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

LEVERAGE SUCCESS IN SHENZHEN, BUILDING NATIONWIDE PRESENCE

Annual Report 2010

* For identification purposes only

GROUP OVERVIEW

Kaisa Group Holdings Ltd. (the "Company") and its subsidiaries (together referred as the "Group" or "Kaisa"), founded in 1999, is a large-scale integrated real estate company with its PRC headquarter located in Shenzhen. On 9 December 2009, the Group's shares commenced trading on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 1638. HK). Our real estate business mainly comprise the planning, development and operation of large-scale residential properties and integrated commercial properties. As at 10 March 2011, our footprint covers Shenzhen, Guangzhou, Dongguan, Foshan, Huizhou, Zhuhai in the Pearl River Delta region, and has been extended to other major cities nationwide, including Shanghai, Hangzhou, Taicang, Changzhou and Jiangyin in the Yangtze River Delta region, Chengdu and Nanchong in the Chengdu-Chongqing region, Changsha and Zhuzhou in the Central China region and Shenyang, Yingkou, Benxi, Anshan, Panjin and Huludao in the Pan-Bohai Bay Rim.

Kaisa remains committed to the core values of "professionalism, innovation, value and responsibility" by actively participating in a wide range of urban development projects in China and we believe it will inject creativity into China's urbanization process. We believe our brand "Kaisa" remains to be our pledge to carry out high quality property developments, to surpass the industry's standards and requirements, and of devotion to customer satisfaction.

CONTENTS

Corporate Information

DIRECTORS

Executive Directors

Mr. KWOK Ying Shing *(chairman)*
Mr. KWOK Ying Chi
Mr. SUN Yuenan
Dr. TAM Lai Ling
Dr. HUANG Chuanqi
Mr. CHEN Gengxian
Mr. HAN Zhenjie

Independent Non-Executive Directors

Mr. RAO Yong
Mr. ZHANG Yizhao
Mr. FOK Hei Yu

AUDIT COMMITTEE

Mr. RAO Yong *(chairman)*
Mr. ZHANG Yizhao
Mr. FOK Hei Yu

REMUNERATION COMMITTEE

Mr. KWOK Ying Shing *(chairman)*
Mr. RAO Yong
Mr. ZHANG Yizhao
Mr. FOK Hei Yu

NOMINATION COMMITTEE

Mr. KWOK Ying Shing *(chairman)*
Mr. RAO Yong
Mr. ZHANG Yizhao
Mr. FOK Hei Yu

AUTHORIZED REPRESENTATIVES

Mr. KWOK Ying Shing
Mr. CHEUNG Hung Kwong

COMPANY SECRETARY

Mr. CHEUNG Hung Kwong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS IN THE PRC

Room 3306, Kerry Center
Ren Min Nan Road
Luohu
Shenzhen
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2001
20th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

PRINCIPAL BANKERS

Bank of China Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China (Asia) Limited
Industrial and Commercial Bank of China Limited
Agriculture Bank of China

LEGAL ADVISERS

As to Hong Kong law and U.S. law:

Sidley Austin

As to PRC law:

King & Wood

As to Cayman Islands law:

Conyers Dill & Pearman

AUDITOR

PricewaterhouseCoopers

LISTING INFORMATION

Share Listing

The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 1638.HK)

WEBSITE

http://www.kaisagroup.com

Milestones and Awards

2010 China Top 100 Real Estate Developers – four years in a row from 2007 to 2010

Presenting Institute:

China Real Estate Association, Enterprise Research Institute of Development Research Center of the State Council of P.R. China, Real Estate Studies of Tsinghua University and China Index Academy

Outstanding China Real Estate Developers 2010

Presenting Institute:

Economic Digest Magazine

January

– Successfully acquired the Boji Project, located in Longgang District of Shenzhen and a redevelopment project, with expected GFA of 1.28 million sq.m.(*)

March

– Strategic Alliance with Cheung Kong (China Investment) to jointly conduct redevelopment projects in Shenzhen

April

– Successfully issued USD350 million senior notes due 2015, terming out the Group's debt maturity profile

– Project delivery of Phase 1 of Chengdu Lijing Harbor, the Group's first project in the Chengdu-Chongqing region

May

– Launch of Phase 1 of Changsha Lake View Place and Huizhou Kaisa Center, the Group's first project in the Central China region and Huizhou, respectively

– Completed the acquisition of remaining 45% interest in Fenghong Group Co., Ltd., a then distressed asset

(*) Subject to Shenzhen Municipal Government final approval

Top 10 China Developers Listed in Hong Kong in terms of Investment Value

Presenting Institute:

Enterprise Research Institute of Development Research Center of the State Council of P.R. China, Real Estate Studies of Qsinghua University and China Index Academy

Golden Brick Award for Real Estate of China 2010

Presenting Institute:

Boao 21st Century Real Estate Forum 2010

July

- Ranked No.1 in terms of GFA sold and no. of units sold in Shenzhen for the first half of 2010 (**)
- Strategic alliance with Marriott for hotel management of Marriott Golden Bay Resort in Shenzhen

(**) According to data compiled by China Real Estate Index System ("CREIS")

Milestones and Awards (Continued)

Top 10 South China Real Estate Enterprises in terms of Brand Value

Presenting Institute:

Enterprise Research Institute of Development Research Center of the State Council of P.R. China, Real Estate Studies of Qsinghua University and China Index Academy

Top 10 China-Affiliated HK-Listed Companies of Listed PRC Real Estate Companies in Composite Value

Presenting Institute:

First Financial Daily

August

– Entry into agreement with Marriott for hotel management of Courtyard Marriott Hotel in Huizhou

– Entry into agreement for en-bloc sale of Guangzhou Kaisa Plaza to Evergrande Group

– Project delivery of Phase 1 of Shanghai Shanhuwan Garden, the Group's first project in the Yangtze River Delta region

September

– Acquired two land parcels in Taicang and Jiangyin in Jiangsu Province with total GFA of 239,499 sq.m., strengthening the Group's presence in the Yangtze River Delta region

October

– Successfully acquired two land parcels in Shunde District, Foshan City of Guangdong Province with total GFA of 257,323 sq.m., further enlarging the Group's landbank in the Pearl River Delta region

November

– Acquired in aggregate 13 land parcels in Jiangyin, Changzhou, Jiangsu Province, Nanchong, Sichuan Province, and Yingkou, Liaoning Province with total GFA of 3,287,284 sq.m., further diversifying the Group's geographical coverage

– Project delivery of Phase 1 of Changsha Lake View Place, the Group's first project in the Central China region

Most Valuable PRC Limited Blue-Chip Real Estate Companies 2010

Presenting Institute:

Economic Observer

China Real Estate Annual Top 30 Enterprises in 2010

Presenting Institute:

Guandian Real Estate New Media

December

- Successfully issued RMB1.5 billion convertible bonds due 2015, further diversifying the Group's funding channel
- Commenced construction of Zhuhai Lake View Waldorf Garden, a redevelopment project and the Group's first project in Zhuhai

Hong Kong Outstanding Enterprises in 2010

Presenting Institute:

Economic Digest Magazine


ZARA

FINE LIVING

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 referred to as the "Group"), I am pleased to present the annual results of the Group for the year ended 31 December 2010.

For the year ended 31 December 2010, the Group's turnover and gross profit reached approximately RMB7,755.9 million and RMB3,010.9 million, representing growth of 66.0% and 128.1% over 2009, respectively. Profit attributable to shareholders and basic earnings per share amounted to RMB3,636.7 million and RMB73.8 cents, representing an increase of 563.8% and 434.8% as compared to that of year 2009, respectively.

Business Review

The year 2010 was a challenging year for the property market in China. The Central Government introduced rounds of measures aiming at curbing speculative activities and preventing a bubble in the property market through suppressing the non-end user demand and tightening of credit. Notwithstanding the above draconian measures which have inflicted considerable impact on the business environment of the real estate market, the Group, capitalizing on the robust underlying market demand and through adjusting its business strategy decisively, managed to expand its market share and achieved outstanding sales performance in a number of PRC cities. For the year 2010, the Group's contracted sales increased by RMB4.1 billion, or 67.7% to RMB10.1 billion, surpassing the RMB10 billion annual contracted sales mark. Further, according to "China Real Estate Index System ("CREIS") – Shenzhen Residential Property Sales Index" issued by China Index Academy in January 2011, the Group's contracted sales in Shenzhen ranked number two both in terms of gross floor area ("GFA") sold and number of units sold, affirming its leading market position in the Pearl River Delta region.

Building on our presence in cities with strategic economic importance, the Group continued to embark on active implementation of its geographical diversification business strategy, paving the way to become a leading national developer. 2010 was a milestone year for our expansion into the Yangtze River Delta region, the Chengdu-Chongqing region and the Central China region. We completed and delivered Shanghai Shanhuwan Garden Phase 1, Jiangyin Lake View Place Phase 1, Chengdu Lijing Harbour Phases 1 and 2, and Changsha Lake View Place Phase 1.

After many years of experience and practice, the Group has developed expertise in redevelopment and has established a standard operation procedure therein. In 2010, our Shenzhen Jincui Garden, a redevelopment project, ranked number one in terms of contracted sales amount, GFA sold and number of units sold in the Luohu District of Shenzhen. Because of our expertise in redevelopment, we attract Cheung Kong (China Investment) Enterprises Limited as our partner to jointly explore the business opportunities in Bantian District, Shenzhen. During the year, the Group continued to unlock the value of our existing redevelopment projects through securing the necessary government approvals. In October 2010, we have obtained the approval on the planned GFA of phase 1 of Zhuhai Lake View Waldorf Garden (previously "Wanzai project"), of approximately 180,300 sq.m., from Zhuhai Government. In January 2010, we completed the acquisition of a parcel of land with a site area of approximately 322,000 sq.m. located in Longgang District, Shenzhen, and in January 2011, the Shenzhen Longgang District Government granted its approval on the urban development plan of the project, pending Shenzhen Government's final approval. Our other redevelopment projects in Shenzhen have also attained satisfactory progress.

Development Strategies

The Group will continue to adopt a proactive yet prudent policy to cope with market and policy changes, including appropriate adjustments in future development plans, product mix, sales and marketing strategies in accordance with prevailing market conditions and product demand in different markets.

During the year, in response to the measures introduced by the Central Government, the Group has been focusing on an asset-turnover business model in order to capitalize the increasing consumption power and housing demand in China. Further, the Group has actively expanded its land bank as part of its effort to achieve geographical diversification and nationwide expansion to tap into second- and third-tier cities. In 2010, the Group acquired high-quality land reserves with maximum planned GFA of approximately 7.5 million sq.m. in various PRC cities with excellent development potential, including Shenzhen and Foshan in the Pearl River Delta region, Taicang, Changzhou and Jiangyin in the Yangtze River Delta region, Nanchong in the Chengdu-Chongqing region and Zhuzhou in the Central China region, and Yingkou, Anshan and Huludao in the Pan-Bohai Bay Rim, with a total consideration of approximately RMB6.7 billion. As at 31 December 2010, the Group had a total of 47 projects located in 18 cities in the PRC and had a land bank with total planned GFA of approximately 20.0 million sq.m., which is sufficient to meet the Group's development needs in the next five years.

On 28 April 2010 and 20 December 2010, as part of the Group's business strategy to expand its funding channels, the Company issued 13.5 per cent. 5-year senior notes in the aggregate principal amount of US$350 million ("Senior Notes"), and 8 per cent. USD settled 5-year convertible bonds in the aggregate amount of RMB1.5 billion, respectively. In November 2010 and March 2011, the Group was granted a 3-year and a 5-year unsecured bank loan of USD39 million and USD60 million, respectively. On 19 January 2011, the Company has entered into a subscription agreement for an issue of RMB2.0 billion USD settled 8.5 per cent. bonds due 2014. The debt issuance in the international capital market and offshore credit facilities have not only diversified the Group's funding channels, but also significantly improved the Group's debt maturity profile. This will provide strong support for the Group's long term business growth.

Prospect

Despite the unfavorable impact of the austerity measures that led to short-term volatility in China's property market in 2010, we believe that the consumption power and housing demand in China will remain robust in the long run. The tightening policy introduced by the Central Government will not only speed up the consolidation of the industry, strengthen the market mechanism that weeds out the weak and keeps the strong, but is conducive to the healthy development of the whole industry on a longer term and create a better business environment for competent developers. Meanwhile, we will also leverage on our competitiveness in the area of redevelopment and brand reputation, and continue to offer high quality value-for-money products to our customers. With our diversified property portfolio, quality land reserve and sound financials, the Group is well positioned to capture the long-term growth of the property sector, and is ready to grow on a nationwide scale, aiming to become a leading national property developer.

Acknowledgement

Thanks to the enormous support from all of our stakeholders and the concerted efforts of all our staff members, Kaisa has been growing on a fast track. On behalf of the Board, I would like to take this opportunity to express my heartfelt gratitude to all the shareholders of the Company, investors, strategic business partners and customers for their trust and support. Upholding the spirit enshrined in our motto "Kaisa, bring you joyful living", we will keep up with our strenuous efforts and strive to achieve the best returns to our shareholders.

KWOK Ying Shing
Chairman

Hong Kong, 10 March 2011

METROPOLIS, FULFILLING OUR BOUNDLESS DREAMS

Management Discussion and Analysis

OVERALL PERFORMANCE

During the year, the Group recorded a turnover of RMB7,755.9 million, representing an increase of 66.0% as compared to that of year 2009. Profit attributable to equity holders amounted to RMB3,636.7 million, representing an increase of 563.8% as compared to that of year 2009. Basic earnings per share was RMB73.8 cents (2009: RMB13.8 cents).

The Board does not recommend the payment of final dividends for the year ended 31 December 2010.

Property Development

Contracted Sales in 2010

As at 31 December 2010, the Group has established presence in 18 core cities within five regions in the PRC, namely the Pearl River Delta, the Yangtze River Delta, the Pan-Bohai Bay Rim, the Chengdu-Chongqing region and the Central China region. For the year 2010, notwithstanding the austerity measures introduced by the Central Government, the Group's contracted sales increased by RMB4.1 billion, or 67.7% to RMB10.1 billion, surpassing the RMB10.0 billion annual contracted sales mark. The Group's 2010 contracted sales by region are summarized as follows:

Region	Number of projects	Contracted sales area sq. m.	Contracted sales amount RMB million
Pearl River Delta	12	488,974	6,968.9
Yangtze River Delta	2	142,230	1,736.2
Chengdu-Chongqing	1	180,052	990.3
Central China	1	64,306	395.2
Total	**16**	**875,562**	**10,090.6**

In 2010, the Group has achieved outstanding sales results in a number of major cities in the PRC:

- According to "China Real Estate Index System ("CREIS") – Shenzhen Residential Property Sales Index" issued by China Index Academy, in 2010, the Group's contracted sales in Shenzhen ranked number two both in terms of gross floor area ("GFA") sold and number of units sold.

- According to index compiled by Jiangyin Real Estate Network, Jiangyin Lake View Place, the Group's first project in Jiangyin City of the Yangtse River Delta region, ranked number one both in terms of 2010 contracted sales amount and GFA sold in Jiangyin City. Jiangyin Lake View Place was also the first property project that generated annual sales amount in excess of RMB1.0 billion in the history of Jiangyin City.

- According to index compiled by Changsha Real Estate Index Center, Changsha Lake View Place, the Group's first project in Changsha City of the Central China region, ranked number one in terms of number of units of town house sold in 2010.

The above encouraging sales results is not only an affirmation of the Group's leading market position in Shenzhen, but also recognition of the Group's brand reputation beyond Shenzhen and substantiation of the Group's ability to replicate its successful business model to regions outside of the Pearl River Delta region.

Projects Completed in 2010

In light of the recent rounds austerity measures, the Group has re-aligned its business strategy and adopted an asset-turnover business model. During the year, the GFA of newly completed projects of the Group amounted to approximately 850,553 sq. m.

Projects under Development

As at 31 December 2010, the GFA of projects under development of the Group was approximately 2.2 million sq. m.

Management Discussion and Analysis (Continued)

Property Management

The Group provides property management service to its own property development and as at 31 December 2010 managed a total floor area of approximately 3.2 million sq. m. In aggregate, the Group provided property management service to approximately 32,550 units. The goal of the Group in respect of property management is "Creating Value through Service". Building on its national recognition, our property management companies will keep upgrading its management standard and service quality, and delivering professionalism in its service. Through providing satisfactory and high quality service to our customers, we will be able to further enhance brand and corporate images.

Investment Properties

The Group adopts a diversified business strategy, characterized by an increase in investment in investment properties during the year under review, in order to achieve a diversified business portfolio which will generate steady and reliable income, and enlarge the overall income base of the Group. We develop commercial properties such as office buildings, retail stores and car parking spaces for leasing purposes. In managing our investment property portfolio, we will take into account estimated long-term growth potential, overall market conditions and our cash flows and financial condition. As at 31 December 2010, we held an aggregate GFA of approximately 77,589 sq.m. completed investment properties for rental purpose.

Land Bank

It remains an ongoing effort of the Group to actively expand its land reserve. We believe our insight into development trends in our target regions has enabled us to acquire our land reserves at relatively low cost as our reserves consist mostly of parcels of land located in selected cities where, we believe, the value of acquired land had not been fully recognised at the time of acquisition.

During the year under review, we have leveraged on our extensive experience, in-depth local knowledge and technical expertise in managing urban redevelopment projects to take advantage of the incentives and preferential policies on promoting urbanization and redevelopment announced by the Shenzhen Municipal Government in October 2009. In January 2010, we completed the acquisition of a parcel of land with a site area of approximately 321,824 sq.m. located in Longgang District, Shenzhen (the "Boji Project") and currently the site is for industrial usage. On 24 January 2011, the Shenzhen Longgang District Government granted its approval to re-zone the site for residential and commercial purposes, with an expected GFA of approximately 1,283,000 sq.m. The approval process for redevelopment will be completed once obtaining the approval from the Shenzhen Municipal Government, which is expected to be granted before April 2011.

In addition, while certain distressed assets present potential for achieving profitability at relatively low cost, this land acquisition approach requires numerous problems associated with the underlying assets to be resolved in order to unlocking their value. In May 2010, through private negotiation, we completed the acquisition of the remaining 45% interests in Fenglong Group Co., Ltd., the principal asset of which is the Fenglong Project, a then distressed asset. Subsequently in late 2010, we completed the negotiation and reached resettlement agreements with all of the original residents, and successfully procured the release of seizure on the land site previously imposed by the Shenzhen Intermediate People's Court. We had been advised by our PRC legal counsel that there is no legal impediment for obtaining the land use rights certificates of the land site. We are in the process of applying for the land use rights certificates and expect to obtain the land use rights certificates in 2011. The site is located in Futian District, the heart of the Shenzhen CBD. For the financial year ended 31 December 2010, the Group's fair value revaluation gain arising from the project amounted to approximately RMB1.76 billion.

In order to realize the asset-turnover model, the Group has two pronged strategies for land acquisition: (i) the margin focus redevelopment projects in the Pearl River Delta region and distressed opportunities, and (ii) the turnover focus large-scale developments in the second- and third-tier cities. During the year, we were awarded a total of 25 land parcels in government-held public tenders, auctions or listing-for-sale and acquired interests in, other than the Boji Project and the Fenglong Project, two additional land parcels through the acquisition of interest from the original land use rights owners.

