plant and equipment	**130,202**	84,907
– Right-of-use assets	**72,097**	–
Direct operating expenses arising from		
– Investment properties	**128,637**	18,310
– Property management service	**227,953**	100,854
– Hotel and catering operations	**24,098**	32,674
– Cinema, department store and cultural centre operations	**96,233**	143,224
– Water-way passenger and cargo transportation	**280,746**	223,730
Donations	**154,960**	45,358
Entertainment	**43,118**	32,843
Legal and professional fees	**141,572**	88,057
Office expenses	**67,413**	71,154
Operating lease rental	**–**	31,250
Others	**375,693**	270,581
Staff costs – including directors' emoluments	**852,470**	848,583
Travelling	**18,603**	21,043
	15,452,586	12,054,623

5. OTHER GAINS AND (LOSSES), NET

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Dividend income from		
– financial assets at FVTPL	**23,257**	21,162
Forfeited customer deposits	**887**	3,484
Government subsidy income *(note)*	**18,565**	357,581
Loss on disposal of investment properties	**(221,000)**	–
Loss on disposal of land deposit	**(52,038)**	–
Net (loss)/gain on repurchase of senior notes	**(63,477)**	142,745
Net gain on disposal of financial assets at FVTPL	**241,915**	–
Provision for expected credit loss	**(157,661)**	(129,679)
Net fair value (loss)/gain on financial assets at FVTPL	**(33,809)**	103,515
Net gain/(loss) on disposal of property, plant and equipment	**8,272**	(261)
Others	**6,663**	8,616
Write-down of completed properties held for sale and properties under development	**(85,710)**	(390,962)
Write off of intangible assets	**–**	(497)
	(314,136)	115,704

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

6. FINANCE COSTS – NET

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Finance income		
Interest income on bank deposits	**100,943**	69,822
Interest income from associates	**3,337**	36,330
Interest income from loans to third parties	**119,946**	–
	224,226	106,152
Finance costs		
Interest expense:		
– Bank and other borrowings	**2,591,497**	2,922,589
– Senior notes	**2,273,703**	1,436,760
– Convertible bonds	**39,608**	–
– Lease liabilities	**33,824**	–
Total interest expenses	**4,938,632**	4,359,349
Less: interests capitalised *(note)*	**(4,472,214)**	(4,048,415)
	466,418	310,934
Net exchange losses	**111,447**	419,174
	577,865	730,108
Finance costs – net	**(353,639)**	(623,956)

Note: The capitalisation rate of borrowings is 9.05% (2018: 12.82%) for the period.

7. INCOME TAX EXPENSES

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax	**1,219,125**	1,373,948
– PRC land appreciation tax	**1,344,731**	914,620
Deferred tax	**(48,872)**	51,962
	2,514,984	2,340,530

Income tax expenses for the six months ended 30 June 2019 and 2018 is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

Oversea income tax

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

Hong Kong profits tax

No Hong Kong profits tax was provided for the six months ended 30 June 2019 and 2018 as the Group has no assessable profits arising in or derived from Hong Kong for the periods.

PRC enterprise income tax

PRC enterprise income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (Six months ended 30 June 2018: 25%).

PRC withholding income tax

According to the new Corporate Income Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be received on the immediate holding companies outside the PRC where their PRC subsidiaries declare dividend one of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

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 costs of land use rights and all property development expenditures.

8. EARNINGS PER SHARE

(a) Basic

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

	Unaudited Six months ended 30 June **2019**	 2018
Profit attributable to owners of the Company *(RMB'000)*	**2,837,222**	1,704,082
Weighted average number of ordinary shares in issue	**6,074,558,089**	6,064,446,329
Basic earnings per share *(RMB)*	**0.467**	0.281

The calculation of basic earnings per share is based on the Group's profit attributable to owners of the Company of RMB2,837,222,000 (Six months ended 30 June 2018: RMB1,704,082,000 (unaudited)) and the weighted average number of 6,074,558,089 (Six months ended 30 June 2018: 6,064,446,329) ordinary shares, after adjusting for the issue of shares on exercise of share options during the period.

(b) Diluted

	Unaudited Six months ended 30 June **2019**	 2018
Profit attributable to owners of the Company *(RMB'000)*	**2,837,222**	1,704,082
Effect of dilutive potential ordinary shares *(RMB'000)*:		
– Interest on convertible bonds	**39,650**	–
	2,876,872	1,704,082
Weighted average number of ordinary shares in issue	**6,074,558,089**	6,064,446,329
Effect of issue of shares under:		
– Adjustment for share options scheme	**34,001,363**	107,993,528
– Adjustment for convertible bonds	**156,600,000**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**6,265,159,452**	6,172,439,857
Diluted earnings per share *(RMB)*	**0.459**	0.276

Diluted earnings per share for the six months ended 30 June 2019 is calculated based on the weighted average number of ordinary shares outstanding adjusted to assume conversion or exercise of all dilutive potential ordinary shares (share options).

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

9. DIVIDENDS

		Unaudited Six months ended 30 June	
		2019	2018
		RMB'000	*RMB'000*
(i)	**Dividends attributable to the period**		
	2019 interim dividends declared of HK$0.03 (2018: HK$0.03) per share	**165,961**	153,530
(ii)	**Dividends attributable to the previous financial year, approved and paid during the period**		
	Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK$0.09 per share (Six months ended 30 June 2018: HK$0.118 per share)	**478,683**	603,729

A final dividend in respect of the year ended 31 December 2018 of HK9 cents (equivalent to RMB7.89 cents) per share was approved at the annual general meeting on 14 June 2019 (Six months ended 30 June 2018: A final dividend in respect of the year ended 31 December 2017 of HK11.8 cents (equivalent to RMB9.95 cents) per share with a scrip dividend alternative was approved at the annual general meeting on 11 June 2018). The aggregate amount of final dividend declared from share premium of the Company amounted to HK$546,317,000 (equivalent to approximately RMB478,683,000) (Six months ended 30 June 2018: HK$716,082,000 (equivalent to approximately RMB603,729,000)).