The aggregate consideration for the acquisition of the interests in the above 29 parcels of land was approximately RMB6,710.9 million, with an average land cost per total planned GFA of approximately RMB894 per sq.m. The total planned GFA per maximum allowed plot ratio attributable to the Group is up to approximately 7,505,300 sq.m., As at 31 December 2010, the Group had a total land bank of approximately 20.0 million sq.m., which is sufficient for the Group's development needs for the next five years. The above land acquisitions will help to strengthen our leading market position in the Pearl River Delta region, further diversify our development portfolio geographically and consolidate our nationwide presence. The table below set forth detailed information of these land acquisitions:

Month of Acquisition	Location	Attributable interest (%)	Site area (sq.m.)/ (No. of land parcel)	Attributable GFA per maximum allowed plot ratio (sq.m.)	Consideration (RMB in millions)	Type
January 2010	Longgang District, Shenzhen City, Guangdong Province	100%	321,824/(1)	* 1,283,430	836.7	Residential and commercial
February 2010	Longgang District, Shenzhen City, Guangdong Province	100%	5,241/(1)	88,987	297.0	Residential
February 2010	Futian District, Shenzhen City, Guangdong Province	39.8%	14,411/(1)	56,552	349.8	Office and commercial
September 2010	Gushan Town, Jiangyin City, Jiangsu Province	100%	21,259/(1)	38,266	35.2	Residential
September 2010	Limin Community of Science and Education New Town, Taicang City, Jiangsu Province	100%	87,741/(1)	201,233	473.7	Residential
October 2010	Beijiao New City, Shunde District, Foshan City, Guangdong Province	100%	32,819/(1)	72,203	230.0	Residential
October 2010	Xingtan Town, Shunde District, Foshan City, Guangdong Province	100%	71,200/(1)	185,120	188.0	Residential

Management Discussion and Analysis (Continued)

Month of Acquisition	Location	Attributable interest (%)	Site area (sq.m.)/ (No. of land parcel)	Attributable GFA per maximum allowed plot ratio (sq.m.)	Consideration (RMB in millions)	Type
November 2010	Zhouzhuang Town, Jiangyin City, Jiangsu Province	100%	103,589/(2)	218,597	306.2	Residential, commercial and Hotel
November 2010	Shunqing District, Nanchong City, Sichuan Province	100%	29,541/(1)	88,623	177.3	Residential
November 2010	Yingkou City, Liaoning Province	100%	469,552/(5)	1,408,656	516.5	Residential
November 2010	Yingkou City, Liaoning Province	100%	249,470/(3)	873,145	598.7	Residential
November 2010	Shunqing District, Nanchong City, Sichuan Province	100%	188,246/(1)	474,261	818.9	Residential and commercial
November 2010	Xinbei District, Changzhou City, Jiangsu Province	100%	101,819/(1)	224,002	488.0	Residential
December 2010	Anshan City, Liaoning Province	100%	477,463/(4)	1,359,251	764.0	Residential and commercial
December 2010	Suizhong County, Huludao City, Liaoning Province	100%	423,265/(2)	423,265	131.0	Hotel
December 2010	Zhuzhou City, Hunan Province	100%	222,177/(3)	509,709	499.9	Residential
Total			**2,819,617/(29)**	**7,505,300**	**6,710.9**	

* Expected GFA after re-zoning; pending final approval by Shenzhen Municipal Government

FINANCIAL REVIEW

Revenue

Revenue of the Group primarily comprises (i) sales proceeds from the sale of properties; (ii) gross recurring revenue received and receivable from investment properties; and (iii) property management fee income. The revenue is primarily generated from three business segments: property development, property investment and property management.

The revenue increased by RMB3,083.7 million, or 66.0% to approximately RMB7,755.9 million in 2010 from approximately RMB4,672.2 million in 2009, primarily attributable to the increase in sales of properties in 2010. In 2010, the revenue generated from property development, property investment and property management are approximately RMB7,530.8 million, RMB119.5 million and RMB105.6 million, respectively.

Sales of properties

Our revenue from sales of properties increased by RMB3,017.5 million, or 66.9%, to RMB7,530.8 million in 2010 from RMB4,513.3 million in 2009. This increase was primarily attributable to an increase in the total delivered GFA from approximately 494,632 sq. m. in 2009 to approximately 706,701 sq. m. in 2010 because of the Group's business expansion, and an increase in the average selling price per sq. m. ("ASP") from approximately RMB9,124 in 2009 to approximately RMB10,656 in 2010. The higher ASP reflects improvement in market conditions in general and is also due to the change in product mix towards commercial properties. The property projects that contributed substantially to our revenue in 2010 were Shenzhen Shangpin Garden, Guangzhou Kaisa Plaza, Dongguan Dijingwan and Chengdu Lijing Harbour.

Rental income

Our rental income increased by RMB19.1 million, or 19.0%, to RMB119.5 million in 2010 from RMB100.4 million in 2009. This increase was primarily attributable to the increased retail space at higher rental rates.

Property management services

Our revenue from property management fees increased by RMB47.1 million, or 80.5%, to RMB105.6 million in 2010 from RMB58.5 million in 2009. This increase was primarily attributable to the additional property management fees derived from our property services for the commercial properties and the residential units delivered in 2010.

Gross profit

Our gross profit increased by RMB1,690.8 million, or 128.1%, to RMB3,010.9 million in 2010 from RMB1,320.1 million in 2009. The increase is mainly explained by the increase in contribution from property sales. Our gross profit margin increased to 38.8% from 28.3% in 2009. The substantial improvement mainly resulted from the higher ASP achieved on our sales of properties, realization of our low cost land bank, more effective cost control and improved asset-turnover.

Other gains

Other gains of RMB6.0 million in 2010 primarily comprised forfeited customer deposits. The other gains in 2009 primarily comprised RMB32.2 million generated from compensation from termination of proposed development projects and investment return from a primary land development contract.

Selling and marketing costs

Our selling and marketing costs increased by RMB19.8 million, or 12.1%, to RMB183.3 million in 2010 from RMB163.5 million in 2009. The increase in selling and marketing costs was primarily due to the higher agency fee as a result of the increase in contracted sales amount in 2010.

Management Discussion and Analysis (Continued)

Administrative expenses

Our administrative expenses increased by RMB161.1 million, or 64.4%, to RMB411.2 million in 2010 from RMB250.1 million in 2009. This increase was primarily attributable to the non-cash share option expenses of RMB74.3 million and an increase in employee related costs as a result of the Group's business expansion since the Group's IPO in December 2009.

Change in fair value of investment properties

The increase in fair value of our investment properties was RMB289.8 million in 2009 and RMB2,970.1 million in 2010. The increase in fair value of our investment properties in 2009 was primarily attributable to the appreciated fair value of our investment properties in Guangzhou Jinmao and addition of commercial properties in Woodland Height Phase 4 into our investment property portfolio in 2009. The increase in fair value of our investment properties in 2010 was primarily attributable to addition of commercial properties including Fenglong Center, Huizhou Kaisa Center Phase 2, Shenyang Kaisa Center, Woodland Height Phase 6 and Jiangyin Zhongbu Garden into our investment portfolio in 2010.

Finance costs, net

Our net finance costs decreased by RMB149.0 million, or approximately 76.5%, to RMB45.8 million in 2010 from RMB194.8 million in 2009. The decrease was primarily attributable to the Group's strategy to adopt an asset turnover model to lower the level of completed property held for sale, resulting in a decrease in average outstanding bank debt balance in 2010 in relation to completed projects and record of a net exchange translation gain of approximately RMB40.4 million derived from the proceeds from the Senior Notes denominated in U.S. dollar that the Company issued in April 2010.

Income tax expenses

Our income tax expenses increased by RMB1,304.0 million, or approximately 321.5%, to RMB1,709.5 million in 2010 from RMB405.5 million in 2009, mainly attributable to an increase in the Group's revenue in 2010 and a deferred tax charge of approximately RMB742.5 million arising from fair value gain on investment properties. However, our effective income tax rate decreased to 32.0% in 2010 from 42.5% in 2009. The decrease was primarily explained by the fact that (i) the disposal of the Guangzhou Kaisa Plaza was transacted by way of equity transfer and therefore the disposal would not trigger PRC land appreciation tax ("LAT"); and (ii) a much higher proportion of our operating profit before taxation was contributed by the increase in fair value of our investment properties, for which no provision for LAT is required.

Profit for the year

As a result of the factors described above, our profit for the year increased by RMB3,088.8 million, or 563.8%, to RMB3,636.7 million in 2010 from RMB547.9 million in 2009. Our net profit margin was 46.9% in 2010 and 11.7% in 2009. Our net profit (excluding change in fair value on investment properties and financial derivatives, net of deferred taxes) in 2009 and 2010 was RMB414.5 million and RMB1,409.0 million, respectively, resulting in corresponding net profit margin (excluding change in fair value on investment properties and financial derivatives, net of deferred taxes) of 8.9% and 18.2% for years ended 31 December 2009 and 2010, respectively.

Liquidity, financial and capital resources

Cash position

As at 31 December 2010, the carrying amount of the Group's cash and bank deposits was approximately RMB4,869.7 million (31 December 2009: RMB3,727.4 million), representing an increase of 30.6% as compared to that as at 31 December 2009.

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 2010, certain of the Group's cash was deposited in certain banks respectively 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 RMB530.1 million as at 31 December 2010.

Senior notes

On 28 April 2010, the Company issued senior notes due 2015 with nominal value of US$350 million (equivalent to approximately RMB2,389.2 million) at a coupon rate of 13.5% per annum (the "Senior Notes") for the purpose of, amongst others, financing existing and new property projects and for general corporate use.

Convertible bonds

On 20 December 2010, the Company issued RMB1,500 million (approximately US$225 million) USD Settled 8% convertible bonds due 2015 ("Convertible Bonds") for the purpose of financing the acquisition of new land bank in the PRC and the Group's real estate projects. The initial conversion price is HK$2.82 per share.

Borrowings and charges on the Group's assets

The Group had an aggregated borrowings as at 31 December 2010 of approximately RMB7,927.4 million, of which approximately RMB1,751.7 million will be repayable within 1 year, approximately RMB5,657.2 million will be repayable between 2 and 5 years and approximately RMB518.5 million will be repayable over 5 years. As at 31 December 2010, the Group's bank loans of approximately RMB2,808.8 million were secured by plant and equipment, land use rights, investment properties and properties under development of the Group with total carrying values of approximately RMB6,102.0 million. The carrying amounts of all the Group's bank loans are denominated in RMB except for the Senior Notes with a carrying value of RMB2,320.6 million and other offshore banking facilities with an aggregate balance of USD67.5 million as at 31 December 2010 which were denominated in U.S. dollars. The Senior Notes is secured by the pledge of shares of most of the Group's subsidiary companies incorporated outside of the PRC, and joint and several guarantees given by certain subsidiary companies of the Group. 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 ("PBOC"). Our interest rate risk is mainly from the floating interest rate of domestic bank loans.

Management Discussion and Analysis (Continued)

Gearing

As at 31 December 2010, the Group's net debts (total borrowings net of cash and cash equivalent and restricted cash) over equity was 30.6% (31 December 2009: 42.5%). As at 31 December 2010, the Group's net current assets increased by 41.9% to RMB11,157.2 million from 2009, and the current ratio increased from 1.95 times as at 31 December 2009 to 2.20 times as at 31 December 2010.

Cost of borrowings

For the year ended 31 December 2010, the Group's total cost of borrowings was RMB522.4 million, representing a decrease of RMB28.4 million or 5.2% as compared to 2009. The decrease was primarily attributable to the lower average debt balance in 2010 as compared to that in 2009.

Foreign currency risks

The Group's property development projects are all located in the PRC and most of the related transactions are settled in RMB. The Company and certain of the Group's intermediate holding companies operate in Hong Kong which have recognized assets and liabilities in currencies other than RMB. As at 31 December 2010, the Group had cash balances in U.S. dollar of approximately US$308.6 million (equivalent to approximately RMB2,043.9 million), and HK dollar of approximately HK$765.0 million (equivalent to approximately RMB650.9 million), and the Senior Notes in U.S. dollar with a carrying value of US$350.3 million (equivalent to approximately RMB2,320.6 million).

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 31 December 2010, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by domestic banks to our customers amounting to approximately RMB4,367.0 million (31 December 2009: approximately RMB2,391.9 million). Pursuant to the terms of the guarantees, upon default in mortgage payments by a purchaser, we would be responsible for repaying the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchaser to the bank, but we 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 mortgaged property.

Material acquisitions and disposals of assets

For the year ended 31 December 2010, the Group did not have any material acquisitions of assets.

On 26 August 2010, we entered into an equity transfer agreement to dispose of 100% equity interest of China Agriculture Technology Limited, our wholly-owned subsidiary, to Shengyu (BVI) Limited, a subsidiary of Evergrande Real Estate Group Limited, a company whose shares are listed on The Hong Kong Stock Exchange Limited. The principal underlying assets of China Agriculture Technology Limited is its indirect 100% interest in the Guangzhou Kaisa Plaza, a commercial project which comprises primarily one high-rise office building with retail space and located in the CBD in Tianhe District, Guangzhou, the PRC. The consideration of the transaction was RMB1.0 billion, and we were also reimbursed RMB900 million of project related expenditures. The transaction was completed on 20 December 2010.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2010, the Group employed a total of 3,150 employees. The total staff costs incurred was approximately RMB242.2 million for the year ended 31 December 2010. 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 Company adopted a pre-IPO share option scheme on 22 November 2009 under which the Company granted share options to eligible employees, executives or officers of the Group to subscribe for the shares of the Company (the "Pre-IPO Share Option Scheme"). As at 31 December 2010, no share options had been exercised by the grantees or cancelled by the Company under the Pre-IPO Share Option Scheme.

The Company also adopted a share option scheme on 22 November 2009 pursuant to which the Company may grant options to the eligible participants to subscribe for the shares of the Company (the "Share Option Scheme"). As at 31 December 2010, a total of 204,750,000 share options had been granted under the Share Option Scheme to certain employees, executives and officers of the Group, and none of the share options were exercised by the grantees or cancelled by the Company.

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 all of the Independent Non-Executive Directors, namely Mr. RAO Yong, Mr. ZHANG Yizhao and Mr. FOK Hei Yu. Mr. RAO Yong is the Chairman of the Audit Committee.

The annual results have been reviewed by the Audit Committee of the Company.

Project Portfolio — Summary

We have accumulated substantial experience in developing 47 projects. The map below shows the geographical coverage of our property development projects as at 31 December 2010.

THE PEARL RIVER DELTA REGION —
Shenzhen, Guangzhou, Foshan, Dongguan, Huizhou, Zhuhai

Shenzhen Woodland Height, Shenzhen Mocha Town, Shenzhen Kaisa Center, Shenzhen Lake View Place, Shenzhen Xiangrui Garden, Shenzhen Mingcui Garden, Shenzhen Jincui Garden, Shenzhen Shangpin Garden, Shenzhen Li Langlu Project, Shenzhen Fenglong Center, Shenzhen Nan' Ao Kangbao Project, Shenzhen Metropolitan Tower, Shenzhen Boji Project, Guangzhou Jinmao, Guangzhou Kaisa Plaza, Guangzhou Shangpin Garden (previously "Guangzhou Jiangnan Boulevard"), Foshan Shunde Kaisa Mocha Town, Foshan Shunde Kaisa Shangpin Garden, Dongguan Zhongyang Haomen, Dongguan Dongjiang Haomen, Dongguan Lake View Palace (previously "Yantian Project"), Dongguan Dijingwan, Huizhou Jincheng Heights, Huizhou Kaisa Center, Huizhou Yuan Zhou Project, Huizhou Tonghu Project, Huizhou Boluo Project, Zhuhai Lake View Waldorf Garden (previously "Wanzai Project")

THE YANGTZE RIVER DELTA REGION —
Jiangyin, Shanghai, Changzhou, Taicang

Jiangyin Lake View Place, Jiangyin Gushan Mocha Town (previously "Jiangyin Gushan Project"), Jiangyin Zhongbu Garden, Jiangyin Zhouzhuang Project, Changzhou Xinbei District Project, Shanghai Shanhuwan Garden, Taicang Project

THE CENTRAL CHINA REGION —
Changsha, Zhuzhou

Changsha Lake View Place, Zhuzhou Liyuhu Project

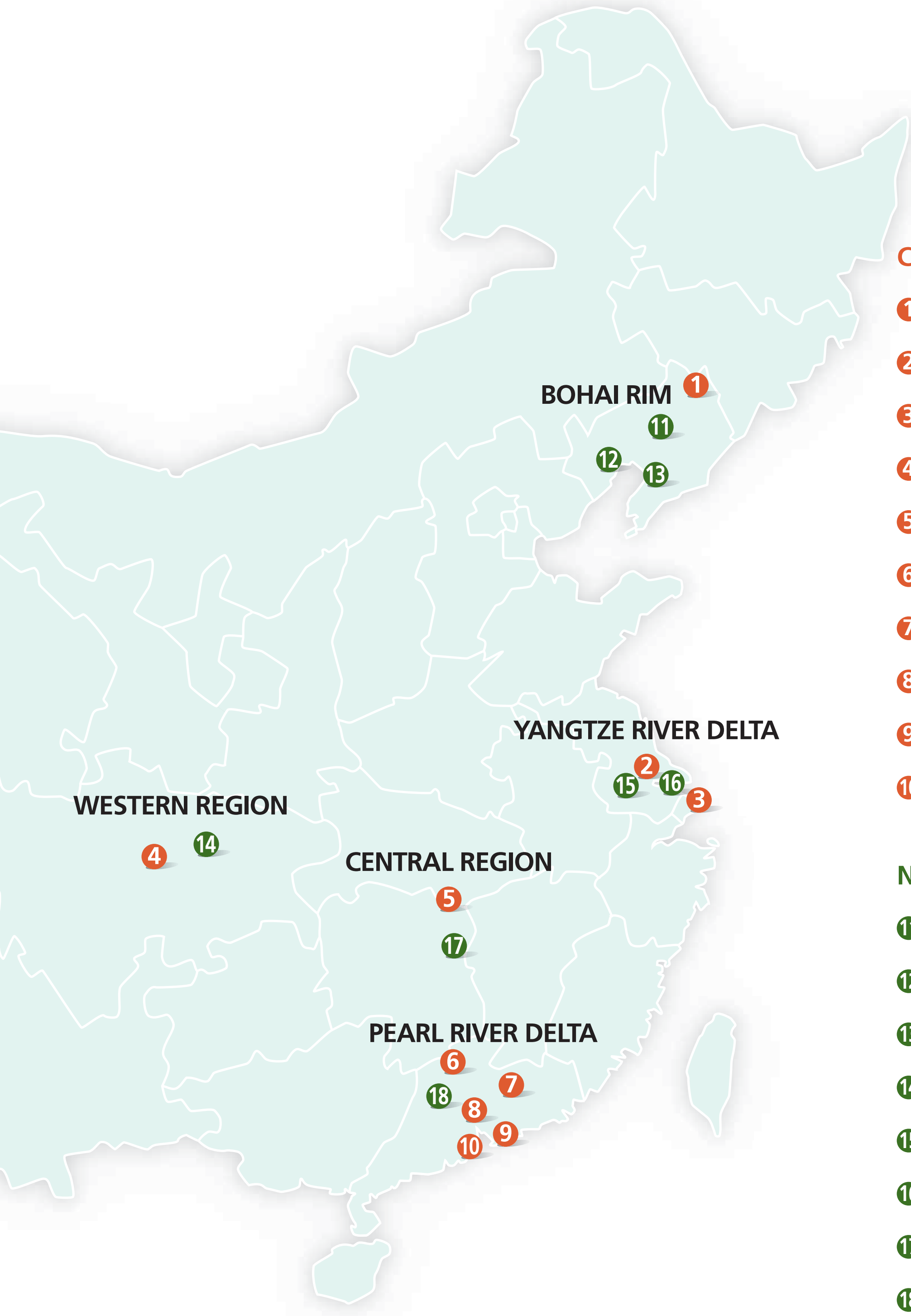
THE CHENGDU-CHONGQING REGION —
Chengdu, Nanchong

Chengdu Kaisa Shangpin Garden (previously "shuangliu Project"), Chengdu Lijing Harbour, Chengdu Modern City (previously "Chengdu Shangmao Garden"), Nanchong Zhengyang East Road Project, Nanchong Wangtianba Project

PAN-BOHAI BAY RIM —
Shenyang, Yingkou, Anshan, Huludao

Shenyang Kaisa Center, Yingkou Yingdong Xincheng Project, Yingkou Shifulu Project, Anshan Lake View Waldorf Garden, Huludao Suizhong Project



Cities we entered into before 2010

1 SHENYANG
2 JIANGYIN
3 SHANGHAI
4 CHENGDU
5 CHANGSHA
6 GUANGZHOU
7 HUIZHOU
8 DONGGUAN
9 SHENZHEN
10 ZHUHAI

Newly entered cities

11 ANSHAN
12 HULUDAO
13 YINGKOU
14 NANCHONG
15 CHANGZHOU
16 TAICANG
17 ZHUZHOU
18 FOSHAN

Total GFA of approximately

20.0

million sq. m.

Project Portfolio — Summary (Continued)

SELECTED PROPERTY PROJECT INFORMATION — AS AT 31 DECEMBER 2010

NO.	Project	Address	Location	Type
The Pearl River Delta region				
1	Shenzhen Woodland Height	Junction of Shenhui Road and Lilang Road, Buji Town, Longgang District	Shenzhen	Residential
2	Shenzhen Mocha Town	Busha Road, Longgang District	Shenzhen	Residential
3	Shenzhen Kaisa Center	East of Shangbu South Road and North of Nanyuan Road, Futian District	Shenzhen	Residential
4	Shenzhen Lake View Place	Junction of Xincheng Road and Pingxi Road, Longang District	Shenzhen	Residential
5	Shenzhen Xiangrui Garden	North of Beihuan Highway, Nanshan District	Shenzhen	Residential
6	Shenzhen Mingcui Garden	Pinghu Street, Longgang District	Shenzhen	Residential
7	Shenzhen Jincui Garden	Cuizhu Road, Luohu District	Shenzhen	Residential
8	Shenzhen Shangpin Garden	Bantian Street, Longgang District	Shenzhen	Residential
9	Shenzhen Li Langlu Project	Lilang Road, Buji Town, Longgang District	Shenzhen	Residential
10	Shenzhen Fenglong Center	Shennan Avenue, Futian District	Shenzhen	Commercial
11	Shenzhen Nan' Ao Kangbao Project	Dongyong Village (close to Dongchong Beach), Nan'ao Town, Longgang District	Shenzhen	Residential
12	Shenzhen Metropolitan Tower	Nanmendun, Buji Town, Longgang District	Shenzhen	Residential
13	Shenzhen Boji Project	Banxuegang Avenue, Longgang District	Shenzhen	Residential [3]
14	Guangzhou Jinmao	No. 191 Tiyu West Road, Tianhe District	Guangzhou	Commercial
15	Guangzhou Kaisa Plaza	No. 78, Huangpu Avenue, Tianhe District	Guangzhou	Commercial
16	Guangzhou Shangpin Garden (previously "Guangzhou Jiangnan Boulevard")	No.99 Jiang Nan Avenue Central, Haizhu District	Guangzhou	Residential
17	Foshan Shunde Kaisa Mocha Town	Lot No.1 South of the Central Region of Xingtan Town, Shunde District	Foshan	Residential
18	Foshan Shunde Kaisa Shangpin Garden	Lot No.BJ-C-19 New Town Region of Beijiao Town, Shunde District	Foshan	Residential
19	Dongguan Zhongyang Haomen	Wangwuzhou Village, Shilong Town	Dongguan	Residential
20	Dongguan Dongjiang Haomen	South side of Dongjiang Avenue, Yangwu Village and Qishi Village, Qishi Town	Dongguan	Residential
21	Dongguan Lake View Palace (previously "Yantian Project")	Fengshen Avenue, Fenggang Town	Dongguan	Residential
22	Dongguan Dijingwan	Besides Government Square, Xincheng District, Shilong Town	Dongguan	Residential
23	Huizhou Jincheng Heights	Gutang' ao Miaozaikeng	Huizhou	Residential
24	Huizhou Kaisa Center	No. 18 Sub-district, Jianghei, Huicheng District	Huizhou	Commercial
25	Huizhou Yuan Zhou Project	Tanjiao Section, Liangwu Gaotou Village, Yuanzhou Town, Boluo County	Huizhou	Residential
26	Huizhou Tonghu Project	Guangdong Shuiku, Tonghu Town	Huizhou	Residential
27	Huizhou Boluo Project	Jiangnan Section, Cuimei Garden Village Committee, Hengkeng, Luoyang Town, Boluo County	Huizhou	Residential
28	Zhuhai Lake View Waldorf Garden (previously "Wanzai Project")	Shangsha Street, Wanzai, Xiangzhou District	Zhuhai	Residential
The Chengdu-Chongqing region				
29	Chengdu Kaisa Shangpin Gargen (previously "Shuangliu Project")	Erjiangsi Village, Huayang Town, Shuangliu County	Chengdu	Residential
30	Chengdu Lijing Harbour	Group 1 and 2, Ban Huafeng Village, Yongquan Street, Wenjiang District	Chengdu	Residential
31	Chengdu Modern City (previously "Chengdu Shangmao Garden")	Yingchunqiao, Dongsheng Sub-district Office, Shuangliu County	Chengdu	Commercial
32	Nanchong Zhengyang East Road Project	North of Zhengyang East Road, Shunqing District	Nanchong	Residential
33	Nanchong Wangtianba Project	Lot No.2 Wangtianba, Bingjiang Road, Shunqing District	Nanchong	Residential
Pan-Bohai Bay Rim				
34	Shenyang Kaisa Center (previously "Shenyang Qingnian Avenue")	East of Qingnian Avenue, Shenhe District	Shenyang	Commercial
35	Yingkou Yingdong Xincheng Project	South of East Frontier, Bohai Avenue, Laobian District	Yingkou	Residential
36	Yingkou Shifulu Project	Shifu Road, Laobian District	Yingkou	Residential
37	Anshan Lake View Waldorf Garden	North of Shengli Road, Lishan District	Anshan	Residential
38	Huludao Suizhong Project	South of Binhai Road, Laohu Village, Wanjia Town, Binhai Economic Zone, Suizhong County	Huludao	Commercial
The Central China region				
39	Changsha Lake View Place	Jinping Village, Tiaoma County	Changsha	Residential
40	Zhuzhou Liyuhu Project	Liyu Lake, Tianyuan District	Zhuzhou	Residential
The Yangtze River Delta region				
41	Jiangyin Lake View Place	South of Xinhua Road, West of Dongwaihuan Road and North of Renmin Road East	Jiangyin	Residential
42	Jiangyin Gushan Mocha Town (previously "Jiangyin Gushan Project")	South of Golden Gushan Garden and west of Xinfu Avenue, Gushan Town	Jiangyin	Residential
43	Jiangyin Zhongbu Garden	East of Lake View Place, South of Mingxian Road, West of Dongwai Huan Road and North of Renmin Dong Road, Chengjiang Village	Jiangyin	Residential
44	Jiangyin Zhouzhuang Project	East of Zhouxi East Road, Zhouzhuang Town	Jiangyin	Residential
45	Changzhou Xinbei District Project	South of Qingyang Road, Xuejia Town, Xinbei District	Changzhou	Residential
46	Shanghai Shanhuwan Garden	No. 4333 Alley, Haima Road, Haiwan Town, Fengxian District	Shanghai	Residential
47	Taicang Project	Limin Community, Science-Enducation New Town	Taicang	Residential
	Total[1]			

Notes:
(1) Inclusive of projects for which the Group has not yet obtained the land use rights certificates, but has entered into land grant contracts or obtained confirmation from the relevant land and resources bureau that the Group has been selected as the winner of the public listing-for-sale process.
(2) Based on our internal project plans but subject to governmental approval.
(3) The land site is currently for industrial usage. In January 2011, the Shenzhen Longgang District Government granted its approval to rezone the site for residential and commercial use, subject to final approval by Shenzhen Municipal Government.
(4) Including certain commercial spaces held for investment. Such commercial spaces are held either under long term lease (for Shenzhen Woodland Height, with GFA of approximately 12,886 sq.m.) or medium term lease (for Shenzhen Kaisa Center and Shenzhen Fenglong Center, with GFA attributable to the Group of approximately 19,745 sq.m. and 113,700 sq.m., respectively).
(5) Including certain commercial spaces and car parks held for investment under medium term lease, with an aggregate GFA of approximately 44,958 sq.m..
(6) Including certain office and commercial spaces held for investment. Such office and commercial spaces are held either under long term lease (for Huizhou Kaisa Center, with GFA of approximately 144,431 sq.m.) or medium term lease (for Jiangyin Zhongbu Garden and Shenyang Kaisa Center, with GFA of approximately 67,915 sq.m. and 113,219 sq.m., respectively).

Project phase	Site area (sq.m.)	Total GFA (sq.m.)	Total GFA: Completed properties (sq.m.)	Total GFA: Under development (sq.m.)	Total GFA: Future development (sq.m.)	Interest attributable to us
1-8	160,514	580,135	580,135[4]			100%
1-7	185,724	735,299	735,299			100%
–	5,966	98,241	98,241[4]			100%
1-5	182,064	388,626	388,626			100%
–	57,984	143,796	143,796			100%
1-4	102,439	390,373	290,428	88,415	11,530	100%
–	9,066	106,743		106,743		100%
–	45,829	231,572	231,572			100%
–	69,941	104,910			104,910	100%
–	14,411	142,000			142,000[4]	89%
–	73,305	44,000			44,000	100%
–	5,241	88,987		88,987		100%
1-4	321,824	1,283,430			1,283,430	100%
–	14,192	233,322	233,322[5]			100%
–	7,106	117,522	117,522			100%
–	7,707	56,644		56,644		100%
1-2	71,200	185,120		185,120		100%
–	32,819	72,203			72,203	100%
1-4	82,742	387,602	158,708	108,369	120,526	100%
1-3	86,324	243,659		186,463	57,195	100%
1-3	70,734	202,908		107,281	95,627	80%
–	46,474	155,432	155,432			100%
–	89,998	267,995			267,995	100%
1-3	70,859	734,076		104,644	629,432[6]	100%
–	20,400	61,200			61,200[2]	100%
1-4	731,487	731,487			731,487[2]	100%
1-10	1,663,969	4,326,319		47,367	4,278,952	100%
1-3	49,503	550,431			550,431	100%
1-6	182,666	1,002,253			1,002,253	100%
1-7	150,071	747,721	252,489	285,998	209,233	100%
1-2	133,269	316,541		196,661	119,881	100%
–	29,541	88,623			88,623	100%
1-3	188,246	474,261			474,261	100%
–	30,983	292,331			292,331[6]	100%
1-3	469,552	1,408,656			1,408,656	100%
1-3	249,470	873,145			873,145	100%
1-3	477,463	1,359,251			1,359,251	100%
–	423,265	423,265			423,265	100%
1-4	673,536	1,683,840	55,102	151,026	1,477,712	100%
1-3	222,177	509,709			509,709	100%
1-3	225,530	272,274	107,986	164,288		100%
1-4	76,465	114,449		60,662	53,787	100%
1-3	158,241	463,535		112,132	351,403[6]	100%
1-2	103,589	218,597			218,597	100%
1-2	101,819	224,002			224,002	100%
1-4	104,796	156,847	38,436	118,411		100%
1-3	87,741	201,233			201,233	100%
	8,368,243	**23,494,564**	**3,587,094**	**2,169,210**	**17,738,260**	

Project Portfolio — Summary (Continued)

PROPERTIES UNDER DEVELOPMENT

The table below sets forth certain information of our property projects or project phases under development as at 31 December 2010.

Project	Location	Project phase	Estimated total GFA (sq.m.)
Shenzhen Mingcui Garden	Shenzhen	3	88,415
Shenzhen Jincui Garden	Shenzhen	–	106,743
Shenzhen Metropolitan Tower	Shenzhen	–	88,987
Guangzhou Shangpin Garden (previously "Guangzhou Jiangnan Boulevard")	Guangzhou	–	56,644
Foshan Shunde Kaisa Mocha Town	Foshan	1	82,747
Foshan Shunde Kaisa Mocha Town	Foshan	2	102,373
Dongguan Zhongyang Haomen	Dongguan	3	108,369
Dongguan Dongjiang Haomen	Dongguan	1	64,351
Dongguan Dongjiang Haomen	Dongguan	2	122,112
Dongguan Lake View Palace (previously "Yantian Project")	Dongguan	1	107,281
Huizhou Kaisa Center	Huizhou	1	104,644
Huizhou Boluo Project	Huizhou	1	47,367
Chengdu Lijing Harbour	Chengdu	3	122,194
Chengdu Lijing Harbour	Chengdu	4	85,330
Chengdu Lijing Harbour	Chengdu	5	78,475
Chengdu Modern City (previously "Chengdu Shangmao Garden")	Chengdu	1	196,661
Changsha Lake View Place	Changsha	1	151,026
Jiangyin Lake View Place	Jiangyin	2	63,524
Jiangyin Lake View Place	Jiangyin	3	100,765
Jiangyin Gushan Mocha Town (previously "Jiangyin Gushan Project")	Jiangyin	1	10,372
Jiangyin Gushan Mocha Town (previously "Jiangyin Gushan Project")	Jiangyin	2	50,291
Jiangyin Zhongbu Garden	Jiangyin	1	112,132
Shanghai Shanhuwan Garden	Shanghai	3	28,171
Shanghai Shanhuwan Garden	Shanghai	4	90,240
Total			**2,169,210**

Estimated saleable GFA (sq.m.)	Commencement time	Status of pre-sale permit	Estimated completion time	Interest attributable to us
68,792	February 2009	YES	2011 3rd quarter	100%
45,883	September 2008	YES	2011 2nd quarter	100%
75,639	August 2010	Not yet obtained	2013 2nd quarter	100%
48,147	June 2010	Not yet obtained	2013 3rd quarter	100%
70,335	December 2010	Not yet obtained	2011 4th quarter	100%
87,017	December 2010	Not yet obtained	2012 2nd quarter	100%
84,012	August 2009	YES	2011 4th quarter	100%
58,537	January 2009	YES	2011 3rd quarter	100%
103,796	December 2010	Not yet obtained	2012 4th quarter	100%
91,189	December 2010	Not yet obtained	2012 4th quarter	80%
79,176	August 2009	YES	2011 4th quarter	100%
40,262	November 2010	Not yet obtained	2011 4th quarter	100%
107,970	December 2009	YES	2011 4th quarter	100%
68,706	May 2010	YES	2012 3rd quarter	100%
67,659	October 2010	YES	2012 3rd quarter	100%
167,161	October 2010	Not yet obtained	2012 3rd quarter	100%
128,372	December 2010	Not yet obtained	2011 3rd quarter	100%
52,098	July 2009	YES	2011 1st quarter	100%
90,811	June 2010	YES	2011 4th quarter	100%
10,078	August 2010	YES	2011 1st quarter	100%
45,367	December 2010	Not yet obtained	2011 4th quarter	100%
95,312	December 2010	Not yet obtained	2012 4th quarter	100%
22,675	December 2009	YES	2011 2nd quarter	100%
76,704	November 2010	Not yet obtained	2011 4th quarter	100%
1,785,699				

Project Portfolio — Summary (Continued)

PROPERTIES HELD FOR FUTURE DEVELOPMENT

The table below sets forth certain information of our property projects held for future development as at 31 December 2010.

Project	Location	Project phase	Estimated total GFA (sq.m.)	Estimated completion time[1]
Shenzhen Mingcui Garden	Shenzhen	4	11,530	2013
Shenzhen Li Langlu Project	Shenzhen	–	104,910	2012
Shenzhen Fenglong Center[2]	Shenzhen	–	142,000	2013
Shenzhen Nan' Ao Kangbao Project	Shenzhen	–	44,000	2012
Shenzhen Boji Project	Shenzhen	1-4	1,283,430	2013
Foshan Shunde Kaisa Shangpin Garden	Foshan	–	72,203	2012
Dongguan Zhongyang Haomen	Dongguan	4	120,526	2013
Dongguan Dongjiang Haomen	Dongguan	3	57,195	2012
Dongguan Lake View Palace (previously "Yantian Project")	Dongguan	2-3	95,627	2012
Huizhou Jincheng Heights	Huizhou	1-2	267,995	2013
Huizhou Kaisa Center	Huizhou	2-3	629,432	2013
Huizhou Yuan Zhou Project	Huizhou	–	61,200	2012
Huizhou Tonghu Project	Huizhou	1-4	731,487	2013
Huizhou Boluo Project[2]	Huizhou	2-10	4,278,952	2012
Zhuhai Lake View Waldorf Garden (previously "Wanzai Project")[2]	Zhuhai	1-3	550,431	2012
Chengdu Kaisa Shangpin Garden (previously "Shuangliu Project")	Chengdu	1-6	1,002,253	2013
Chengdu Lijing Harbour	Chengdu	6-7	209,233	2013
Chengdu Modern City (previously "Chengdu Shangmao Garden")	Chengdu	2	119,881	2012
Nanchong Zhengyang East Road Project[2]	Nanchong	–	88,623	2012
Nanchong Wangtianba Project[2]	Nanchong	1-3	474,261	2012
Shenyang Kaisa Center (previously "Shenyang Qingnian Avenue")	Shenyang	–	292,331	2013
Yingkou Yingdong Xincheng Project[2]	Yingkou	1-3	1,408,656	2011
Yingkou Shifulu Project[2]	Yingkou	1-3	873,145	2012
Anshan Lake View Waldorf Garden[2]	Anshan	1-3	1,359,251	2011
Huludao Suizhong Project[2]	Huludao	–	423,265	2011
Changsha Lake View Place	Changsha	2-4	1,477,712	2011
Zhuzhou Liyuhu Project[2]	Zhuzhou	1-3	509,708	2011
Jiangyin Gushan Mocha Town (previously "Jiangyin Gushan")	Jiangyin	3-4	53,787	2011
Jiangyin Zhongbu Garden	Jiangyin	2-3	351,403	2012
Jiangyin Zhouzhuang Project[2]	Jiangyin	1-2	218,597	2012
Changzhou Xinbei District Project[2]	Changzhou	1-2	224,002	2012
Taicang Project	Taicang	1-3	201,233	2011
Total			**17,738,260**	

Notes:

(1) For projects with multiple phases, the estimated time for completing the first phase of the project.