The Board recommended to declare an interim dividend of HK3.0 cents per share (equivalent to RMB2.53 cents) for the six months ended 30 June 2019. The aggregate amount of interim dividend declared from share premium of the Company amounted to HK$182,495,000 (equivalent to approximately RMB165,961,000) (Six months ended 30 June 2018: HK$182,102,000 (equivalent to approximately RMB153,530,000). Such dividend is to be approved by the shareholders at the forthcoming extraordinary general meeting. The condensed consolidated financial information does not reflect this dividend payable.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

(a) investments in associates

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Cost of investments in associates, less accumulated impairment		
– Listed	**4,194,260**	2,020,256
– Unlisted	**7,942,627**	4,843,875
Share of post-acquisition profit and other comprehensive income, net of dividend received	**145,432**	208,691
	12,282,319	7,072,822

Movements of investments in associates during the six months ended 30 June 2019 are as follows:

	Unaudited Six months ended 30 June	
	2019 *RMB'000*	2018 *RMB'000*
At 1 January	**7,072,822**	5,284,835
Additions (note)	**5,134,006**	49,877
Transfer from subsidiary	**–**	20,004
Capital injection to associates	**138,750**	127,630
Share of results of associates, net	**(63,259)**	(55,223)
At 30 June	**12,282,319**	5,427,123

Note: On 28 November 2017, the Group had entered into agreement with independent third party to acquire 50,621,064 shares in Zhenxing Biopharmaceutical & Chemical Co., Ltd. ("Zhenxing Biopharmaceutical") at the consideration of RMB2,186,830,000. Zhenxing Biopharmaceutical is listed in Shenzhen Stock Exchange. Zhenxing Biopharmaceutical is engaged in research, development, production and sales of blood products.

During the six months ended 30 June 2019, the transfer of shares had been completed and the directors considered the Group can exercise significant influence over Zhenxing Biopharmaceutical and recognised Zhenxing Biopharmaceutical as associate.

The Group further acquired 343,111 shares at the consideration of RMB10,022,000. As at 30 June 2019, the Group had 18.70% equity interest in Zhenxing Biopharmaceutical.

The remaining addition represented investments in a number of property development companies together with certain third parties.

(b) investments in joint ventures

Movements of investments in joint ventures during the six months ended 30 June 2019 are as follows:

	Unaudited Six months ended 30 June **2019**	 2018
	RMB'000	*RMB'000*
Unlisted investments		
At 1 January	**8,677,152**	6,818,118
Additions	**–**	30,600
Transfer from subsidiaries	**1,322,702**	631,270
Capital injection to joint ventures	**975,808**	500
Share of results of joint ventures	**(122)**	33,234
At 30 June	**10,975,540**	7,513,722

11. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

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

	Unaudited **30 June** **2019** ***RMB'000***	Audited 31 December 2018 *RMB'000*
Within 90 days	**683,073**	730,411
Over 90 days but within 180 days	**102,553**	24,598
Over 180 days but within 270 days	**301,778**	50,376
Over 270 days but within 365 days	**5,935**	5,841
Over 365 days	**168,854**	221,527
	1,262,193	1,032,753
Less: allowance for impairment	**(18,879)**	(23,470)
	1,243,314	1,009,283

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2019, a provision of RMB18,879,000 (unaudited) was made against the gross amount of trade debtors (31 December 2018 (audited): RMB23,470,000).

Generally, no credit terms were granted to the customers of residential properties. There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers.

Included in the Group's trade debtors of RMB270,264,000 (31 December 2018: RMB408,243,000) were not yet due the balances mainly represented receivables from sales of commercial and residential properties and properties under development to independent third parties. These receivables were repayable within six to nine months after the completion of certain legal documents, which were expected to be settled during the year.

12. BORROWINGS

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Borrowings included in current liabilities:		
Senior Notes	**6,535,462**	2,963,540
Bank borrowings – secured	**3,112,441**	2,893,985
Bank borrowings – unsecured	**1,670,485**	1,629,373
Other borrowings – secured	**8,178,808**	4,490,557
Other borrowings – unsecured	**2,367,024**	3,638,908
Loan from a related company	**108,781**	108,781
Loans from associates	**473,500**	1,240,550
	22,446,501	16,965,694
Borrowings included in non-current liabilities:		
Senior Notes	**39,821,854**	36,763,326
Convertible bonds	**672,849**	–
Bank borrowings – secured	**38,810,752**	34,902,751
Bank borrowings – unsecured	**2,215,000**	6,510,020
Other borrowings – secured	**10,243,250**	12,407,961
Other borrowings – unsecured	**1,328,000**	1,216,200
	93,091,705	91,800,258
Total borrowings	**115,538,206**	108,765,952

13. COMMITMENTS

(a) Commitments for acquisition/construction of property, plant and equipment, property development expenditures and acquisitions of subsidiaries and an associate

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Contracted but not provided for		
– Acquisitions/construction of property, plant and equipment	**787,808**	100,178
– Acquisition of land use rights and property development activities	**45,929,662**	35,376,964
– Acquisitions of subsidiaries	**4,119,834**	1,423,328
– Acquisition of an associate	**–**	1,318,239
	50,837,304	38,218,709

(b) Operating lease commitments

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

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Not later than one year	**11,378**	167,967
Later than one year and not later than five years	**–**	398,140
Later than five years	**–**	586,360
	11,378	1,152,467

As at 30 June 2019, the Group leases staff quarters, offices and items of office equipment with a lease period of twelve months, which are qualified to be accounted for under short-term lease exemption under HKFRS 16.