(2) We have not obtained land use rights certificates for these projects, except for Boluo Project and Zhuhai Lake View Waldorf Garden of which we have already obtained the land use rights certificates for GFA of approximately 1,023,430 sq. m. and 21,123 sq.m., respectively. However, we have entered into land grant contracts or obtained confirmation from the relevant land and resources bureau that the Group has been selected as the winner of the public listing-for-sale process.

Project Portfolio — Key Properties

THE PEARL RIVER DELTA REGION – SHENZHEN

Jincui Garden

Jincui Garden is located in Luohu District, Shenzhen. This project occupies an aggregate site area of 9,066 sq. m. with a total GFA of 106,743 sq. m. Jincui Garden is an integrated commercial-residential project which comprises four high-rise buildings.

Shangpin Garden

Shangpin Garden is located in Bantian Street, Longgang District, Shenzhen. This project occupies an aggregate site area of 45,829 sq. m. with a total GFA of 231,572 sq. m. Shangpin Garden is an integrated residential project which comprises primarily seven high-rise apartment buildings with retail spaces. This project also includes one kindergarten.

Fenglong Center

Fenglong Center is located in Shennan Avenue, Futian District, Shenzhen. Shenzhen Science and Technology Musuem, Shenzhen Commercial Bank Building and the subway are in the vicinity of this project. Fenglong Center occupies an aggregate site area of approximately 14,411 sq. m. with a total GFA of approximately 142,000 sq. m. Fenglong Center is expected to comprise one high-rise office building with retail spaces and public car parks.

Boji Project

Boji Project is located in Bantian Street, Longgang District, Shenzhen. This project occupies an site area of approximately 321,824 sq. m. with a total GFA of approximately 1,283,430 sq. m. This project is currently for industrial use and the Group intends to develop the project into a commercial-residential project upon final approval from the relevant Shenzhen Municipal Government authorities. The project is expected to be an integrated residential–commercial project with kindergarten, nine-year integrated curriculum school and other ancillary facilities.

Project Portfolio — Key Properties (Continued)

THE PEARL RIVER DELTA REGION – GUANGZHOU

Guangzhou Kaisa Plaza

Guangzhou Kaisa Plaza is located in Guangzhou's CBD in Tianhe District, Guangzhou. This project occupies an aggregate site area of approximately 7,106 sq. m. with a total GFA of approximately 117,522 sq. m. Guangzhou Kaisa Plaza is a commercial project which comprises primarily one high-rise office building with retail spaces.

Guangzhou Shangpin Garden

Guangzhou Shangpin Garden is located in No. 99 Jiang Nan Avenue Central, Haizhu District, Guangzhou. This project occupies an site area of approximately 7,707 sq. m. with a total GFA of approximately 56,644 sq. m. The project is expected to be developed into high-rise buildings comprising residential and commercial properties.

Foshan Shunde Kaisa Mocha Town

Foshan Shunde Kaisa Mocha Town is located in South of the Central Region of Xingtan Town, Shunde District, Foshan, Guangdong Province. This project occupies an aggregate site area of approximately 71,200 sq. m. with a total GFA of approximately 185,120 sq. m. and is expected to comprise 24 high-rise properties. This project is expected to be divided into two phases.

THE PEARL RIVER DELTA REGION – DONGGUAN

Dongguan Dongjiang Haomen

Dongguan Dongjiang Haomen is located in South side of Dongjiang Avenue, Yangwu Village and Qishi Village, Qishi Town, Dongguan. This project occupies an aggregate site area of approximately 86,324 sq. m. with an total GFA of approximately 243,659 sq. m. Dongjiang Haomen is expected to be an integrated residential project which comprises high-rise apartment buildings, townhouses and commercial facilities. The project is divided into three phases.

Dongguan Dijingwan

Dijingwan is located in Shilong Town, Dongguan. This project occupies an aggregate site area of approximately 43,884 sq. m. with an estimated total GFA of approximately 155,432 sq. m. This project is an integrated residential project which comprises primarily 18 garden apartments and 12 villas, supplemented by retail spaces.

THE PEARL RIVER DELTA REGION – HUIZHOU

Huizhou Kaisa Center

Huizhou Kaisa Center is located in Jiangbei District, Huizhou. It is close to the Huizhou Municipal Government building, gymnasium and exhibition centres. This project occupies an aggregate site area of approximately 70,859 sq. m. with a total GFA of approximately 734,076 sq. m. Huizhou Kaisa Center is expected to be an integrated residential-commercial project which comprises primarily high-rise apartment buildings and complementary commercial properties and is expected to be one of the largest urban complexes in Huizhou and in South China region. This project is divided into three phases.

Huizhou Boluo Project

Huizhou Boluo is located in Boluo County, Huizhou. This project occupies an aggregate site area of approximately 1,663,969 sq. m. with a total GFA of approximately 4,326,319 sq. m. Huizhou Boluo Project is expected to be an integrated residential-commercial project. This project is expected to be divided into 10 phases.

Project Portfolio — Key Properties (Continued)

THE PEARL RIVER DELTA REGION – ZHUHAI

Zhuhai Lake View Waldorf Garden (previously "Wanzai Project")

Zhuhai Lake View Waldorf Garden is located in Wanzai, Xiangzhou District, Zhuhai. The project is expected to be an integrated residential project. This project occupies an aggregate site area of approximately 49,503 sq. m. with a total GFA of approximately 550,431 sq. m.

THE YANGTZE RIVER DELTA REGION – JIANGYIN

Jiangyin Lake View Place

Jiangyin Lake View Place is located in the city of Jiangyin, Jiangsu Province. This project occupies an aggregate site area of approximately 225,530 sq. m. with a total GFA of approximately 272,274 sq. m. Jiangyin Lake View Place is a residential project which comprises primarily townhouses and high-rise apartment buildings. This project is divided into three phases.

Jiangyin Zongbu Garden

Jiangyin Zongbu Garden is located in Jiangyin City, Jiangsu Province. This project occupies an aggregate site area of approximately 158,241 sq. m. with a total GFA of approximately 465,990 sq. m. Jiangyin Zongbu Garden is expected to be a commercial-residential project which comprises apartment buildings, office buildings, commercial properties and a hotel. This project is expected to be divided into three phases.

Jiangyin Gushan Mocha Town (previously "Jiangyin Gushan Project")

Jiangyin Gushan Mocha Town is located in Gushan Town, Jiangyin City, Jiangsu Province. This project occupies an aggregate site area of approximately 76,465 sq. m. with a total GFA of approximately 114,449 sq. m. Jiangyin Gushan Mocha Town is a residential project which primarily comprises townhouses. This project is divided into four phases.

THE YANGTZE RIVER DELTA REGION – SHANGHAI

Shanghai Shanhuwan Garden

Shanghai Shanhuwan Garden is located in Fengxian District, Shanghai. This project occupies an aggregate site area of approximately 104,796 sq. m. with a total GFA of approximately 156,847 sq. m. Shanghai Shanhuwan Garden is expected to be a residential project which comprises primarily townhouses. The project is divided into four phases.

THE YANGTZE RIVER DELTA REGION – CHANGZHOU

Changzhou Xinbei District Project

Changzhou Xinbei District Project is located in Xuejia Town, Xinbei District, Changzhou, Jiangsu Province. This project occupies an aggregate site area of approximately 101,819 sq. m. with a total GFA of approximately 224,002 sq. m. This project is expected to comprise various garden apartments and high-rise apartment buildings. The project is expected to be developed in two phases.

THE YANGTZE RIVER DELTA REGION – TAICANG

Taicang Project

Taicang Project is located in Limin Community, Science-Education New Town, Taicang, Jiangsu Province. This project occupies an aggregate site area of approximately 87,741 sq. m. with a total GFA of approximately 201,233 sq. m. This project is expected to comprise various townhouses and garden apartments and is expected to be developed in three phases.

Project Portfolio — Key Properties (Continued)

THE CHENGDU-CHONGQING REGION – CHENGDU

Chengdu Kaisa Shangpin Garden

Chengdu Kaisa Shangpin Garden is located in Huayang Town, Shuangliu County, Chengdu. This project occupies an aggregate site area of approximately 182,666 sq. m. with a total GFA of approximately 1,002,253 sq. m. Chengdu Kaisa Shangpin Garden is expected to be a residential project, primarily comprises various high-rise apartment buildings. This project is also expected to include a clubhouse and a kindergarten and is expected to be divided into six phases.

Chengdu Lijing Harbor

Lijing Harbor is located in Wenjiang District, Chengdu. This project occupies an aggregate site area of approximately 150,071 sq. m. with a total GFA of approximately 747,721 sq. m. Lijing Harbor is a residential project with one clubhouse and one kindergarten. This project is divided into seven phases.

THE CHENGDU-CHONGQING REGION – NANCHONG

Nanchong Zhengyang East Road Project

Nanchong Zhengyang East Road Project is located in Zhengyang East Road, Shunqing District, Nanchong, Sichuan Province. This project occupies an aggregate site area of approximately 29,541 sq. m. with an estimated total GFA of approximately 88,623 sq. m. This project is expected to be developed into six high-rise building which includes residential and commercial properties.

Nanchong Wangtianba Project

Nanchong Wangtianba Project is located in the planned Wang Tian Ba Ecological Zone, Shunqing District, Nanchong, Sichuan Province. This project occupies an aggregate site area of approximately 188,246 sq. m. with a total GFA of 474,261 sq. m. The project is planned to be developed into high-end residential project in three phases.

Project Portfolio — Key Properties (Continued)

PAN-BOHAI BAY RIM – SHENYANG

Shenyang Kaisa Center (previously "Shenyang Qingnian Avenue")

Shenyang Kaisa Center is located in Jinlang Commercial Circle in Shenhe District, Shenyang. This project occupies an aggregate site area of approximately 30,983 sq. m. with a total GFA of approximately 292,331 sq. m. This project is expected to be a residential-commercial project which comprises residential properties, office building and commercial properties.

PAN-BOHAI BAY RIM – YINGKOU

Yingkou Yingdong Xincheng Project

Yingkou Yingdong Xincheng Project is located in Laobian District, Yingkou, Laoning Province. This project occupies an aggregate site area of approximately 469,552 sq. m. with a total GFA of approximately 1,408,656 sq. m. This project is expected to be a high-end residential project which comprises townhouses, duplex villias and garden apartments. It is expected to be developed in three phases.

PAN-BOHAI BAY RIM – ANSHAN

Anshan Lake View Waldorf Garden

Anshan Lake View Waldorf Garden is located in Lishan District, Anshan, Liaoning Province. This project occupies an aggregate site area of approximately 477,463 sq. m. with a total GFA of approximately 1,359,251 sq. m. This project is expected to be an integrated commercial-residential project and will be developed in four phases. It would primarily comprise apartments, low-rise and high-rise buildings, and would also include commercial properties such as office buildings, furnished apartments and commercial streets.

THE CENTRAL CHINA REGION – CHANGSHA

Changsha Lake View Place

Changsha Lake View Place is located in Changsha Town, Changsha City. This project occupies an aggregate site area of approximately 673,536 sq. m. with a total GFA of approximately 1,683,840 sq. m. Changsha Lake View Place is a residential project which comprises low-rise and high-rise apartment buildings, townhouses and stack townhouses. This project is divided into four phases.

THE CENTRAL CHINA REGION – ZHUZHOU

Zhuzhou Liyuhu Project

Zhuzhou Liyuhu Project is located in Liyuhu Industrial Park of Tianyuan Hi-Tech Industrial Development Zone in Zhuzhou. This project occupies an aggregate site area of approximately 222,177 sq. m. with a total GFA of approximately 509,709 sq. m. The project is expected to be a residential project which primarily comprises apartments, villas and high-rise buildings with retail spaces. This project will be developed in three phases.

Directors and Senior Management

CHAIRMAN AND EXECUTIVE DIRECTORS

KWOK Ying Shing (郭英成)

Mr. Kwok, aged 46, is our Chairman and was appointed a Director on 8 August 2007 and re-designated as executive Director on 17 November 2009. He is one of the founders of our Group and has been the Chairman and a Director of our Group since its inception in 1999. Mr. Kwok is primarily responsible for overall strategy, investment planning and human resource strategy of our Group. Mr. Kwok has extensive experience in real estate development and investment management. In 1999, Mr. Kwok formulated our vision of developing large-scale residential properties in suburban areas with access to public transport and other urban facilities in select cities in China. Since then, he has led us in the development and completion of various projects, including Woodland Height, Mocha Town and Lake View Place. In 2003, through Mr. Kwok's direction, we adopted a new development model of acquiring and renovating distressed and uncompleted properties. With this additional development model, we renovated and brought to market Kaisa Center, once a distressed and partially completed property in Shenzhen. Mr. Kwok is currently a guest professor of the School of Architectural and Urban Planning, Shenzhen University. He is the brother of Mr. Kwok Ying Chi and Mr. Kwok Chun Wai.

EXECUTIVE DIRECTORS

KWOK Ying Chi (郭英智)

Mr. Kwok, aged 44, is our Vice Chairman and was appointed a Director on 8 August 2007 and re-designated as executive Director on 17 November 2009. He has been a Vice Chairman and a Director of our Group since its inception in 1999. Mr. Kwok is primarily responsible for overall project planning. Since 1999, Mr. Kwok has been in charge of project planning and management for our property developments. Mr. Kwok has led the implementation of our business expansion strategy, through which we established our presence in select cities in China. He is the brother of Mr. Kwok Ying Shing and Mr. Kwok Chun Wai.

SUN Yuenan (孫越南)

Mr. Sun, aged 47, is our Vice Chairman and was appointed as an executive Director on 17 November 2009. He was appointed as our Vice Chairman in September 2009 and our executive Director in November 2009. Mr. Sun is primarily responsible for investment and management of the Group's commercial real estate business. Mr. Sun joined us in July 2001 as chief administrative director of Shenzhen Kaisa Property and has held various positions within our Group, including senior vice president of our Group, deputy general manager of Shenzhen Kaisa Property and general manager of Guangzhou Jinmao Property. Mr. Sun has extensive regulatory and business administration experience in the real estate industry. From 1993 to 2001, Mr. Sun served in various positions, including deputy chief of administrative office, deputy chief of legal division and deputy chief of personnel division, in Hengyang Municipal Bureau of Land Resources, which oversaw land resources in the city of Hengyang, Hunan Province. Mr. Sun received a bachelor's degree in law from the Correspondence Institute of the Academy of the Central Committee of the Communist Party of China in December 2001.

TAM Lai Ling (譚禮寧)

Dr. Tam, aged 47, is our Vice Chairman and was appointed as an executive Director on 8 March 2010. Dr. Tam is primarily responsible for formulation of investment and financing strategies of the Group. He was an executive director and the chief financial officer of one of the leading property developers in the People's Republic of China prior to joining the Group. From December 2007 to November 2008, Dr. Tam was an executive director of SPG Land (Holdings) Limited where he was responsible for the corporate finance activities and investor relations of the company. From April 2005 to November 2007, Dr. Tam was the deputy managing director and the chief financial officer of Hopson Development Holdings Ltd., where he was responsible for formulating the financing strategy of that company, as well as the execution of the financing strategy. Dr. Tam also served as an independent non-executive director of Tsingtao Brewery Company Limited. From March 1998 to April 2005, Dr. Tam worked for ICEA Capital Limited. He was appointed as its managing director (investment banking division) in May 2002. During his employment with ICEA Capital Limited, Dr. Tam executed a wide variety of corporate finance transactions, including mergers and acquisitions, and debt and equity financings. Prior to that, Dr. Tam also worked for major international investment banks in the area of corporate finance, and a multi-national oil company in the area of business development. Dr. Tam received his bachelor's degree of science from the University College London, University of London, and a Ph.D. from the University of Cambridge. He is also a Chartered Financial Analyst.

EXECUTIVE DIRECTORS *(Continued)*

HUANG Chuanqi (黃傳奇)

Dr. Huang, aged 46, is our Vice Chairman and was appointed as an executive Director and our Chief Executive Officer on 15 June 2010. Dr. Huang is responsible for the overall management of our operations. Dr. Huang has more than 10 years of experience in strategic management and business development. From June 2006 to 16 May 2010, Dr. Huang was the chairman and party secretary of Shenzhen Airport (Group) Co., Ltd. and also the chairman of Shenzhen Airport Co., Ltd., a company listed on the Shenzhen Stock Exchange of the PRC. From October 2003 to May 2006, Dr. Huang was the chairman and party secretary of Shenzhen Water (Group) Co., Ltd. in the PRC. From October 2001 to September 2003, Dr. Huang was the vice president of Shenzhen Investment Holding Company in the PRC. From March 1998 to September 2001, Dr. Huang served as the assistant director of the planning and technology department and the chief engineer of the airworthiness department of the Civil Aviation Administration of China. Before 1998 Dr. Huang was a professor at Nanjing University of Aeronautics & Astronautics in the PRC. Dr. Huang obtained his doctorate degree in aircraft design from the Nanjing University of Aeronautics and Astronautics in 1989, his doctorate degree in mechanical engineering from the Universitê de Bourgogne in France in 1993, and made his post-doctorate research in aeronautics in University of Stuttgart in Germany in 1995.

CHEN Gengxian (陳耿賢)

Mr. Chen, aged 39, is our executive Director and co-chief operating officer. He was appointed as our executive Director on 17 November 2009. Mr. Chen is primarily responsible for overall project management, procurement and engineering. Mr. Chen has more than 10 years of real estate industry experience. He joined us in June 1999 and held various positions within our Group, including vice president, deputy general manager, executive director and chairman of Shenzhen Kaisa Property. Mr. Chen completed the part-time programme of administrative management in Northeastern Normal University, China in February 2007.

HAN Zhenjie (韓振捷)

Mr. Han, aged 43, is our executive Director and vice president. He was appointed as our executive Director and regional president on 24 November 2010. Mr. Han is primarily responsible for the overall development and management of the Group's property projects in the northeastern district of the PRC. Mr. Han has been the vice president of the Group since February 2007. He rejoined the Group in January 2007 as deputy general manager of Kaisa Property (Shenzhen) Co., Ltd. Mr. Han has been a PRC registered First Class Architect since 2000. Mr. Han has over 10 years of experience in architecture. From 2005 to 2006, he served as vice president of design in Fantasia Group (China) Co., Ltd., a property development company. From 2002 to 2005, he held various positions in our Group, including chief architect, manager of design department, project manager of the Mocha Town project and director of design. From 2000 to 2002, Mr. Han served as deputy general manager and deputy chief architect in Shenzhen Huaxin Architects Engineers & Consultants International Co., Ltd.. From 1997 to 2000, he served in Citymark Aecom Co., Ltd., Shenzhen, as manager at the construction division responsible for construction drawing and design. Mr. Han graduated with a bachelor's degree in engineering from Tsinghua University, China in 1991.

INDEPENDENT NON-EXECUTIVE DIRECTORS

ZHANG Yizhao (張儀昭)

Mr. Zhang, aged 40, is an independent non-executive Director of our Company. He was appointed as our independent non-executive Director on 17 November 2009. Mr. Zhang is currently the chief financial officer of Universal Travel Group (NYSE: UTA) and an independent non-executive director of China Green Agriculture Inc. (NYSE Amex: CGA), China Education Alliance, Inc. (NYSE Amex: CEU) and China Carbon Graphite Group (OTC BB: CHGI) respectively. Mr. Zhang has over 14 years of experience in accounting and internal control, corporate finance, and portfolio management. Previously, Mr. Zhang held senior positions in Energroups Holdings Corporation (OTC BB: ENHD), Shengtai Pharmaceutical Inc. (OTC BB: SGTI), Chinawe Asset Management Corporation (OTC BB: CHWE), China Natural Resources Incorporation (NASDAQ CM: CHNR) and Kasen International Holdings Limited (HK Stock Code: 0496). Mr. Zhang also had experiences in portfolio management and asset trading in Guangdong South Financial Services Corporation from 1993 to 1999. He is a certified public accountant of the state of Delaware, United States, and a member of the American Certified Accountants (AICPA). Mr. Zhang graduated with a bachelor's degree in economics from Fudan University, Shanghai in 1992 and received an MBA degree with financial analysis and accounting concentrations from the State University of New York at Buffalo, United States in 2003.

Directors and Senior Management (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

RAO Yong (饒永)

Mr. Rao, aged 52, is an independent non-executive Director of our Company. He was appointed as our independent non-executive Director on 17 November 2009. Mr. Rao is currently a director of Shenzhen Pengcheng Certified Public Accountants Co. Ltd. He is a member of the Chinese Institute of Certified Public Accountants (CICPA) and a certified public valuer in China. Mr. Rao has over 26 years of experience in accounting and auditing. Mr. Rao was a director of the Audit Bureau of Shenzhen City from 1991 to 1997 and a head of the Audit Bureau of Wuzhou City, Guangxi Province from 1987 to 1990. Mr. Rao has also been a director of The Chinese Institute of Certified Public Accountants since 1996, a director of the Shenzhen Institute of Certified Public Accountants since 1996 and its president since 2005, a forensic accounting expert of Shenzhen City since 2002 and the deputy secretary-general of the Asset Evaluation Association of Shenzhen City since 1997. Mr. Rao received a diploma in accounting from Guangxi College of Finance and Economics, China in July 1980.

FOK Hei Yu (霍羲禹)

Mr. Fok, aged 40, is an independent non-executive Director of our Company. He was appointed as our independent non-executive Director on 17 November 2009. Mr. Fok is currently a senior managing director of FTI Consulting, a global advisory firm assisting companies to protect and enhance enterprise value. Since 1997, Mr. Fok had been working in Ferrier Hodgson, an international financial and restructuring advisory firm. Before the acquisition of Ferrier Hodgson by FTI Consulting in 2010, Mr. Fok was an executive director of Ferrier Hodgson. He is a member of the Hong Kong Institute of Certified Public Accountants, the Australian Society of Certified Practicing Accountants and the Hong Kong Institute of Directors. Mr. Fok graduated from Australian National University with a bachelor's degree in commerce in 1995.

SENIOR MANAGEMENT

Our senior management members are Kwok Ying Shing, Kwok Ying Chi, Sun Yuenan, Tam Lai Ling, Huang Chuanqi, Chen Gengxian, Han Zhenjie, Jin Zhigang, Hua Zhixiang, Zhang Ji, Xing Tao and Cheung Hung Kwong. Kwok Ying Shing, Kwok Ying Chi, Sun Yuenan, Tam Lai Ling, Huang Chuanqi, Chen Gengxian and Han Zhenjie are also our executive directors. See the paragraphs headed "Chairman and Executive Director" and "Executive Directors" above for the description of their experience.

The table below sets forth certain information regarding our senior management members (excluding executive Directors):

Name	Age	Position
JIN Zhigang	34	co-chief operating officer
HUA Zhixiang	41	vice president
ZHANG Ji	38	vice president
XING Tao	46	vice president
CHEUNG Hung Kwong	43	chief financial officer and company secretary

JIN Zhigang (金志剛)

Mr. Jin, aged 34, was appointed as co-chief operating officer of our Group in 2010. He is primarily responsible for our operation management including project design, cost control, sales and marketing and customer services. Mr. Jin joined us in 2004 as Sales and Marketing Director. He served in China Overseas Construction (Shenzhen) Co., Ltd as sales manager and investment planning manager from December 2002 to December 2004. During the period from July 1999 to November 2002, Mr. Jin held various positions including assistant manager, vice general manager and general manager in Shenzhen Large Industrial Corporation Limited. Mr. Jin graduated from School of Economics, Peking University and obtained a bachelor's degree in international business and trade.

SENIOR MANAGEMENT *(Continued)*

HUA Zhixiang (華志祥)

Mr. Hua, aged 41, joined us as vice president in April 2010. Mr. Hua is primarily responsible for our finance management in PRC. From 2005 to 2010, he served as a managing partner of Shenzhen Huaihua Investment Co., Ltd. From 2001 to 2004, he was the chairman of New Universe International Group Limited. From 1993 to 2001, he held various positions within China Everbright Bank, including deputy general manager of international business division in the headquarter of China Everbright Bank, managing director of China Everbright Finance Investment Co., Ltd. and management committee member of China Everbright Holdings Limited. Mr. Hua graduated from College of Foreign Affairs and obtained double bachelor's degree in Diplomacy English and Diplomacy in 1993. In 2009, he obtained a MBA degree in the University of Wales.

ZHANG Ji (張驥)

Mr. Zhang, aged 38, was appointed as vice president of our Group in September 2009. He is primarily responsible for our capital management, internal auditing and compliance. Mr. Zhang joined us in June 2009 as assistant to the president. Prior to joining us, Mr. Zhang was deputy general manager in Horoy Holdings Limited, a real estate company, from June 2007 to June 2009. He served as director of finance in Shenzhen Feishang Business Development Co., Ltd., an investment holding company engaged in long-term investment in metal and transportation industries, from June 2005 to May 2007. From July 2000 to June 2005, Mr. Zhang was director of finance in Shenzhen Hongkai (Group) Co. Ltd., a real estate company. From January 1998 to June 2000, he worked in an international accounting firm in Shenzhen. Mr. Zhang graduated with a bachelor's degree in accounting from Xi'an Highway University, China in 1993.

XING Tao (邢濤)

Mr. Xing, aged 46, was appointed as our vice president in October 2010. Mr. Xing is primarily responsible for the Group's design management. Prior to joining us in April 2010, from September 2001 to May 2010, Mr. Xing was a vice president in Horoy Holdings Limited, a real estate company. From February 1992 to September 2001, Mr. Xing was a technical manager in Western Real Estate Company of Shenzhen Wabo Group. From July 1986 to February 1992, Mr. Xing was a construction supervisor in the Shenzhen branch of Design & Research Institute of Wuhan Iron & Steel Group. In 1986, Mr. Xing received a higher diploma in architecture from Jianghan University.

CHEUNG Hung Kwong (張鴻光)

Mr. Cheung, aged 43, was appointed as chief financial officer of our Group in October 2009 and has been company secretary and a joint authorised representative of our Company since November 2009. Mr. Cheung is primarily responsible for our corporate finance, accounting and investor relations. Mr. Cheung joined us in July 2008 as finance director. He has been a member of the American Institute of Certified Public Accountants (AICPA) since August 1996 and a chartered financial analyst qualified by the CFA Institute in the U.S. since September 2000. Mr. Cheung has over 16 years of experience in auditing, finance, accounting and merger and acquisition activities. From March 2003 to March 2008, Mr. Cheung served in Boto International Holdings Limited, a festival product manufacturing company, and held various positions, including financial controller, chief financial officer and consultant. From 1994 to 2003, he worked for PwC. Mr. Cheung graduated from University of Hong Kong with a bachelor's degree (with honors) in physics and mathematics in 1990 and obtained a master's degree (with distinction) in quantum fields and fundamental forces from Imperial College of Science, Technology and Medicine, University of London in 1992.

COMPANY SECRETARY

CHEUNG Hung Kwong (張鴻光). See the paragraph headed "Senior Management" above for the description of Mr. Cheung's experience.

Corporate Social Responsibility 2010

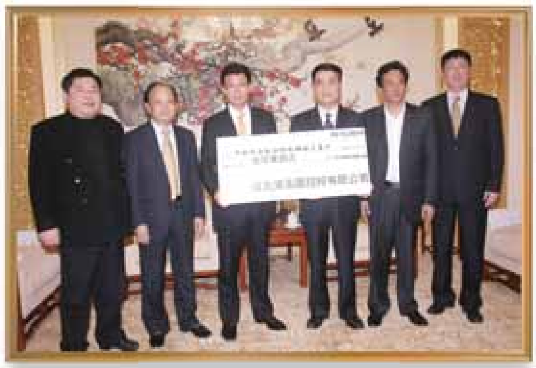
1. CHARITABLE DEEDS ALONG WITH CORPORATE DEVELOPMENT

Established in 1999, Kaisa has become an integrated real estate group by expanding its business to 21 cities across China, including the Pearl River Delta region, the Yangtze River Delta region, the Central China region, the Chengdu-Chongqing region and Pan Bohai Bay Rim, with 52 large-scale residential and commercial development projects. The flourishing development of the Group would not have been possible without the support of the community. Along with the Group's nationwide expansion, Kaisa has been taking up more duties and responsibilities from a social, ethnical and national perspective, in order to create a harmonious community, to set up a positive image of a modern corporation, and to fulfil its responsibility as a corporate citizen.

In 2010, a year of with opportunities though full of crisis, the fast growing Kaisa adhered to its motto of making charitable contributions along with corporate development, and actively participated in various charitable events. In 2010, Kaisa Group was honorably recognized as one of "Shenzhen Top 10 Charitable Entrepreneurs" ("深圳十大最具愛心企業") by the Corporate Office of Caring Action Organizing Committee of Shenzhen ("深圳關愛行動組委會辦公室").

• Working with LOCPG to Promote Cooperation between HKSAR and the Mainland and to Support Urban Construction of Mainland Cities

In recent years, Kaisa Group has been working with LOCPG (Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region (中央人民政府駐香港特別行政區聯絡辦公室) and actively engaging in charitable activities held by LOCPG, contributing to closer connection between Hong Kong and the mainland. On 11 December 2010, Kaisa Group donated HKD3 million to LOCPG for the purpose of promoting the cooperation between HKSAR and Mainland China in various areas including education, culture, sports and economic affairs. On 30 December 2010, Kaisa Group donated HKD5 million to Puning City of Guangdong Province in connection with the "Liusha River Diversion and Eastern Section Integrated Reconstruction Project" ("流沙新河引水及東段兩岸綜合改造工程項目") for the purpose of improving the urban environment of Puning City.



• Helping Those in Need and Caring about the Reconstruction of the Disaster area

On 14 April 2010, 7:49 a.m., an earthquake of a magnitude of 7.1Ms occurred in Yushu county, Yushu Tibetan Autonomous Prefecture, Qinghai Province. According to the Xinhua News Agency, 2,698 people have been confirmed dead, 270 missing, and 12,135 injured of which 1,434 are severely injured. The reconstruction after the disaster was facing loads of difficulties and amongst others, in order to sustain the future development of the region, reconstruction of schools is of upmost importance. On 21 April 2010, Kaisa Group donated RMB2 million to the Corporate Office of Caring Action Organizing Committee of Shenzhen in connection with the "Assistance Program for New Campuses in Yushu" ("玉樹新校園援助計劃"). The donation made by the Group and its employees will be used for the purpose of building up temporary classrooms and related facilities in Haxiu Town in Yushu County.

- **Supporting Education Development and Fulfilling Corporate Social Responsibilities**

  Cultivation of human resources is a key to flourishing development of a corporation and a society. Since its establishment, Shenzhen University has been a source of supply of human capital for the property development industry in Shenzhen, a city at the frontline of economic development in China. In particular, the College of Architecture and Urban Planning of Shenzhen University has contributed remarkably to the urban planning and construction of Shenzhen, and exported to the community and Kaisa Group loads of talents in the area of professional design. In 2007, Kaisa Group donated RMB1 million to establish "Kaisa scholarship" in joint effort with College of Architecture and Urban Planning of Shenzhen University to reward diligent students with outstanding academic performance and respectable personality. The annual award ceremony is held in the second quarter of every year, aiming to encourage the development in tertiary education in Shenzhen.

- **Green Building – Universiade 2011 Shenzhen**

  The Universiade, taking place in Shenzhen in 2011, is a significant international athletic event as well as an important opportunity to showcase Shenzhen's development to the rest of the world. To support Shenzhen Universiade, Kaisa Group actively engaged in the activity "*Adding "Green" to Universiade and Adding Colour to Longgang — Tree planting for Universiade*" (為大運增綠、為龍崗添彩－我為大運種棵樹) held by the Integrated Reorganization Corporate Office of Shenzhen-Huizhou Highway of Shenzhen Longgang District. In May 2010, Kaisa Group donated RMB2 million to Longgang District Government for funding the 2010 Universiade plantation campaign. Kaisa's active participation in the project, aiming to facilitate the smooth running of the Universiade, reflects the Group's commitment to being a responsible corporate citizen.

2. CARING FOR OUR PEOPLE

Kaisa regards talents as the most essential driving force for the Group's wealth and development in the long-run, and considers people as the most important resources and the foundation for its corporate development. Since its foundation in 1999, the Group has been recruiting fresh graduates as part of the plan to grow and bring in new blood. Apart from recruitment from the community, the Group has also implemented a KAISAer Club ("新佳族") campus recruitment scheme and designed a systematic training program for these KAISAer Club members. The Group believes that such recruitment and training program will also stimulate their dedication and motivation in building up their future together with the Group. In addition, the nature of work offered by the Group has provided both incentives and challenges for its employees. Training and learning opportunities are also available throughout their career development with Kaisa via attending Kaisa Acadamy ("佳兆業培訓學院"). The Group continuously seeks to improve its fringe benefit, to value the sharing of knowledge and experience among employees and to provide all-rounded training to its staff, aiming to assist them in attaining considerable progress in their career path.

Corporate Governance Report

The board of directors (the "Board") of the Company is pleased to present this Corporate Governance Report for the year ended 31 December 2010.

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance and accountability. The Board will strive to the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders of the Company.

Throughout the financial year ended 31 December 2010, the Company confirmed its full compliance with the provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "stock Exchange") (the "Listing Rules").

(A) THE BOARD OF DIRECTORS

Board Composition

As at 31 December 2010, our Board consists of 11 Directors including Mr. KWOK Ying Shing (chairman), Mr. KWOK Ying Chi (vice chairman), Mr. SUN Yuenan (vice chairman), Dr. TAM Lai Ling (vice chairman), Dr. HUANG Chuanqi (vice chairman and Chief Executive Officer), Mr. CHEN Gengxian (joint-chief operation officer), Mr. HAN Zhenjie and Ms. JIN Jane as the Executive Directors and Mr. ZHANG Yizhao, Mr. RAO Yong and Mr. FOK Hei Yu as the Independent Non-Executive Directors. The overall management of the Company's operation is vested in the Board. Mr. KWOK Ying Shing is the brother of Mr. KWOK Ying Chi.

During the financial year ended 31 December 2010, the Board has at all times met the requirements of rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three Independent Non-Executive Directors with at least one Independent Non-Executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Directors' Responsibilities

The Board takes the responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitor the performance of the senior executives. The Directors have to make decisions objectively in the interests of the Company. As at 31 December 2010, the Board comprises 11 Directors, including eight Executive Directors and three Independent Non-Executive Directors. Their names and biographical details are set in the section entitled "Directors and Senior Management" in this annual report.

Liability insurance for Directors and senior management officers of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

Delegation by the Board

The management, consisting of the Executive Directors of the Company along with other senior executives, is delegated with responsibilities for implementing the strategy and direction as adopted by the Board from time to time, and conducting the day-to-day operations of the Group. Executive Directors and senior executives meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of 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 2010, saved for the Company had not notified the Stock Exchange in advance of the commencement of the 60-days period immediately preceding the publication date of the Group's 2009 annual results, as required by Rule A.3(b), due to oversight by the Company. The Company had notified the Stock Exchange of the commencement of the 60-days period subsequently on 22 January 2010.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by the relevant employees, including the Directors, who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

Directors' Responsibilities for Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner.

The reporting responsibilities of our Company's external auditors on the financial statements of the Group are set out in the "Independent Auditor's Report" in this annual report.

Chairman and Chief Executive Officer

Under provision A.2.1 of the Code, the roles of the chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. For the year ended 31 December 2010, in order to reinforce their respective independence, accountability and responsibility, the roles of the chairman and the Chief Executive Officer have been performed by Mr. KWOK Ying Shing and Mr. HUANG Chuanqi respectively.

The chairman plays a leadership role and is responsible for the effective functioning of the Board in accordance with the good corporate governance practice adopted by the Company. He is also responsible for instilling corporate culture and developing strategic plans for the Company. Under provisions A.2.1 and A2.2 of the Code, the chairman would ensure that all Directors are properly briefed on issues arising at board meetings and would be responsible for ensuring that Directors receive adequate information, which must be complete and reliable, in a timely manner. On the other hand, the Chief Executive Officer primarily focuses on developing and implementing objectives and policies approved and delegated by the Board. The Chief Executive Officer is also responsible for the Group's day-to-day management and operations and the formulation of the organization structure, control systems and internal procedures and processes of the Company for the Board's approval.

Independent Non-Executive Directors

The Independent Non-Executive Directors play a significant role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision. They bring an impartial view on issues of the Company's strategies, performance and control.

All Independent Non-Executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board.

Corporate Governance Report (Continued)

The Board also considers that the Independent Non-Executive Directors can provide independent advice on the Company's business strategies, results and management so as to safeguard the interests of the Company and its shareholders.

For the year ended 31 December 2010, all Independent Non-Executive Directors of the Company had confirmed their independence to the Company in accordance with rule 3.13 of the Listing Rules. The Company considers that all Independent Non-Executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Board Meetings

The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications.

For the year ended 31 December 2010, the Company has adopted the practice of holding board meetings regularly for at least four times a year at approximately quarterly intervals. At least 14 days' notices will be given for a regular board meeting to give all Directors an opportunity to attend. For all other board meetings, reasonable notice will be given.

19 board meetings were convened for the year ended 31 December 2010 and the attendance of individual Directors at the board meetings is set out below:

	Number of meetings attended/held
Executive Directors	
Mr. KWOK Ying Shing (chairman)	19/19
Mr. KWOK Ying Chi (vice chairman)	14/19
Mr. SUN Yuenan (vice chairman)	15/19
Dr. TAM Lai Ling (vice chairman) (appointed on 8 March 2010)	16/19
Dr. HUANG Chuanqi (vice chairman and Chief Executive Officer) (appointed on 15 June 2010)	9/19
Mr. CHEN Gengxian (joint-chief operation officer)	17/19
Mr. HAN Zhenjie (appointed on 24 November 2010)	2/19
Ms. JIN Jane (resigned on 11 February 2011)	16/19
Mr. YE Jiansheng (resigned on 15 June 2010)	7/19
Independent Non-Executive Directors	
Mr. ZHANG Yizhao	16/19
Mr. RAO Yong	13/19
Mr. FOK Hei Yu	15/19

Pursuant to code provision A.1.1 of the Code, the Board should meet regularly and board meetings should be held at least four times a year. For the year ended 31 December 2010, it is considered that the Directors are well acknowledged to the business and the operation of the Group.