As at 30 June 2019, the Group leases a number of properties and items of office equipment under operating leases. The leases run for an initial period of one year (unaudited) (31 December 2018: one to nineteen years (audited), with an option to renew the lease and renegotiate the terms at the expiry date or at the dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

(c) Operating lease rentals receivable

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

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Not later than one year	**195,877**	174,899
Later than one year and not later than five years	**488,451**	532,408
Later than five years	**193,148**	227,787
	877,476	935,094

The Group leases its investment properties under operating lease arrangements which run an initial period of one to twenty-two (31 December 2018: one to fifty-three) years, with an option to renew the lease and renegotiated the terms at the expiry date or at the dates as mutually agreed between the Group and the respective tenants. The terms of the leases generally also require the tenants to pay security deposits.

14. EVENTS AFTER REPORTING PERIOD

On 2 July 2019, the Company issued additional senior notes with principal amounts of US$200,000,000 (approximately RMB1,346,700,000) due 2022 and US$300,000,000 (approximately RMB2,020,050,000) due 2023, which are interest-bearing at 11.25% and 11.5% per annum respectively. These senior notes will be consolidated and form a single series with the US$350,000,000 11.25% senior notes due 2022 issued on 9 April 2019 and US$400,000,000 11.5% senior notes due 2023 issued on 30 May 2019 respectively.

On 16 July 2019, the Company issued senior notes with a principal amount of US$300,000,000 (approximately RMB2,020,050,000) due 2023. The senior notes are interest-bearing at 10.875% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 23 July 2023.

On 19 July 2019, Kaisa Prosperity Holdings Limited ("Kaisa Prosperity")(previously known as Kaisa Property Holdings Limited, which is a subsidiary of the Company, granted 11,450,000 share options to subscribe for the ordinary shares of HK$0.01 each in the capital of Kaisa Prosperity, comprising (i) 2,750,000 share options to the directors of Kaisa Prosperity; and (ii) 8,700,000 share options to certain employees of Kaisa Prosperity and its subsidiaries.

On 16 August 2019, the Company completed the repurchase and cancellation of HK$1,162,000,000 in principal amount of the Company's 6.1% notes due December 2019 at the consideration of approximately RMB1,026,300,000, resulting a gain on repurchase of senior notes amounting to RMB135,700,000.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Kaisa Group Holdings Ltd. ("**Kaisa**" or the "**Company**", which together with its subsidiaries is referred to as the "**Group**"), I present the results of the Group for the six months ended 30 June 2019 (the "**period**") and the comparative figures for the previous corresponding period.

RESULTS AND DIVIDEND

For the period under review, the Group's turnover rose by approximately 33.8% year on year to approximately RMB20,106.0 million and gross profit increased significantly by approximately 41.6% year-on-year to approximately RMB6,707.5 million as compared with the corresponding period of 2018. Profit attributable to owners of the Company for the period grew significantly by about 66.5% year-on-year to approximately RMB2,837.2 million. Basic earnings per share increased significantly by approximately 66.2% to RMB46.7 cents. Core net profit attributable to owners of the Company (excluding net loss on repurchase of senior notes, net fair value loss on financial assets at fair value through profit or loss, net exchange losses, fair value gain on investment properties, and net of respective deferred tax) increased by 55.0% year-on-year to approximately RMB2,753.2 million from approximately RMB1,775.9 million in the corresponding period of 2018.

The Board recommended payment of an interim dividend of HK 3 cents per share for the six months ended 30 June 2019 (30 June 2018: HK 3 cents per share). The proposed dividend is subject to approval by the shareholders at the forthcoming extraordinary general meeting.

BUSINESS REVIEW

Property Market and Policies

In the first half of 2019, China's gross domestic product grew by 6.3% year on year to about RMB45.1 trillion, continuing the trend of steady growth. According to the National Bureau of Statistics of China, the gross floor area sold for commodity properties decreased by 1.8% year on year to 757.86 million sq. m. in the first half of 2019 while the sales value of commodity properties grew by 5.6% year on year to about RMB7.07 trillion. The local governments took differential measures in response to diverse market needs and different situations in respective cities. In the first half of the year, the divergent developments of the property markets across the country became more pronounced. In large and medium-sized cities, the number of first-hand property transactions rose initially but then fell during the period.

Contracted Sales

During the period, to stay competitive in China's diverging property market, and to cater to the demand of first-time home buyers and upgraders, the Group launched favorable products and services to enhance the satisfaction of customers, thereby contributing to the solid growth in the Group's property sales. Riding on the market expectation and momentum from the promulgation of the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (the "**Plan**") by the Central Committee of the Communist Party of China and the State Council in February 2019, contracted sales attributable to the Group surged by 37% year on year to approximately RMB34.69 billion for the six months ended 30 June 2019, of which approximately 60% was derived from property sales in the Guangdong-Hong Kong-Macao Greater Bay Area (the "**Greater Bay Area**").

Sales in first-tier and major second-tier cities where the Group has strong presence continued to drive the growth. In particular, sales in first-tier cities contributed 40% of the Group's contracted sales, projects such as Shenzhen Yantian Kaisa City Plaza, Shenzhen Bantian Kaisa City Plaza, Shenzhen E Cube, Wuhan Kaisa Plaza, Wuhan Kaisa Yuefu, Zhongshan Kaisa Metro City and Huizhou Riverbank New Town recorded satisfactory results during the period.

According to the "Chinese Property Developers' Rankings by Sales from January to June of 2019" jointly published by China Real Estate Information Corp ("**CRIC**") and China Real Estate Appraisal Center, the Group ranked 31st in terms of attributable contracted sales, up by six places from 37th at the end of 2018.

Land Bank

During the period, the Group acquired a total of 15 parcels of land at an aggregate consideration of approximately RMB16,206 million, with estimated attributable gross floor area of approximately 2.5 million sq. m., and the average land cost of approximately RMB6,600 per sq. m. for the new projects. In terms of the attributable gross floor area, the Greater Bay Area accounted for 60% of the newly acquired land, while Yangtze River Delta and Central China accounted for 19% and 13% respectively.

As of 30 June 2019, the Group undertook 167 real estate projects in 47 cities nationwide. The Group's land bank totaled approximately 25.8 million sq. m., of which approximately 14.1 million sq. m. or 54.6% of the Group's total land bank are in the Greater Bay Area. The Group's land bank in Shenzhen and Guangzhou, where are the core markets that the Group has intensively developed over the years, accounted for 35% of its land bank in the Greater Bay Area.

Regarding the redevelopment projects, on 3 July 2019, the Group successfully obtained a project in Xuhang Town, Jiading District in Shanghai for redeveloping a site of a village in the city into a land for commercial and residential use. Located in the northeastern part of Jiading District, Shanghai, the project occupies a site area of approximately 127,000 sq. m. and has gross floor area of approximately 213,500 sq. m.. The project is the largest "village-in-city" redevelopment project in terms of land area in Shanghai to date and it is also the first of its kind that a private enterprise participates in. It also marked Kaisa's first-time participation in a redevelopment project in Shanghai. The experience to be gained from this project will be a valuable source of reference for the Group in land development in the Yangtze River Delta region. Other than this, the Group's urban redevelopment project in Futian District, Shenzhen has been converted into land bank during the period, providing continuous supply for Shenzhen's sales.

Financing and Capital Market Management

In the first half of 2019, liquidity on the capital market was initially loosen but tightened later. The loosen monetary policy at the beginning of the year led to brisk transactions at land auctions and also on the property market. However, the frequent high premium land biddings had become a cause for concern, causing provincial governments and regulatory authorities to issue decrees reining in the overheated markets for lands and properties. The moves were made in line with the central government's principle that "housing is for living in, not for speculation".

It was against this backdrop of tightened liquidity on the capital market and the stricter regulation of the markets for lands and properties that the Group strived to accelerate sales proceeds collection and liability management, and strengthened the management of capital, budget, costs and expenditure during the period. In addition, the Group also stepped up its effort to optimise its debt structure and reduce financing costs through multiple onshore and offshore financing channels.

In terms of onshore financing, the Group continued its efforts to issue domestic asset-backed securities ("**ABS**") in addition to deepening its existing cooperation with banks. As of now, the Group has obtained approvals from the Shenzhen Stock Exchange for the issue of four types of ABS in an aggregate amount of more than RMB9 billion. In March, April and July this year, the Group successfully issued RMB475 million worth of ABS backed by income from a shipping business, RMB685 million worth of ABS backed by balloon payment mortgage, and RMB555 million worth of ABS backed by a supply chain finance business. Issuance of ABS is part of the Group's drive to diversify its financing channels and it serves to optimize its debt structure, reduce financing costs and enhance cash flow management.

Regarding offshore financing, the Group adopted a series of measures to proactively manage its liability. During the period, the Group was granted issuer ratings of "B1", "B" and "B" with a "Stable" outlook respectively by such international rating agencies, such as Moody's Investors Service, Standard and Poor's Rating Services and Fitch Ratings. Such ratings could help the Group broaden its investor base and further improve the liquidity of its bond trading.

The Group also took advantage of the market conditions by swapping short-term bonds for long-term bonds in order to mitigate its exposure to risks associated with short-term debts. The issuance received with overwhelming responses from both domestic and overseas institutional investors. This reflected the international capital market's confidence in the Group's business performance and prospect.

In order to further improve its debt structure, the Group has made on-market repurchase of its 7.25% senior notes due 2020 ("**2020 Notes**") in the aggregate principal amount of US$250 million during the period and has completed the cancellation of such repurchased notes in June. The repurchased amount represents approximately 31.65% of the total outstanding principal amount of the 2020 Notes. On 8 August 2019, the Group completed cash tender offer of its outstanding US$300 million 12.0% senior notes due December 2019 ("**2019 Notes**"). It repurchased and cancelled US$161.3 million in principal amount of the 2019 Notes, so as to improve its debt structure and lower future interest expense. On 16 August 2019, the Group completed the repurchase and cancellation of HKD1,162.0 million in principal amount of the Company's 6.1% unlisted notes due December 2019. Year to date, the Group had already bought back US$561.3 million in aggregate. As a result, the principal amount of bonds outstanding in 2019 is reduced to approximately US$138.7 million.

As at 30 June 2019, the Group's cash and bank deposits (including bank deposits, cash and bank balances and restricted cash) amounted to RMB29,979.8 million. The Group's quick ratio (cash and bank deposits divided by short-term borrowing) remained at 1.3 times, reflecting the Group's healthy liquidity position.

PROSPECT

The turbulent Sino-United States trade relations exacerbates the uncertainty about economy. This may affect the steady growth of Chinese economy. However, it is believed that the Chinese government will adopt a series of systemic reforms as well as active fiscal policies and prudent monetary policies, which are aimed at stabilising employment, financial market, trade and both foreign and domestic investment in the country.

It is against this backdrop that the Chinese government aims to "stabilize both land prices and housing prices and manage market expectations" when it regulates the property market in the second half of the year. The "city-specific policies" on regulating the property market will continue in major cities with the objective of maintaining steady development of the real estate market. Meanwhile, China's ongoing urbanization will continue to generate both rigid demand for housing, especially in first-tier and major second-tier cities and their surrounding cities which are characterized by sound economic development, net population inflow and strong industrial base. The country's real estate sector is expected to maintain steady development as a result.