All Directors are provided with relevant materials relating to the matters in issue in advance before the meetings and have the opportunity to include matters in the agenda for board meetings. They can separately get access to the senior executives and the company secretary at all time and may seek independent professional advice at the Company's expense. Pursuant to code provisions A.1.5 and A.1.6 of the Code, minutes of board meetings and meetings of board committees are kept by the company secretary of the meeting and such minutes are open for inspection at any reasonable time on reasonable notice by any Director. Minutes of board meetings and meetings of board committees record in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by the Directors or dissenting views expressed. Draft and final versions of minutes of board meetings were sent to all the Directors for their comment and record respectively, in both cases within a reasonable time after the board meeting was held.

Pursuant to code provision A.1.8 of the Code, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would not be dealt with by way of circulation or by a committee (except an appropriate board committee set up for that purpose pursuant to a resolution passed in a board meeting) but a board meeting would be held. Independent Non-Executive Directors who have no material interest in the transaction would be present at such board meeting.

The board procedures are in compliance with the articles of association (the "Articles") of the Company, as well as relevant rules and regulations.

Appointment, Re-election and Removal of Directors

Each of the Executive Directors and Independent Non-Executive Directors of the Company has entered into a service contract or a letter of appointment with the Company for a specific term. Such term is subject to his re-election by the Company at an annual general meeting ("AGM") upon retirement. The Articles provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting of the members of the Company and shall then be eligible for re-election at such meeting. Besides, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

In accordance with the Articles, at every AGM of the Company, one third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at lease once every three years and being eligible offer themselves for re-election.

The members of the Company may, at any general meetings convened and held in accordance with the Articles, remove a Director at any time before the expiration of his period of office notwithstanding anything contrary in the Articles or in any agreement between the Company and such Director.

Board Committees

The Board has established three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Board and the Company's affairs. All board committees of the Company are established with defined written terms of reference which are available to shareholders on the Company's website. The board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Corporate Governance Report (Continued)

Nomination Committee

The Nomination Committee is primarily responsible to consider and recommend to the Board suitably qualified persons to become the member of the Board and is also responsible for reviewing the structure, size and composition of the Board on a regular basis and as required.

Its written terms of reference cover recommendations to the Board on the appointment of Directors, evaluation of board composition and the management of board succession with reference to certain guidelines as endorsed by the Committee. These guidelines include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and time commitments of members. The Nomination Committee will select and recommend candidates for directorship after consideration of referrals and engagement of external recruitment professionals, when necessary.

The Nomination Committee comprises Mr. KWOK Ying Shing as the chairman, Mr. ZHANG Yizhao, Mr. RAO Yong and Mr. FOK Hei Yu as members. For the year ended 31 December 2010, four meetings have been convened by the Nomination Committee, and members of the Nomination Committee have made recommendation to the Board in connection with appointment of new directors.

In 2010, the Nomination Committee recorded an attendance rate of 93.75%. The attendance of each member is as follow:

Nomination Committee

Mr. KWOK Ying Shing (chairman)	4/4
Mr. ZHANG Yizhao	4/4
Mr. RAO Yong	3/4
Mr. FOK Hei Yu	4/4

Audit Committee

The Audit Committee is responsible for the review and supervision of the Group's financial reporting process, internal controls and review of the Company's financial statements. Their written terms of reference are in line with the provisions under the Code and explains the role and the authority delegated to the Audit Committee by the Board.

The Audit Committee consists of three members, all of whom are Independent Non-Executive Directors. The Audit Committee comprises Mr. RAO Yong as chairman, Mr. ZHANG Yizhao and Mr. FOK Hei Yu as members. The Committee has recommended to the Board the re-appointment of PricewaterhouseCoopers as the Company's external auditor for the financial year ending 31 December 2011 at the forthcoming Annual General Meeting ("AGM"). For the year ended 31 December 2010, two meetings have been convened by the Audit Committee.

In 2010, the Audit Committee recorded an attendance rate of 83.33%. The attendance of each member is as follow:

Audit Committee

Mr. RAO Yong (chairman)	2/2
Mr. ZHANG Yizhao	1/2
Mr. FOK Hei Yu	2/2

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Directors' remuneration and other benefits. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that level of their remuneration and compensation are reasonable. Their written terms of reference are in line with the provisions of the Code. Pursuant to code provision B.1.4 of the Code, the remuneration committee would make available its terms of reference, explaining its role and the authority delegated to it by the Board. The Remuneration Committee comprises Mr. KWOK Ying Shing as the chairman, Mr. ZHANG Yizhao, Mr. RAO Yong and Mr. FOK Hei Yu as members.

The remuneration policy of the Group and details of the remuneration of the Directors are set out in the section headed "Report of the Directors" and note 27 to the consolidated financial statements.

For the year ended 31 December 2010, three meetings have been convened by the Remuneration Committee, and members of the Remuneration Committee have reviewed the remuneration package of the Directors.

In 2010, the Remuneration Committee recorded an attendance rate of 100%. The attendance of each member is as follow:

Remuneration Committee

Mr. KWOK Ying Shing (chairman)	3/3
Mr. ZHANG Yizhao	3/3
Mr. RAO Yong	3/3
Mr. FOK Hei Yu	3/3

(B) FINANCIAL REPORTING AND INTERNAL CONTROL

Financial Reporting

The Board, supported by the finance department, is responsible for the preparation of the financial statements of the Company and the Group. In the preparation of financial statements, the Hong Kong financial reporting standards have been adopted and the appropriate accounting policies have been consistently used and applied. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the shareholders, and make appropriate disclosure and announcements in a timely manner. Pursuant to code provision C.1.1 of the Code, management would provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The working scope and reporting responsibilities of PricewaterhouseCoopers, the Company's external auditor, are set out on page 67 of the "Independent Auditor's Report" in this annual report.

External Auditor's Remuneration

For the year ended 31 December 2010, the fees paid/payable to the auditor of the Company (inclusive of business tax) in respect of the audit services and non-audit services provided to the Company amounted to RMB4.4 million and RMB1.6 million respectively.

Corporate Governance Report (Continued)

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 unauthorized 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 have conducted a review of the overall effectiveness of the internal control system of the Group. 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 internal control and accounting procedures which came to their attention.

(C) COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has established and maintained various channels of communication with the Company's shareholders and the public to ensure that they are kept abreast of the Company's latest news and business development. Information relating to the Company's financial results, corporate details, property projects and major events are disseminated through publications of interim and annual reports, announcements, circulars, press release and newsletters. The Board believes that effective investor relations can contribute towards lower cost of capital, higher market liquidity for the Company's stock and a more stable shareholder base. Therefore, the Company is committed to maintaining a high level of corporate transparency and following a policy of disclosing relevant information to shareholders, investors, analysts and bankers in a timely manner. Keeping them aware of our corporate strategies and business operations is one of the key missions of our investor relations team.

Pursuant to the Code provisions, in respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. The chairman of the Board should attend the AGM and arrange for the chairman of the Audit, Remuneration and Nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the AGM. 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 is subject to independent shareholders' approval. The Company would arrange for the notice to shareholders to be sent in the case of AGM at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings. The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for ducting a poll and then answer any questions from shareholders regarding voting by way of a poll.

As at 31 December 2010, the Company had a diversified shareholding structure and had maintained sufficient public float as required under the Listing Rules.

Report of the Directors

The board of directors (the "Board") presents their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries are principally engaged in property development, property investment and property management. The activities and particulars of the Company's subsidiaries are set out in note 38 to the consolidated financial statements.

An analysis of the Group's turnover and operating profit for the year by principal activities is set out in note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 71 in this annual report.

DIVIDENDS

The Board of Directors does not recommend the payment of any dividends for the year ended 31 December 2010.

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year are set out in note 6 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 17 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group during the year is set out in the consolidated statement of changes in equity.

As at 31 December 2010, the distributable reserves of the Company amounted to approximately RMB847,335,000 (2009: RMB7,117,000).

LOAN WITH DETACHABLE WARRANTS

Details of movements of the loan with detachable warrants (the "Loan") during the year of the Company are set out in note 20 to the consolidated financial statements.

Report of the Directors (Continued)

SENIOR NOTES

On 28 April 2010, the Company issued senior notes due 2015 with nominal value of US$350 million (equivalent to approximately RMB2,389.2 million) at a coupon rate of 13.5% per annum (the "Senior Notes") for the purpose of, amongst others, financing existing and new property projects and for general corporate use. Further details of the Senior Notes of the Company are set out in note 19 to the consolidated financial statements.

CONVERTIBLE BONDS

On 20 December 2010, the Company issued RMB1,500 million (approximately US$225 million) USD Settled 8% Convertible Bonds due 2015 for the purpose of financing the acquisition of new land bank in the PRC and the Group's real estate projects. Details of movements during the year in the convertible bonds of the Company are set out in note 19 to the consolidated financial statements.

BORROWINGS

Details of the borrowings are set out in note 19 to the consolidated financial statements.

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

During the year ended 31 December 2010, the Company had repurchased from the market a total of 95,330,000 shares of the Company at price per share ranging from HK$2.47 to HK$2.72 at an aggregate consideration of HK$247,241,280. All the repurchased shares were subsequently cancelled. The Directors believe that the repurchases of shares will lead to an enhancement of the net value of the Group and its assets and/or its earnings per share. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2010. Details of the repurchases of shares were as follows:

Month of repurchase	Number of shares repurchased	Highest price per share HK$	Lowest price per share HK$	Aggregate purchase price HK$
March 2010	62,930,000	2.64	2.47	160,122,760
April 2010	32,400,000	2.72	2.65	87,118,520
				247,241,280

CHARITABLE DONATIONS

The charitable donations made by the Group during the year amounted to RMB15.9 million (2009: RMB3.7 million).

DIRECTORS

During the year ended 31 December 2010 and up to the date of this report, the Directors were as follows:

Executive Directors

Mr. KWOK Ying Shing	
Mr. KWOK Ying Chi	
Mr. SUN Yuenan	
Dr. TAM Lai Ling	(appointed on 8 March 2010)
Dr. HUANG Chuanqi	(appointed on 15 June 2010)
Mr. CHEN Gengxian	
Mr. HAN Zhenjie	(appointed on 24 November 2010)
Ms. JIN Jane	(resigned on 11 February 2011)
Mr. YE Jiansheng	(resigned on 15 June 2010)

Independent Non-Executive Directors

Mr. ZHANG Yizhao
Mr. RAO Yong
Mr. FOK Hei Yu

In accordance with Article 84(1) of the Articles of Association, Dr. HUANG Chuanqi, Mr. CHEN Gengxian and Mr. FOK Hei Yu shall retire from the office by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

In accordance with Article 83(3) of the Articles of Association, Mr. HAN Zhenjie will hold office until the forthcoming AGM and, being eligible, offers himself for re-election.

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-Executive Directors are independent.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Biography of Directors and senior management are set out on pages 40 to 43.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors of the Company (save for Mr. KWOK Ying Shing and Mr. KWOK Ying Chi) has entered into service contract with the Company for a term of three years, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing. Mr. KWOK Ying Shing and Mr. KWOK Ying Chi were re-designated as Executive Directors of the Company on 17 November 2009.

Each of the Independent Non-Executive Directors of the Company has entered into letter of appointment with the Company and is appointed for a period of one year commencing on the date of listing, which will continue thereafter until termination by either party thereto by giving not less than three months' prior notice in writing.

None of the Directors has entered into a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

Report of the Directors (Continued)

SHARE OPTION SCHEMES

(I) Pre-IPO Share Option Scheme

The Company adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on 22 November 2009. The purpose of the Pre-IPO Share Option Scheme is to enable the Company to grant share options of the Company to eligible participants as incentives or rewards for their contribution or potential contribution to the Group. The maximum number of shares of the Company (the "Share") in respect of which options may be granted under the Pre-IPO Share Option Scheme is 50,000,000. A total of 50,000,000 options were granted under the Pre-IPO Share Option Scheme to the Directors and certain employees on 9 December 2009 with an exercise price of HK$3.105 per Share, representing a 10% discount to the global offering price of HK$3.45 per Share. No further options may be offered under the Pre-IPO Share Option Scheme. As consideration for the grant, HK$1.00 is payable by a grantee to the Company upon acceptance of an option offer. As at 10 March 2011, none of the options was exercised or cancelled, and a total of 12,556,500 and 11,950,000 options were exercisable and lapsed, respectively. The summary below set out the details of options granted pursuant to the Pre-IPO Share Option Scheme:

Grantee	Balance as at 1 January 2010	Grant during the Year	Exercised during the Year	Lapsed during the Year	Balance as at 31 December 2010
SUN Yuenan	3,000,000	–	–	–	3,000,000
TAM Lai Ling	–	–	–	–	–
HUANG Chuanqi	–	–	–	–	–
CHEN Gengxian	2,850,000	–	–	–	2,850,000
HAN Zhenjie	1,750,000	–	–	–	1,750,000
JIN Jane	1,750,000	–	–	–	1,750,000
YE Jiansheng	2,900,000	–	–	(2,900,000)	–
ZHANG Yizhao	500,000	–	–	–	500,000
RAO Yong	500,000	–	–	–	500,000
FOK Hei Yu	750,000	–	–	–	750,000
Other Employees	36,000,000	–	–	(7,300,000)	28,700,000
Total	**50,000,000**	**–**	**–**	**(10,200,000)**	**39,800,000**

Further details of the Pre-IPO Share Option Scheme are provided in the Company's prospectus dated 26 November 2009 in connection with its global offering and note 36 to the financial statements.

(II) Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 22 November 2009. A summary of the principal terms of the Share Option Scheme is set out as follow:

The maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the Share Option Scheme and any other share option schemes of the Company to each participant in any 12-month period up to and including the date of grant of the options granted under the Share Option Scheme shall not exceed 1% of the total number of Shares in issue.

(1) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options of the Company to eligible participants as incentives or rewards for their contribution or potential contribution to the Group.

(2) Participants of the Share Option Scheme

Participants of the Share Option Scheme include any full-time or part-time employees, executives or officers (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries.

(3) Total number of Shares available for issue under the Share Option Scheme

Initially the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 10% of the aggregate of the Shares in issue on the date of which trading of the Shares commences on the Stock Exchange and any Shares which may be allotted and issued by the Company under the over-allotment option.

The total number of Shares available for issue upon exercise of the options which may be granted pursuant to the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time.

As at 31 December 2010, a total of 204,750,000 options were granted under the Share Option Scheme, none of the options was exercised or cancelled, a total of 13,300,000 options lapsed and the number of options available for issue under the Share Option Scheme is 285,717,000 as at 31 December 2010. No share options were granted in 2011 up to date of this report.

(4) Maximum entitlement of each Participant

The maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the Share Option Scheme and any other share option schemes of the Company to each participant of the Share Option Scheme in any 12-month period up to and including the date of grant of the options shall not exceed 1% of the total number of Shares in issue.

Report of the Directors (Continued)

(5) Period within which the securities must be taken up under an option

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the relevant date of grant.

(6) Payment on acceptance of option offer

HK$1.00 is payable by the participant of the Share Option Scheme to the Company upon acceptance of the option offered as consideration for the grant.

(7) Basis of determining the subscription price

The subscription price per Share under the Share Option Scheme is determined by the Board and notified to each participant and shall be no less than the highest of (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; and (iii) the nominal value of a Share on the date of grant.

(8) Remaining life of the Share Option Scheme

The Share Option Scheme will remain valid until 9 December 2019 after which no further options will be granted. In respect of all options which remain exercisable on such date, the provisions of the Share Option Scheme shall remain in full force and effect.

The summary below set out the details of options granted as at 31 December 2010 pursuant to the Share Option Scheme:

Grantee	Balance as at 1 January 2010	Grant during the Year	Exercisable/ exercised during the Year	Lapsed during the Year	Balance as at 31 December 2010
SUN Yuenan	–	10,000,000	–	–	10,000,000
TAM Lai Ling	–	40,000,000	–	–	40,000,000
HUANG Chuanqi	–	10,000,000	–	–	10,000,000
CHEN Gengxian	–	10,000,000	–	–	10,000,000
HAN Zhenjie	–	3,000,000	–	–	3,000,000
JIN Jane	–	3,000,000	–	–	3,000,000
YE Jiansheng	–	–	–	–	–
ZHANG Yizhao	–	500,000	–	–	500,000
RAO Yong	–	500,000	–	–	500,000
FOK Hei Yu	–	750,000	–	–	750,000
Other Employees	–	127,000,000	–	(13,300,000)	113,700,000
Total	**–**	**204,750,000**	**–**	**(13,300,000)**	**191,450,000**

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2010, the interests and short positions of Directors and chief executive of the Company and their associates in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the Shares and underlying Shares:

Name of Director	Capacity	Family interest (Note 1)	Underlying Shares (under equity derivatives of the Company) (Note 2)	Total	Approximate percentage of the issued share capital of the Company (Note 3) (%)
KWOK Ying Shing	Settlor/Beneficiary of the Kwok Family Trust	2,979,824,701	–	2,979,824,701	60.76
KWOK Ying Chi	Settlor/Beneficiary of the Kwok Family Trust	2,979,824,701	–	2,979,824,701	60.76
SUN Yuenan	Personal	–	13,000,000	13,000,000	0.27
TAM Lai Ling	Personal	–	40,000,000	40,000,000	0.82
HUANG Chuanqi	Personal	–	10,000,000	10,000,000	0.20
CHEN Gengxian	Personal	–	12,850,000	12,850,000	0.26
HAN Zhenjie	Personal	–	4,750,000	4,750,000	0.10
JIN Jane	Personal	–	4,750,000	4,750,000	0.10
ZHANG Yizhao	Personal	–	1,000,000	1,000,000	0.02
RAO Yong	Personal	–	1,000,000	1,000,000	0.02
FOK Hei Yu	Personal	–	1,500,000	1,500,000	0.03

Note:

(1) These interests refer to the Shares that are beneficially owned through the Kwok Family Trust, a trust established for the benefit of the Kwok family. See "Substantial Shareholders".

(2) These shares refer to the Shares underlying options that have been granted under the Pre-IPO Share Option Scheme and/or Share Option Scheme.

(3) As at 31 December 2010, the number of Shares in issue was 4,904,670,000.

Report of the Directors (Continued)

(ii) Interests in associated corporations of the Company (long positions)

Name of Director	Name of associated corporation	Capacity	Number of shares	Percentage of shareholding in the associate corporation
KWOK Ying Shing (Note)	Da Chang	Settlor/Beneficiary of the Kwok Family Trust	1	100
	Da Feng	Settlor/Beneficiary of the Kwok Family Trust	1	100
	Da Zheng	Settlor/Beneficiary of the Kwok Family Trust	1	100
	ChangYu	Settlor/Beneficiary of the Kwok Family Trust	1,000	100
KWOK Ying Chi (Note)	Da Chang	Settlor/Beneficiary of the Kwok Family Trust	1	100
	Da Feng	Settlor/Beneficiary of the Kwok Family Trust	1	100
	Da Zheng	Settlor/Beneficiary of the Kwok Family Trust	1	100
	ChangYu	Settlor/Beneficiary of the Kwok Family Trust	1,000	100

Note:

The entire issued share capital of each of Da Chang Investment Company Limited ("Da Chang"), Da Feng Investment Company Limited ("Da Feng") and Da Zheng Investment Company Limited ("Da Zheng") is held by Chang Yu Investment Company Limited ("Chang Yu") which is in turn wholly owned by Good Health Investments Limited ("Good Health"), which is owned as to 50% by Seletar Limited and as to 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited, which is acting as the trustee of the Kwok Family Trust. The Kwok Family Trust is a discretionary trust set up by Mr. KWOK Chun Wai, Mr. KWOK Ying Shing and Mr. KWOK Ying Chi on 23 May 2008, the beneficiary objects of which include the immediate family members of the Kwok Family. Each of Mr. KWOK Chun Wai, Mr. KWOK Ying Shing and Mr. KWOK Ying Chi is a settlor of the Kwok Family Trust and is therefore taken to be interested in the Shares held by Da Chang, Da Feng and Da Zheng.

(iii) Long positions in the Senior Notes

Name of Director	Capacity	Amount of debentures	Approximate percentage of the issued debentures (%)
TAM Lai Ling	Interest held jointly with another person	USD1,500,000	0.43

Note:

Tam Lai Ling is holding the debentures jointly with CHU Yan Yan, spouse.

Save as disclosed above as at 31 December 2010, none of the Directors knows of any person (not being a Director or chief executives of the Company) had or was deemed to have any interests or short positions in the shares of the Company, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register which were required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. None of Directors or their spouse or children under the age of 18, had been granted any right to subscribe for the equity or debt securities of the Company or any of its associated corporations, or had exercised any such right during the year ended 31 December 2010.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at 31 December 2010, the following shareholders, other than those disclosed in the section headed "Directors' and Chief Executive's interests in securities", had notified the Company of its interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

As at 31 December 2010, so far as the Directors are aware, persons, other than the directors or chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of substantial shareholder	Capacity	Type of interests	Number of shares (Note 1)	Approximate percentage of the issued share capital of the Company (%)
Da Chang	Beneficial owner	Corporation	979,391,622 (L) (Note 2)	19.97 (L)
Da Feng	Beneficial owner	Corporation	1,009,750,457 (L) (Note 2)	20.59 (L)
Da Zheng	Beneficial owner	Corporation	990,682,622 (L) (Note 2)	20.20 (L)
Chang Yu	Interest in a controlled corporation	Corporation	2,979,824,701 (L) (Note 2)	60.76 (L)
Good Health	Interest in a controlled corporation	Corporation	2,979,824,701 (L) (Note 2 & 3)	60.76 (L)
Credit Suisse Trust Limited	Interest in a controlled corporation	Corporation	2,979,824,701 (L) (Note 4)	60.76 (L)
KWOK Chun Wai	Settlor/Beneficiary of the Kwok Family Trust	Family Trust	2,979,824,701 (L) (Note 4)	60.76 (L)
KWOK Ying Shing	Settlor/Beneficiary of the Kwok Family Trust	Family Trust	2,979,824,701 (L) (Note 4)	60.76 (L)
KWOK Ying Chi	Settlor/Beneficiary of the Kwok Family Trust	Family Trust	2,979,824,701 (L) (Note 4)	60.76 (L)
TC Group Cayman Investment Holdings, L.P	Interest in a controlled corporation	Corporation	431,309,914 (L) (Notes 6 & 7)	8.79 (L)

Report of the Directors (Continued)

Name of substantial shareholder	Capacity	Type of interests	Number of shares (Note 1)	Approximate percentage of the issued share capital of the Company (%)
TCG Holdings Cayman II, L.P.	Interest in a controlled corporation	Corporation	431,309,914 (L) (Notes 6 & 7)	8.79 (L)
Temasek Holdings (Private) Limited	Interest in a controlled corporation	Corporation	431,309,914 (L) (Note 5)	8.79 (L)
Credit Suisse (Hong Kong) Limited	Interest in a controlled corporation	Corporation	300,000,000 (L) 150,000,000 (S) (Note 8)	6.00 (L) 3.00 (S)
Credit Suisse (International) Holding AG	Interest in a controlled corporation	Corporation	300,000,000 (L) 150,000,000 (S) (Note 8)	6.00 (L) 3.00 (S)
Credit Suisse AG	Interest in a controlled corporation	Corporation	4,107,726,245 (L) 865,688,491 (S) (Notes 8 & 16)	82.15 (L) 17.31 (S)
Carlyle Asia Real Estate GP, L.P.	Interest in a controlled corporation	Corporation	258,785,949 (L) (Notes 10 & 11)	5.28 (L)
Carlyle Asia Real Estate II GP. L.P.	Interest in a controlled corporation	Corporation	258,785,949 (L) (Notes 9 & 10)	5.28 (L)
Carlyle Asia Real Estate II, Ltd	Interest in a controlled corporation	Corporation	258,785,949 (L) (Note 9)	5.28 (L)
Carlyle Asia Real Estate Partners, L.P.	Interest in a controlled corporation	Corporation	258,785,949 (L) (Note 10)	5.28 (L)
Carlyle Asia Real Estate, Ltd.	Interest in a controlled corporation	Corporation	258,785,949 (L) (Note 10)	5.28 (L)
Carlyle Offshore Partners II, Ltd	Interest in a controlled corporation	Corporation	431,309,914 (L) (Note 11)	8.79 (L)
Credit Suisse Holdings (USA), Inc	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) (Notes 12 & 16)	75.83 (L) 14.31 (S)
Credit Suisse (USA), Inc	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) (Notes 12 &16)	75.83 (L) 14.31 (S)
Credit Suisse Private Equity, Inc	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) (Notes 12 & 16)	75.83 (L) 14.31 (S)
DLJ Real Estate Capital IV, Inc	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) (Notes 13 & 16)	75.83 (L) 14.31 (S)

Name of substantial shareholder	Capacity	Type of interests	Number of shares (Note 1)	Approximate percentage of the issued share capital of the Company (%)
DLJ Real Estate Capital IV, L.P.	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) (Notes 13 & 16)	75.83 (L) 14.31 (S)
DLJ Real Estate Capital Partners IV, L.P.	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) (Notes 13 &16)	75.83 (L) 14.31 (S)
RECP IV Kaisa, LLC	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) (Notes 13,15 & 16)	75.83 (L) 14.31 (S)
Longhill Holding Company Ltd	Interest in a controlled corporation	Corporation	258,785,949 (L) (Note 14)	5.28 (L)
Chinese Estates Holdings Limited	Interest in a controlled corporation	Corporation	268,666,666 (L) (Note 17)	5.47 (L)
Global King (PTC) Ltd	Trustee	Trust	268,666,666 (L) (Note 17)	5.47 (L)
GZ Trust Corporation	Trustee, beneficiary of a trust and interest in a controlled corporation	Trust	268,666,666 (L) (Note 17)	5.47 (L)
Lau Luen Hung	Founder of a discretionary trust, beneficiary of a trust and interest in a controlled corporation	Trust	268,666,666 (L) (Note 17)	5.47 (L)

Notes:

1. The letter "L" denotes the person's long position in the shares and the letter "S" denotes the person's short position in the Shares.

2. The entire issued share capital of each of Da Chang, Da Feng and Da Zheng is held by Chang Yu which is in turn wholly-owned by Good Health.

3. Good Health is owned as to 50% by Selestar Limited and as to 50% by Serangoon Limited as nominees and trustees for Credit Suisse Trust Limited.

4. Credit Suisse Trust Limited which is acting as the trustee of a discretionary trust set up by Mr. KWOK Chun Wai, Mr. KWOK Ying Shing and Mr. KWOK Ying Chi on 23 May 2008 (the "Kwok Family Trust"). The beneficiary objects of the Kwok Family Trust include the immediate family members of the Kwok Family (including Mr. KWOK Chun Wai, Mr. KWOK Ying Shing and Mr. KWOK Ying Chi). Each of Mr. KWOK Chun Wai, Mr. KWOK Ying Shing and Mr. KWOK Ying Chi is a settlor of the Kwok Family Trust and is therefore taken to be interested in the Shares held by Da Chang, Da Feng and Da Zheng.

5. Temasek Holdings (Private) Limited wholly owns Temasek Capital (Private) Limited. Temasek Capital (Private) Limited wholly owns Seletar Investments Pte Ltd. which in turn wholly owns Dunearn Investments (Mauritius) Pte Ltd. which in turn wholly owns Baytree Investments (Mauritius) Pte Ltd..

Report of the Directors (Continued)

6. TC Group Cayman Investment Holdings, L.P., a limited partnership formed under the laws of the Cayman Islands, has a controlling interest in CAGP Ltd..

7. TCG Holdings Cayman II, L.P., a limited partnership formed under the laws of the Cayman Islands, has a controlling interest in TC Group Cayman Investment Holdings, L.P..

8. Credit Suisse Group AG is a company listed in Switzerland, ADS in New York and is the parent company of Credit Suisse AG, Credit Suisse (Hong Kong) Limited and Credit Suisse (International) Holding AG..

9. Carlyle Asia Real Estate Partners II, L.P., an exempted limited partnership and an investment fund formed under the laws of the Cayman Islands, acting by its general partner Carlyle Asia Real Estate II, Ltd., an exempted company incorporated under the laws of the Cayman Islands and wholly owned by Carlyle Asia Real Estate II, GP, L.P..

10. Carlyle Asia Real Estate Partners, L.P., an exempted limited partnership and an investment fund formed under the laws of the Cayman Islands, acting by its general partner Carlyle Asia Real Estate Ltd., an exempted company incorporated under the laws of the Cayman Islands.

11. Carlyle Offshore Partners II, Ltd. wholly owns TCG Holdings Cayman II, L.P., which in turn wholly owns TC Group Cayman Investment Holdings, L.P., which wholly owns CAGP Ltd..

12. Credit Suisse Private Equity, Inc. is wholly owned by Credit Suisse (USA), Inc., which is in turn wholly owned by Credit Suisse Holdings (USA), Inc..

13. DLJ Real Estate Capital Partners IV, L.P. is wholly owned by DLJ Real Estate Capital IV, L.P., which is in turn wholly owned by DLJ Real Estate Capital IV, Inc., which is in turn wholly owned by Credit Suisse Private Equity, Inc..

14. Longhill Holding Company Ltd., an investment holding company incorporated under the laws of the Cayman Islands, an affiliated entity of Carlyle Asia Real Estate Partners, L.P. and Carlyle Asia Real Estate Partners II, L.P..

15. RECP IV Kaisa, LLC, a limited liability company organised under the laws of the State of Delaware, the United States of America, is controlled by DLJ Real Estate Capital Partners IV, L.P.. RECP IV Kaisa, LLC has a direct interest in 77,635,783 (L) shares.

16. The interests in the 3,791,570,651(L) shares and the 715,688,491(S) shares are the aggregate interests of all investors to the pre-IPO equity agreements among such investors, the Company and the Controlling Shareholders. Pursuant to such agreements, such investors are considered as parties acting in concert under Section 317 and 318 of the SFO, and pursuant to such rules all their interests in the Company (including those of their affiliates) have been counted together when calculating the interests of each such investor (and its controlling person) in the Company. For this purpose, the shares owned by Da Chang, Da Feng and Da Zheng under the trust (see Note 4 above) are also included when calculating the interests of each such investor (and its controlling person) in the Company.

17. GZ Trust Corporation as trustee of a discretionary trust held units in a unit trust of which Global King (PTC) Ltd. was the trustee and therefore was regarded as interested in the same parcel of shares held by Global King (PTC) Ltd.. Global King (PTC) Ltd. is interested in 62.83% of the issued capital of Chinese Estates Holdings Limited which in turn wholly owns China Entertainment and Land Investment Company, Limited which in turn wholly owns Victor Lane Limited. Victor Lane Limited has a direct interest in 268,666,666 (L) shares. Lau Luen Hung is the founder and one of the beneficiaries of the discretionary trust.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes as set out in note 36 to the consolidated financial statements, at no time during the year was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note [37] to the consolidated financial statements, no contract of significance to which the Company, its holding company or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2010.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(i) Connected Transaction

On 20 February 2010, Zhan Zheng Consulting Company Limited ("Zhan Zheng"), an indirect wholly-owned subsidiary of the Company and Fitter Holdings Limited ("Fitter") entered into a sale and purchase agreement pursuant to which, Zhan Zheng agreed to buy, and Fitter agreed to sell, the 44% equity interest in the registered capital of the Fenglong Group Co., Ltd. ("Fenglong Group"), a limited liability company established in the PRC and of which 44% of its registered capital is owned by Fitter and 55% is owned by Shenzhen Jililong Shiye Co., Ltd. ("Shenzhen Jililong"), an indirect wholly owned subsidiary of the Company, for a consideration of RMB349,847,721 (approximately HK$397,238,243) ("Acquisition").

Fenglong Group is a subsidiary of the Company. Being a substantial shareholder of the Fenglong Group, Fitter is a connected person of the Company under the Listing Rules and therefore, the Acquisition constitutes a connected transaction of the Company under the Listing Rules.

Details of the above Acquisition were disclosed in the Company's announcement dated 22 February 2010 and the Company's circular dated 30 April 2010.

(ii) Continuing Connected Transaction

Significant related parties transactions and continuing connected transactions entered by the Group for the year ended 31 December 2010 are set out in notes 37 and 37(b) respectively to the consolidated financial statements, which are in compliance with the requirements of the Listing Rules.

The Independent Non-Executive Directors have reviewed the continuing connected transactions entered into by the members of the Group and confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or, on term no less favourable to the members of the Group than terms available to or from independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

REMUNERATION POLICY

The remuneration policy (which includes the payment of the emoluments to the employees) of the employees of the Group is set up by the Remuneration Committee on the basis of the employees' performance, qualifications and experiences.

Details of the remuneration of the Directors are set out in note 27 to the consolidated financial statements, having regard to the Company's operating results, individual performance of the Directors and comparable market statistics. The Company has adopted share option schemes as an incentive to Directors and eligible employees, details of the share option schemes are set out in note [36] to the consolidated financial statements.

Report of the Directors (Continued)

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

Purchases

– the largest supplier 10%

– five largest suppliers in aggregate 31%

At no time during the year ended 31 December 2010 a Director, an associate of a Director or a shareholder of the Company (who to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in any of the Group's five largest suppliers or customers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the public float as required by the Listing Rules since the date of listing and up to 31 December 2010.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained in this annual report.

AUDITOR

Messrs. PricewaterhouseCoopers were appointed as auditor of the Company since 2007 and will retire at the forthcoming AGM. A resolution will be proposed at the forthcoming AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the shareholders of the Company (the "Shareholders") are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

On behalf of the Board

KWOK Ying Shing
Chairman

Hong Kong, 10 March 2011

Independent Auditor's Report

TO THE SHAREHOLDERS OF KAISA GROUP HOLDINGS LTD.
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Kaisa Group Holdings Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 68 to 149, which comprise the consolidated and company balance sheets as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinances, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statement that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10 March 2011

Consolidated Balance Sheet

As at 31 December 2010

	Note	As at 31 December 2010 RMB'000	As at 31 December 2009 RMB'000 (Restated)	As at 1 January 2009 RMB'000 (Restated)
ASSETS				
Non-current assets				
Property and equipment	6	**106,140**	91,731	76,692
Investment properties	7	**5,484,000**	1,578,600	1,278,400
Land use rights	8	**18,379**	18,798	19,237
Investment in an associate	9	**299,521**	–	–
Deferred income tax assets	21	**75,075**	119,559	91,122
		5,983,115	1,808,688	1,465,451
Current assets				
Properties under development	11	**10,521,175**	7,379,830	6,691,753
Completed properties held for sale	12	**603,321**	1,013,120	1,782,933
Debtors, deposits and other receivables	13	**2,482,284**	2,526,713	1,318,719
Prepayments for proposed development projects	14	**1,827,183**	1,383,871	1,144,409
Prepaid taxes		**135,797**	142,571	108,821
Restricted cash	15	**530,067**	382,966	105,836
Cash and cash equivalents	16	**4,339,600**	3,344,453	679,271
		20,439,427	16,173,524	11,831,742
Total assets		**26,422,542**	17,982,212	13,297,193
EQUITY				
Equity attributable to equity holders of the Company				
Share capital	17	**432,150**	440,550	1
Share premium	17	**3,815,214**	4,024,775	1,490,772
Reserves	18	**5,741,093**	2,203,702	1,651,180
		9,988,457	6,669,027	3,141,953
Non-controlling interests		**4,936**	(40,494)	(40,480)
Total equity		**9,993,393**	6,628,533	3,101,473

Consolidated Balance Sheet (Continued)

As at 31 December 2010

	Note	As at 31 December 2010 RMB'000	As at 31 December 2009 RMB'000 (Restated)	As at 1 January 2009 RMB'000 (Restated)
LIABILITIES				
Non-current liabilities				
Borrowings	19	**6,175,664**	2,812,890	2,991,925
Deferred income tax liabilities	21	**971,237**	228,701	156,239
		7,146,901	3,041,591	3,148,164
Current liabilities				
Advance proceeds received from customers		**4,494,353**	2,266,075	1,155,926
Accrued construction costs		**1,325,983**	1,119,549	1,144,981
Income tax payable		**866,390**	404,906	277,969
Borrowings	19	**1,751,708**	3,048,988	2,200,000
Loan with detachable warrants	20(c)	**–**	684,736	1,305,546
Financial derivatives	20(c)	**–**	–	80,522
Other payables	22	**806,337**	750,357	880,776
Amount due to non-controlling interest of a subsidiary		**37,477**	37,477	–
Amount due to a related party		**–**	–	1,836
		9,282,248	8,312,088	7,047,556
Total liabilities		**16,429,149**	11,353,679	10,195,720
Total equity and liabilities		**26,422,542**	17,982,212	13,297,193
Net current assets		**11,157,179**	7,861,436	4,784,186
Total assets less current liabilities		**17,140,294**	9,670,124	6,249,637

The notes on pages 74 to 149 are an integral part of these financial statements.

The financial statements on pages 68 to 149 were approved by the Board of Directors on 10 March 2011 and were signed on its behalf.

Kwok Ying Shing
Director

Huang Chuanqi
Director

Balance Sheet

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Subsidiaries	10	**79,001**	4,658
Current assets			
Debtors, deposits and other receivables	13	**1,896**	15,022
Due from a subsidiary	10	**7,923,183**	3,213,228
Cash and cash equivalents	16	**957,157**	1,955,112
		8,882,236	5,183,362
Total assets		**8,961,237**	5,188,020
EQUITY			
Share capital	17	**432,150**	440,550
Share premium	17	**3,815,214**	4,024,775
Reserves	18	**1,147,153**	11,768
Total equity		**5,394,517**	4,477,093
LIABILITIES			
Non-current liabilities			
Borrowings	19	**3,557,379**	–
		3,557,379	–
Current liabilities			
Loan with detachable warrants	20(c)	**–**	684,736
Other payables	22	**9,341**	26,191
		9,341	710,927
Total liabilities		**3,566,720**	710,927
Total equity and liabilities		**8,961,237**	5,188,020
Net current assets		**8,872,895**	4,472,435
Total assets less current liabilities		**8,951,896**	4,477,093

The notes on pages 74 to 149 are an integral part of these financial statements.

The financial statements on pages 68 to 149 were approved by the Board of Directors on 10 March 2011 and were signed on its behalf.