Following the promulgation of the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area on 18 February 2019, both the provincial committee of the Communist Party of China and the provincial government of Guangdong formulated and publicized their ideas on how to implement the Plan in the "Opinions of the Guangdong Provincial People's Government and the Guangdong Provincial Committee of the Communist Party of China on Implementing the Outline of the Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" on 5 July 2019. On the other hand, the Guangdong Provincial Leading Group for the purpose of Promoting the Development of the Guangdong-Hong Kong-Macao Greater Bay Area has issued "Guangdong Province's Three-year Action Plan for Promoting the Development of the Guangdong-Hong Kong-Macao Greater Bay Area from 2018 to 2020. Major tasks for the short and medium term have been set out in all these plans and they have been assigned to relevant working parties, with goals quantified. These initiatives will call for construction of infrastructure and will generate more opportunities for businesses and employment in the Greater Bay Area.

On 18 August 2019, the Central Committee of the Communist Party of China and the State Council issued the Opinions of Building Shenzhen as a Pilot Demonstration Zone for Socialism with Chinese Characteristics (關於支持深圳建設中國特色社會主義先行示範區的意見)(the "**Opinions**"). The Opinions proposed to build Shenzhen as a high-quality development highland, a model city ruled by law, an example of being a culturally advanced city, a beacon for people's well-being and a vanguard of sustainable development. Based on the Opinions, the development of Shenzhen will be divided into three stages. By 2025, Shenzhen will become one of the world's leading cities in terms of economic competitiveness and quality of development with first-class research and development input and industrial innovation capacity. With its strong cultural soft power, world-class quality public services and ecological environment, Shenzhen will become a modern international innovative city. By the mid-century, Shenzhen will become a global benchmark city in its competitiveness, innovative capability and outstanding influence.

The aforesaid initiative will create enormous development opportunities for Kaisa which has started its business as an enterprise focusing on renewal projects since 1999. Over the past 20 years, Kaisa has developed a strong foothold in the Shenzhen market. Through urban renewal projects, the Group's quality and scarce land bank can be replenished every year, supporting the Group's sales and profits. Coupled with the project reserves located in first-tier cities in the Greater Bay Area such as Shenzhen and Guangzhou, the Group will largely benefit from Shenzhen's urban development and economic boost of the Greater Bay Area.

The Group will also actively grasp opportunities by trying to acquire quality lands opportunely so as to consolidate its business presence in the area. Meanwhile, the Group will also focus on first-tier and major second-tier cities in Shanghai and Beijing Region, as well as their surrounding areas. The Group will secure the land supply for the short, medium and long term through ways of public bidding, M&A, urban renewal and development of industrial property.

As to property sales, the Group will adhere to the principle that "cash is king" and continue with its prudent approach to business development. It will continue to flexibly adjust its sales strategies and the pace of its sales effort accordingly. In financial management, the Group will take deleveraging as its priority this year, and continue to explore more other channels for low-cost financing to optimise its debt structure and improve its debt management. It will also work to ensure speedy collection of sales proceeds and strengthen capital management by utilizing its assets efficiently.

Acknowledgement

The steady development of the Group during the period hinged on the enormous support from the community and our staffs' dedication and contribution. On behalf of the Board, I would like to take this opportunity to express my wholehearted gratitude to all shareholders, investors, business partners and customers of the Group for their trust and support. We will continue to work hard to fulfil or even exceed our goals so as to maximise the value and returns to our shareholders and investors.

KWOK Ying Shing
Chairman

Hong Kong, 27 August 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Overall performance

During the six months ended 30 June 2019, the Group recorded a turnover of approximately RMB20,106.0 million, representing an increase of 33.8% as compared with approximately RMB15,027.8 million for the corresponding period in 2018. Profit for the period attributable to owners of the Company amounted to approximately RMB2,837.2 million, representing a year-on-year increase of 66.5%. The core net profit attributable to owners of the Company, (excluding net loss on repurchase of senior notes, net fair value loss on financial assets at fair value through profit or loss, net exchange losses, fair value gain on investment properties, and net of respective deferred tax) increased by 55.0% to approximately RMB2,753.2 million from the same period last year. Basic earnings per share amounted to RMB46.7 cents (six months ended 30 June 2018: RMB28.1 cents).

The Board recommended the payment of an interim dividend of HK3 cents per share for the six months ended 30 June 2019 (six months ended 30 June 2018: HK3 cents per share). Such dividend is to be approved by the shareholders at the forthcoming extraordinary general meeting.

Contracted sales in the first half of 2019

In the first half of 2019, the Group's contracted sales amounted to approximately RMB34,690 million, representing an increase of 37.0% from the first half of 2018. Aggregated GFA sold for the period was 1,961,477 sq. m., representing an increase of 38.5% from the first half of 2018. Average selling price of the contracted sales in the first half of 2019 was RMB17,686 per sq. m. (first half of 2018: RMB17,880 per sq. m.). The table below shows the Group's contracted sales by region in the first half of 2019:

Region	**Contracted sales area** *(sq.m.)*	**Contracted sales amount** *(RMB in millions)*
Pearl River Delta	784,591	20,120
Yangtze River Delta	196,148	2,775
Central China Region	274,607	4,857
Western China Region	176,533	1,735
Pan-Bohai Bay Rim	529,598	5,203
Total	1,961,477	34,690

Property development

Projects completed in the first half of 2019

The Group adopts a strict and prudent practice in project development and adjusts its pace of business expansion as and when appropriate. During the period, the GFA of newly completed projects of the Group amounted to approximately 1.2 million sq. m..

Projects under development

As at 30 June 2019, the Group had 69 projects under development with an aggregate of GFA of approximately 12.8 million sq. m..

Property management

The Group generated revenue from providing property management services. During the six months ended 30 June 2019, the Group managed a total GFA of approximately 36.3 million sq. m.. The Group's property management is striving to deliver excellent and professional services to its customers and enhance brand and corporate image. As at 30 June 2019, the Group's property services penetrated into 37 cities nationwide, covering residential, commercial, office, tourism and large-scale stadiums.

Investment properties

The Group adopts a diversified business strategy, characterised by its increase in property investment. The portfolio of investment properties will generate steady and reliable income and enlarge the overall income base of the Group. The Group develops commercial properties such as office buildings, retail stores and car parks for leasing purpose. In managing its investment property portfolio, the Group takes into account long-term growth potential, the overall market conditions, and its cash flows and financial condition. As at 30 June 2019, the Group held 21 investment property projects, with an aggregate GFA of 1,355,887 sq. m., including completed investment properties of GFA of 594,704 sq. m. for leasing purpose.

Land bank

The Group remained cautious in replenishing its land bank nationwide by making reference to the development of the Company, availability of land supply and its existing land bank in the regions. By ways such as joint development, acquisition and bidding, auction and listing as well as urban renewal, the Group continues to seek project resources in China's regions where economy prospers.

In the first half of 2019, the Group acquired a total of 15 parcels of land or related interests through diversified channels such as public bidding, M&A and urban renewal. The aggregate attributable consideration for land acquisition amounted to approximately RMB16,206 million, and the average land cost attributable to the total GFA per unit was approximately RMB6,600 per sq. m.. The total attributable GFA per maximum allowed plot ratio attributable to the Group was approximately 2,455,358 sq. m..

As at 30 June 2019, the Group had a total land bank of approximately 25.8 million sq. m. and approximately 54.6% of land bank was located in the Greater Bay Area, which is sufficient for the Group's development needs for the next five years.

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

Time of Acquisition	Location	Attributable Interest	Site Area	Attributable Capacity Building Area	Attributable Consideration	Type
			(sq. m.)	*(sq. m.)*	*(RMB in millions)*	
February 2019	Huizhou, Guangdong	100%	11,199	33,597	90.0	Commercial and residential
February 2019	Suzhou, Jiangsu	100%	32,006	48,008	891.1	Residential
February 2019	Hangzhou, Zhejiang	50%	19,175	19,175	315.9	Residential
April 2019	Qingyuan, Guangdong	100%	343,749	1,183,327	4,661.2	Residential
April 2019	Xiaogan, Hubei	70%	218,814	183,804	47.1	Industrial
April 2019	Dalian, Liaoning	100%	24,334	85,169	270.0	Residential
April 2019	Nanjing, Jiangsu	100%	65,698	144,535	940.0	Residential
April 2019	Nanjing, Jiangsu	51%	73,686	52,612	606.9	Residential
May 2019	Dongguan, Guangdong	51%	38,096	48,572	529.0	Residential
May 2019	Chongqing	100%	41,724	104,311	1,050.0	Residential
June 2019	Guangzhou, Guangdong	100%	47,626	94,960	1,484.5	Residential
June 2019	Foshan, Guangdong	100%	31,017	93,052	1,163.0	Residential
June 2019	Wuhan, Hubei	100%	56,901	142,252	537.7	Residential
June 2019	Shenzhen, Guangdong	70%	9,467	29,820	830.0	Residential
June 2019	Shanghai	90%	126,923	192,164	2,790.0	Residential
Total			1,140,415	2,455,358	16,206.4	

FINANCIAL REVIEW

Revenue

The Group's revenue was primarily derived from business segments: (i) property development, (ii) property investment, (iii) property management, (iv) hotel and catering operations, (v) cinema, department store and cultural centre operations, (vi) water-way passenger and cargo transportation, and (vii) others. Revenue increased by 33.8% to approximately RMB20,106.0 million for the six months ended 30 June 2019 from approximately RMB15,027.8 million for the corresponding period in 2018. 92.0% of the Group's revenue was generated from the sales of properties (2018: 93.1%) and 8.0% from other segments (2018: 6.9%).

Sales of properties

Revenue from sales of properties increased by approximately RMB4,516.9 million, or 32.3%, to approximately RMB18,501.7 million for the six months ended 30 June 2019 from approximately RMB13,984.8 million for the corresponding period in 2018. The increase was primarily attributable to an increase in the total GFA delivered during the six months ended 30 June 2019.

Rental income

Revenue from rental income increased by approximately RMB68.3 million, or 54.0%, to approximately RMB194.7 million for the six months ended 30 June 2019 from approximately RMB126.4 million for the corresponding period in 2018.

Property management

Revenue from property management service increased by approximately RMB173.2 million, or 85.8%, to approximately RMB375.0 million for the six months ended 30 June 2019 from approximately RMB201.8 million for the corresponding period in 2018. The increase was primarily attributable to the increased GFA under property management.

Hotel and catering operations

Revenue from hotel and catering operations of the Group decreased by approximately RMB5.4 million, or 5.1% to approximately RMB100.0 million for the six months ended 30 June 2019, from approximately RMB105.4 million for the corresponding period in 2018.

Cinema, department stores and cultural centre operations

Revenue from cinema, department stores and cultural centre operations increased by approximately RMB32.3 million, or 30.2%, to approximately RMB139.5 million for the six months ended 30 June 2019 from approximately RMB107.2 million for the corresponding period in 2018. The increase was primarily attributable to business expansion.

Water-way passenger and cargo transportation

Revenue from water-way passenger and cargo transportation increased by approximately RMB30.7 million, or 8.5% to approximately RMB393.2 million for the six months ended 30 June 2019 from approximately RMB362.6 million for the corresponding period in 2018. The increase was primarily attributable to business expansion.

Gross profit

The Group recorded a gross profit of approximately RMB6,707.5 million and a gross profit margin of 33.4% for the six months ended 30 June 2019 respectively, as compared to gross profit of approximately RMB4,736.5 million and a gross profit margin of 31.5% in the corresponding period of last year. The increase in gross profit margin was primarily attributable to a higher level of selling price attained in general for the properties completed and delivered to the purchasers during the six months ended 30 June 2019.

Other gains and (losses) – net

The Group had net other losses of approximately RMB314.1 million for the six months ended 30 June 2019, as compared to net other gains of approximately RMB115.7 million for the corresponding period in 2018. The Group's net other losses for the six months ended 30 June 2019 mainly comprised of loss on disposal of investment properties of approximately RMB221.0 million, provision for expected credit loss of approximately RMB157.7 million, write-down of completed properties held for sale and properties under development of approximately RMB85.7 million, net loss on repurchase of senior notes of approximately RMB63.5 million, net fair value loss on financial assets at FVTPL of approximately RMB33.8 million offset by dividend income from financial assets at FVTPL of approximately RMB23.3 million and net gain on disposal of financial assets at FVTPL of approximately 241.9 million. The Group's net other gains for the six months ended 30 June 2018 mainly comprised of government subsidy income of approximately RMB357.6 million, gain on repurchase of senior notes of approximately RMB142.7 million and offset by write-down of completed properties held for sale and properties under development of approximately RMB391.0 million and provision for expected credit loss of approximately RMB130.0 million.

Provisional gain on deemed disposal

The Group had recorded provisional gain on deemed disposals of subsidiaries of approximately RMB979.4 million for the six months ended 30 June 2019 and approximately RMB1,994.9 million for the corresponding period in 2018.

Selling and marketing costs

The Group's selling and marketing costs increased by approximately RMB369.4 million, or 102.2%, to approximately RMB730.6 million for the six months ended 30 June 2019 from approximately RMB361.3 million for the corresponding period in 2018. The increase in selling and marketing costs was due to higher advertising and other promotional costs as a result of the increase in the Group's selling activities to promote its contracted sales.

Administrative expenses

The Group's administrative expenses decreased by approximately RMB78.5 million, or 5.6%, to approximately RMB1,323.5 million for the six months ended 30 June 2019 from approximately RMB1,402.0 million for the corresponding period in 2018.

Fair value gain on investment properties

The fair value gain on the Group's investment properties was approximately RMB390.3 million for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB134.8 million), which was in line with the prevailing market conditions of general increase in rental level of comparable properties.

Finance costs – net

The Group's net finance costs decreased by approximately RMB270.3 million, or 43.3% to approximately RMB353.6 million for the six months ended 30 June 2019 from approximately RMB624.0 million for the corresponding period in 2018. The decrease was mainly due to the decrease in net exchange losses to RMB111.4 million from RMB419.2 million for the corresponding period in 2018. The net exchange loss/gain mainly arised from the U.S. dollar denominated offshore financing as a result of the depreciation/appreciation of Renminbi against the U.S. dollar.

Income tax expenses

The Group's income tax expenses increased by approximately RMB174.5 million, or approximately 7.5%, to approximately RMB2,515.0 million for the six months ended 30 June 2019 from approximately RMB2,340.5 million for the corresponding period in 2018.

Profit and total comprehensive income for the six months ended 30 June 2019

As a result of the foregoing, the Group's profit and total comprehensive income for the six months ended 30 June 2019 amounted to approximately RMB2,777.1 million and approximately RMB2,745.4 million, respectively (six months ended 30 June 2018: profit and total comprehensive income amounted to approximately RMB2,232.1 million and RMB2,245.6 million, respectively.)

Liquidity, financial and capital resources

Cash position

As at 30 June 2019, the carrying amount of the Group's cash and bank deposits was approximately RMB29,979.8 million (31 December 2018: RMB22,924.1 million), representing an increase of 30.8% as compared to that as at 31 December 2018. Certain property development companies of the Group placed a certain amount of pre-sales proceeds to designated bank accounts as collateral for the construction loans. Such collateral will be released after the completion of the pre-sales properties or the issuance of the title of the properties, whichever is the earlier. Additionally, as at 30 June 2019, certain of the Group's cash was deposited in certain banks as collateral for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties. The aggregate of the above collaterals amounted to approximately RMB6,988.3 million as at 30 June 2019 (31 December 2018: RMB6,792.3 million).

Senior notes

During the six months ended 30 June 2019, the Group issued 11.75% senior notes due 2021 with a principal amount of US$400.0 million, 11.25% senior notes due 2022 with a principal amount of US$350.0 million and 11.5% senior notes due 2023 with a principal amount of US$400.0 million in February 2019, April 2019 and May 2019 respectively. In May 2019, the Group made on-market repurchase of 7.25% senior notes due 2020 with a principal amount of US$250.0 million. The repurchased notes was cancelled accordingly. As of 30 June 2019, the senior notes included:

	6.1% senior notes due 2019	**12.0% senior notes due 2019**	**7.25% senior notes due 2020**	**7.875% senior notes due 2021**	**11.75% senior notes due 2021**	**8.5% senior notes due 2022**	**11.25% senior notes due 2022**	**11.5% senior notes due 2023**	**9.375% senior notes due 2024**
	HK$'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
At 1 January 2019	1,162,000	300,000	790,000	575,000	–	1,147,000	–	–	3,051,500
New Issuance	–	–	–	–	400,000	–	350,000	400,000	–
Cancellation	–	–	(250,000)	–	–	–	–	–	–
As 30 June 2019	1,162,000	300,000	540,000	575,000	400,000	1,147,000	350,000	400,000	3,051,500

Convertible bonds

During the six months ended 30 June 2019, the Group issued convertible bonds in an aggregate principal amount of US$100 million (equivalent to approximately HK$783 million) (the "**Convertible Bonds**").The Convertible Bonds may be converted into conversion shares pursuant to the terms and conditions of the Convertible Bonds. Based on the initial conversion price of HK$5.00 per share and assuming full conversion of the Convertible Bonds at the initial conversion price, the Convertible Bonds will be convertible into 156,600,000 new shares.

Borrowings and charges on the Group's assets

As at 30 June 2019, the Group had aggregate borrowings of approximately RMB115,538.2 million, of which approximately RMB22,446.5 million will be repayable within 1 year, approximately RMB39,866.5 million will be repayable between 1 and 2 years, approximately RMB49,561.6 million will be repayable between 2 and 5 years and approximately RMB3,663.6 million will be repayable over 5 years.

As at 30 June 2019, the senior notes were secured by the share pledge of the Company's subsidiaries incorporated outside the PRC, and are jointly and severally guaranteed by certain subsidiaries of the Company. The Group's domestic bank loans carried a floating interest rate linking up with the base lending rate of the People's Bank of China. The Group's interest rate risk is mainly from the floating interest rate of domestic bank loans.

Key financial ratios

As at 30 June 2019, the Group has a leverage ratio (i.e. its net debts (total borrowings, net of cash and bank balances, short-term bank deposits, long-term bank deposits and restricted cash) over total assets) of 33.0% (31 December 2018: 37.5%). The Group's net current assets decreased by 1.8% from approximately RMB66,703.1 million as at 31 December 2018 to approximately RMB65,530.4 million as at 30 June 2019. The quick ratio remain stable at 1.3 times as at 31 December 2018 and as at 30 June 2019 while the current ratio decreased to 1.6 times as at 30 June 2019 from 1.7 times as at 31 December 2018.

Cost of borrowings

For the six months ended 30 June 2019, the Group's total cost of borrowings (including net exchange losses) was RMB5,050.1 million, representing an increase of approximately RMB271.6 million or 5.7% as compared to the corresponding period in 2018. The increase was primarily attributable to the increase in the interest expense of senior note recorded in the current period.

Foreign currency risks

The Group's property development projects are all located in China and most of the related transactions are settled in RMB. The Company and certain of the Group's intermediate holding companies which operate in Hong Kong have recognised assets and liabilities in currencies other than RMB. As at 30 June 2019, the Group had senior notes in US dollar and HK dollar with an aggregate carrying amount of RMB45,334.1 million and RMB1,023.2 million respectively, which are subject to foreign currency exposure.

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

Financial guarantees

As at 30 June 2019, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by domestic banks to its customers amounting to approximately RMB33,077.1 million (31 December 2018: RMB30,587.4 million). Pursuant to the terms of the guarantees, upon default in mortgage payments by a purchaser, the Group would be responsible for repaying the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchaser to the bank, but the Group would be entitled to assume legal title to and possession of the related property. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage.

Employees and remuneration policy

As at 30 June 2019, the Group had approximately 14,900 employees (31 December 2018: approximately 14,200 employees). The related employees' costs (including the directors' remuneration), for the six months ended 30 June 2019 amounted to approximately RMB852.4 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 a share option scheme on 22 November 2009 (the "**Existing Share Option Scheme**"). The Existing Share Option Scheme will expire on 22 November 2019. At the annual general meeting of the Company held on 14 June 2019, the shareholders approved the termination of the Existing Share Option Scheme and the adoption of a new share option scheme (the "**New Share Option Scheme**"). The Existing Share Option Scheme was terminated on 14 June 2019 and the New Share Option Scheme took effect on the same day.

CORPORATE GOVERNANCE

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high standard of corporate governance. The Board is of the view that, for the six months ended 30 June 2019, the Company complied with the code provisions on the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the following deviation:

Code provision A.6.7 provides that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. Due to other important engagement, the non-executive Director of the Company, Ms. CHEN Shaohuan, was unable to attend the annual general meeting of the Company held on 14 June 2019.

AUDIT COMMITTEE

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

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the Group's interim report 2019. In addition, the independent auditor of the Company, Grant Thornton Hong Kong Limited, has reviewed the unaudited interim results for the six months ended 30 June 2019 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code as set out in Appendix 10 to the Listing Rules as the standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2019.

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

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

During the six months ended 30 June 2019, the Company made an on-market repurchase of 7.25% senior note due 2020 (the "**2020 Notes**") which was listed on Singapore Exchange Securities Trading Limited. The principal amount of the 2020 Notes repurchased was US$250.0 million.

Save as disclosed above, during the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board recommended the payment of an interim dividend (the "**Interim Dividend**") of HK3 cents per share for the six months ended 30 June 2019 (30 June 2018: HK3 cents), subject to the approval of the shareholders at the forthcoming extraordinary general meeting of the Company.

The Interim Dividend will be paid on or about 18 December 2019 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 4 December 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who qualify for the Interim Dividend, the register of members of the Company will be closed from Monday, 2 December 2019 to Wednesday, 4 December 2019, both days inclusive. In order to qualify for the Interim Dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 29 November 2019.

PUBLICATION OF THE 2019 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company's Interim Report for the six months ended 30 June 2019 will be published on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.kaisagroup.com in due course.

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

Hong Kong, 27 August 2019

As at the date of this announcement, the executive Directors are Mr. Kwok Ying Shing, Mr. Sun Yuenan, Mr. Zheng Yi, Mr. Mai Fan and Mr. Weng Hao; the non-executive Director is Ms. Chen Shaohuan; and the independent non-executive directors are Mr. Rao Yong, Mr. Zhang Yizhao and Mr. Liu Xuesheng.