Kwok Ying Shing
Director

Huang Chuanqi
Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Revenue	5	**7,755,890**	4,672,156
Cost of sales	24	**(4,745,012)**	(3,352,040)
Gross profit		**3,010,878**	1,320,116
Other gains	23	**5,962**	37,201
Selling and marketing costs	24	**(183,308)**	(163,543)
Administrative expenses	24	**(411,155)**	(250,105)
Change in fair value of investment properties	7	**2,970,144**	289,847
Change in fair value of financial derivatives	20(c)	**–**	(85,339)
Operating profit		**5,392,521**	1,148,177
Share of result from an associate		**(479)**	–
Finance income	25	**11,031**	9,958
Finance costs	25	**(56,873)**	(204,740)
Finance costs – net		**(45,842)**	(194,782)
Profit before income tax		**5,346,200**	953,395
Income tax expenses	28	**(1,709,544)**	(405,538)
Profit for the year and total comprehensive income for the year		**3,636,656**	547,857
Profit attributable to:			
Equity holders of the Company		**3,636,699**	547,871
Non-controlling interests		**(43)**	(14)
		3,636,656	547,857
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)	29		
– Basic		**0.738**	0.138
– Diluted		**0.736**	0.138

The notes on pages 74 to 149 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to equity holders of the Company					
	Share capital RMB'000 (note 17)	Share premium RMB'000 (note 17)	Reserves RMB'000 (note 18)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2009	1	1,490,772	1,651,180	3,141,953	(40,480)	3,101,473
Profit and comprehensive income for the year	–	–	547,871	547,871	(14)	547,857
Transactions with owners:						
Issue of shares in connection with the initial public offering (the "IPO") (note 17(b))	88,110	2,951,686	–	3,039,796	–	3,039,796
Capitalisation of share premium (note 17(c))	344,697	(344,697)	–	–	–	–
Issue of shares to warrant holders (note 17(d))	7,742	(4,407)	–	3,335	–	3,335
Transfer from financial derivatives (note 20(c))	–	165,727	–	165,727	–	165,727
Share issue expense	–	(234,306)	–	(234,306)	–	(234,306)
Share-based payments	–	–	4,651	4,651	–	4,651
Balances as at 31 December 2009	440,550	4,024,775	2,203,702	6,669,027	(40,494)	6,628,533
Balance as at 1 January 2010	**440,550**	**4,024,775**	**2,203,702**	**6,669,027**	**(40,494)**	**6,628,533**
Profit and comprehensive income for the year	**–**	**–**	**3,636,699**	**3,636,699**	**(43)**	**3,636,656**
Transactions with owners:						
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	**998**	**998**
Acquisition of additional interest in a subsidiary	**–**	**–**	**(394,475)**	**(394,475)**	**44,475**	**(350,000)**
Repurchase of ordinary shares (note 17(e))	**(8,400)**	**(209,561)**	**–**	**(217,961)**	**–**	**(217,961)**
Equity component of Convertible Bonds (note 19(b))	**–**	**–**	**220,824**	**220,824**	**–**	**220,824**
Share-based payments	**–**	**–**	**74,343**	**74,343**	**–**	**74,343**
Balances as at 31 December 2010	**432,150**	**3,815,214**	**5,741,093**	**9,988,457**	**4,936**	**9,993,393**

The notes on pages 74 to 149 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	Note	**2010** **RMB'000**	2009 RMB'000
Cash flows from operating activities			
Cash generated from operations	30	**1,910,006**	1,036,847
Income tax paid		**(454,266)**	(268,326)
Interest paid		**(228,853)**	(490,923)
Net cash generated from operating activities		**1,226,887**	277,598
Cash flows from investing activities			
Purchase of property and equipment	6	**(33,821)**	(25,284)
Acquisition of subsidiaries, net of cash acquired	34	**(967,599)**	(259,891)
Acquisition of additional interest in a subsidiary	34(a)	**(265,169)**	–
Investment in an associate		**(265,000)**	–
Payment for consideration payable related to purchase of subsidiaries		**(77,084)**	(170,365)
Proceeds from disposal of property and equipment	30	**–**	1,623
Interest received	25	**11,031**	9,958
Net cash used in investing activities		**(1,597,642)**	(443,959)
Cash flows from financing activities			
Proceeds from borrowings		**2,619,027**	3,622,224
Repayments of borrowings		**(4,110,912)**	(2,952,271)
Repurchase of ordinary Shares		**(217,961)**	–
Repayment of loan with detachable warrants	20(c)	**(682,820)**	(682,876)
Proceeds from issuing shares in connection with the IPO	17(b)	**–**	3,039,796
Proceeds from issuing shares to warrant holders	17(d)	**–**	3,335
Proceeds from issuance of Convertible Bonds	19(b)	**1,452,791**	–
Proceeds from issuance of Senior Notes	19(a)	**2,333,507**	–
Issuance expense		**–**	(234,306)
Decrease in amount due to a related party		**–**	(1,836)
Increase in amount due to non-controlling interest of a subsidiary		**–**	37,477
Net cash generated from financing activities		**1,393,632**	2,831,543
Net increase in cash and cash equivalents		**1,022,877**	2,665,182
Cash and cash equivalents at beginning of year		**3,344,453**	679,271
Exchange adjustments		**(27,730)**	–
Cash and cash equivalents at end of year	16	**4,339,600**	3,344,453

The notes on pages 74 to 149 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2010

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 (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. During the year, the Company was engaged in investment holding and the subsidiaries of the Company were principally engaged in the property development, property investment and property management.

In preparation for the Company's listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company and its subsidiaries (collectively the "Group") underwent the reorganisation, which was completed in December 2007. Upon completion of the reorganisation, the Company became the holding company of the Group.

The Company's shares were listed on the Stock Exchange on 9 December 2009.

These consolidated financial statements were approved by the Board of Directors of the Company for issue on 10 March 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties at fair value.

The preparation of consolidated financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 below.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Change in accounting policy

As at 1 January 2010, the Group changed its accounting policy for land use rights held for development and subsequent sale and the accounting policy has been applied retrospectively.

Land use rights which are held for development and subsequent sale meet the definition of both inventories under HKAS 2 "Inventories" and leasehold land under HKAS 17 "Leases".

Previously, land use rights which are held for development and subsequent sale were classified as prepaid operating leases and payments were amortised on a straight line basis over the period of the lease in accordance with HKAS 17. Amortisation of leasehold land during the development phase was capitalised as part of the construction cost of the property. Amortisation charges incurred prior to development and following completion of the property were recognised in the consolidated statement of comprehensive income.

Subsequent to the change in the accounting policy, land use rights relating to property held for development and subsequent sale are classified as inventories in accordance with HKAS 2 and measured at the lower of cost and net realisable value.

Management believes that the new classification of land use rights as inventories results in a more relevant presentation of the financial position of the Group, and of its performance for the year. The revised treatment reflects the management's intention on the use of the land use rights and results in a presentation consistent with the industry practice.

Since development commenced almost immediately after land use rights were obtained, and a large majority of completed properties were sold in the same period in which the respective properties were completed, substantially all amortisation charges have been capitalised in prior years. Accordingly, the change in accounting policy has no material impact to the consolidated statement of comprehensive income of the Group for the comparative periods. The change resulted in a reclassification of certain items in the consolidated balance sheet is summarised as follows:

	At 31 December 2010 RMB'000	At 31 December 2009 RMB'000	At 1 January 2009 RMB'000
Non-current assets			
Decrease in land use rights	**(3,524)**	(3,836)	(4,011)
Current assets			
Increase in completed properties held for sale	**276,429**	263,407	503,278
Increase in properties under development	**6,467,311**	4,128,892	4,316,736
Decrease in land use rights	**(6,740,216)**	(4,388,463)	(4,816,003)

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

The adoption of new/revised HKFRSs

In 2010, the Group adopted the new/revised accounting standards, amendments and interpretations of HKFRSs below, which are relevant to its operations.

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after 1 January 2010.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

  The Group has applied the revised standard to account for the business combinations during the year as set out in note 34 to the financial statements.

  HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

  The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1 January 2010 when revised HKAS 27, 'Consolidated and separate financial statements', became effective. The revision to HKAS 27 contained consequential amendments to HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures'.

  Previously, transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

  Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date of control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

  The Group has applied the revised standard to account for the transactions with non-controlling interests during the year as set out in note 34(a) to the financial statements.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

The adoption of new/revised HKFRSs *(Continued)*

- HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Land use rights", and amortised over the lease term.

  HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and considered the leasehold land in the People's Republic of China (the "PRC") remained as operating lease. As a result of the reassessment, there is no material impact on the Group's financial statements.

- HK Int-5 – The HKICPA issued on 29 November 2010 HK Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause". This Interpretation, as a clarification of an existing standard, is effective immediately. According to the Interpretation, the classification of a term loan in accordance with paragraph 69(d) of HKAS 1 shall depend on whether or not the borrower has an unconditional right to defer payment for at least twelve months after the reporting period. Consequently, amounts repayable under a loan agreement which includes a clause that gives the lender the unconditional right to call the loan at any time shall be classified by the borrower as current in its balance sheet. This Interpretation did not have a material impact on the Group's financial statements.

- HKAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

The adoption of new/revised HKFRSs *(Continued)*

New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group.

HKAS 7 (Amendment)	Statements of cash flows
HKAS 18 (Amendment)	Revenue
HKAS 36 (Amendment)	Impairment of assets
HKAS 38 (Amendment)	Intangible assets
HKAS 39 (Amendment)	Financial instruments: Recognition and Measurement
HKFRS 2 (Amendment)	Scope of HKFRS 2 and revised HKFRS 3
HKFRS 5 (Amendment)	Disclosures of non-current assets (or disposal group) classified as held for sale and discontinued operations
HK(IFRIC) – Int 9	Reassessment of embedded derivates
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – Int 17	Distributions on Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers

Standards, amendments and interpretations which are not yet effective

The following new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 2011, but the Group has not early adopted them:

		Effective for accounting periods beginning on or after
HKAS 32 (Amendment)	Classification of rights issues	1 January 2011
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HK(IFRIC) – Int 14	Prepayments of a minimum funding requirement	1 January 2011
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments	1 January 2011
	Improvements to HKFRS 2010 (annual improvements project)	1 January 2011 (unless otherwise stated)
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012
HKFRS 9	Financial instruments	1 January 2013

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Standards, amendments and interpretations which are not yet effective *(Continued)*

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the merger accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fail values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the share of the Group of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation *(Continued)*

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the companies comprising the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company and the presentation currency of the Company and the Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the statement of comprehensive income as part of the fair value gain on loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale investments revaluation reserve in equity.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation *(Continued)*

(iii) Group companies

The results and financial positions of all the companies comprising the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet of the companies comprising the Group presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each statement of comprehensive income companies comprising the Group are translated at average exchange rates; and

– all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property and equipment

Property and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Motor vehicles	5 – 10 years
Furniture, fitting and equipment	3 – 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "Other gains/(losses), net" in the statement of comprehensive income.

(g) Investment properties

Investment property, principally comprising leasehold land and office buildings, is held for long-term rental yields and is not occupied by the Group. It also includes properties that are under construction but with a plan to use as investment properties in the future.

Investment property comprises land and buildings held under operating leases.

Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition at cost, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the statement of comprehensive income as part of a valuation gain or loss.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Investment properties *(Continued)*

Where fair value of investment property under construction is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the statement of comprehensive income during the financial period in which they are incurred.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

When an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to completed properties held for sale at its fair value at the date of change in use.

If an investment property becomes owner-occupied, it is reclassified as land use rights and property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If the land use rights and the attached properties for own-use become an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of the land use rights and the attached properties under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the statement of comprehensive income to the extent that is reverses a previous impairment loss, with any remaining increase recognised directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to statement of comprehensive income.

Any revaluation reserve balance of the property is transferred to retained earnings in the statement of comprehensive income upon the subsequent disposal of the investment property.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are recognised as debtors, deposits and other receivables in the balance sheet.

Loans and receivables are carried at amortised cost using the effective interest method.

(i) Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of financial assets carried at amortised cost *(Continued)*

The Group first assesses whether objective evidence of impairment exists. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(j) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on marketing conditions.

Development cost of property comprises construction costs, depreciation of machinery and equipment, land use rights in relation to properties under development for subsequent sale, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale and buildings within property and equipment.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

(k) Completed properties held for sale

Completed properties remaining unsold at the balance sheet dates are stated as inventory (or current assets held for sale) at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary (other than common control combinations) at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(m) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(n) Cash and cash equivalents

Cash and cash equivalent includes cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Restricted cash are not included in cash and cash equivalents.

(o) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet dates.

(q) Loan with detachable warrants

Loan with detachable warrants that contain liability, warrants, and options are classified as loan liabilities, equity instruments and derivatives on initial recognition.

Derivatives and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Loan with detachable warrants is initially recognised at fair value and is subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the loan using the effective interest method.

The derivatives are initially recognised at fair value and are remeasured at their fair value with changes recognised in the statement of comprehensive income.

Issue costs are allocated proportionately to the loan, equity instruments and financial liabilities based on their relative fair values at the date of issue.

(r) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(s) Senior Notes

Senior Notes issued by the Company are recognised at fair value at date of issue, net of transaction costs incurred. After initial recognition, the Senior Notes are carried at amortised cost using the effective interest method.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Convertible bonds

(i) Convertible bonds with equity component

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry or when the Company redeems some or all of the convertible bonds upon exercise of the put option by the bond holders (note 19).

(ii) Convertible bonds without equity component

All other convertible bonds which do not exhibit the characteristics mentioned in (i) above are accounted for as hybrid instruments consisting of an embedded derivative and a host debt contract. At initial recognition, the embedded derivative of the convertible bonds is accounted for as derivative financial instruments and is measured at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as liability under the contract. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability under the contract.

The derivative component is subsequently carried at fair value and changes in fair value are recognised in the statement of comprehensive income. The liability under the contract is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity.

When the convertible bonds are converted, the carrying amount of the liability under the contract together with the fair value of the relevant derivative component at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the convertible bonds are redeemed, any difference between the redemption amount and the carrying amounts of both components are recognised in the statement of comprehensive income.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Borrowing costs

Borrowing costs are charged to the statement of comprehensive income in the accounting period in which they are incurred, except for costs related to funding of the construction and acquisition of properties under development which are capitalised as part of the cost of that asset during the construction period and up to the date of completion of construction.

(v) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds. Other than the contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees in Hong Kong.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Employee benefits *(Continued)*

(iv) Share-based payments

The Group operates equity-settled share option schemes. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The subsidiaries measure the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions, and record expense in the financial statements of the subsidiaries, with a corresponding increase recognised in equity as a contribution from the Company.

(x) Provisions, contingent liabilities and contingent assets

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown after eliminating sales with the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which occurs when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet as advanced proceeds received from customers under current liabilities.

(ii) Rental income

Rental income from properties letting under operating leases is recognised on a straight-line basis over the lease terms.

(iii) Property management

Commission arising from property management is recognised in the accounting period in which the service is rendered.

(iv) Interest income

Interest income is recognised using the effective interest method.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) The Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(ii) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the consolidated balance sheet based on the nature of the assets. Lease income from operating lease is recognised over the term of the lease on a straight-line basis.

(aa) Land use rights

The Group made upfront payments to obtain operating leases of land use rights. The upfront payments of the land use rights are recorded as assets. The amortisation of land use rights is recognised as an expense on a straight-line basis over the unexpired period of the land use rights.

(ab) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or the Board of Directors, where applicable.

(ac) Financial guarantee liabilities

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the property purchasers.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

3 FINANCIAL RISK MANAGEMENT

The Group conducts its operations in the PRC and accordingly is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

The Group's major financial instruments include trade and other receivables, cash at bank and in hand, restricted cash, accrued construction costs, other payables, purchase consideration of subsidiaries, refundable deposits received for renovation contract, bank borrowings, loan with detachable warrants and instruments. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and bank borrowings to fund its operations. The Group has alternative plans to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

Risk management is carried out by the Group's management under the supervision of the Finance Committee. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Board provides guidance for overall risk management.

(a) Financial risk factor

(i) Market risk

(1) Foreign currency exchange risk

The Group

The Group's businesses are principally conducted in RMB, except that certain receipts of proceeds from the IPO and borrowings are in other foreign currencies. The major non-RMB assets and liabilities are borrowings and bank deposits denominated in Hong Kong dollar ("HKD") and the United States dollar ("USD").

The Company and all of its subsidiaries' functional currency is RMB, so the bank balances and borrowings denominated in foreign currencies are subject to retranslation at each reporting date. Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

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.

As at 31 December 2010, if RMB had strengthened/weakened by 5% against HKD and USD, with all other variables held constant, the Group's post-tax profit for the year would have been approximately RMB17,105,000 higher/lower (2009: RMB69,449,000 lower/higher), mainly as a result of net foreign exchange gains/losses on translation of HKD and USD denominated bank deposits and bank borrowings.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factor *(Continued)*

(i) Market risk *(Continued)*

(1) Foreign currency exchange risk (Continued)

The Company

As at 31 December 2010, if RMB had strengthened/weakened by 5% against HKD and USD, with all other variables held constant, the Company's post-tax profit for the year would have been approximately RMB65,269,000 higher/lower (2009: RMB60,585,000, lower/higher), mainly as a result of net foreign exchange gains/losses on translation of HKD and USD denominated bank deposits and bank borrowings.

(2) Interest rate risk

The Group

The Group has been exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank borrowings which carry prevailing market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from interest bearing bank deposits, bank borrowings, Convertible Bonds and Senior Notes. Bank deposits and bank borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Convertible Bonds and Senior Notes issued at fixed rates expose the Group to fair value interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2010, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Group's post-tax profit for the year would have been RMB28,480,000 higher/lower (2009: RMB16,069,000 higher/lower).

The Company

The Company's interest rate risk arises from interest bearing bank deposits, Convertible Bonds and Senior Notes. Bank deposits at variable rates expose the Company to cash flow interest-rate risk. Convertible Bonds and Senior Notes issued at fixed rates expose the Company to fair value interest rate risk.

As at 31 December 2010, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Company's post-tax profit for the year would have been RMB8,908,000 higher/lower (2009: RMB12,704,000 higher/lower).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factor *(Continued)*

(ii) Credit risk

The Group has no significant concentration of credit risk. The carrying amounts of restricted cash, cash at bank and in hand, trade and other receivables and prepayments for proposed development project, represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group reviews the recoverable amount of trade and other receivables and prepayments for proposed development project on a regular basis and an allowance for doubtful debts is made where there is an identified loss.

In order to minimise the credit risk, management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and certain amounts of prepayments for proposed development projects. In addition, the Group reviews the recoverable amount of each debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is limited.

The credit risk on liquid funds is limited because the counterparties are banks with high credit rankings.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly low.

(iii) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term bank loans to meet its construction commitments. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through having available sources of financing.

The Group has certain alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting and further slowing down the construction plans for properties under development, implementing cost control measures, accelerating sales with more flexible pricing, seeking joint venture partners to co-develop quality projects and renegotiating payment terms with counterparties for certain land acquisitions. The Group will, based on its assessment of the relevant future costs and benefits, pursue such options as are appropriate.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factor *(Continued)*

(iii) Liquidity risk *(Continued)*

The following table details the Group's contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table represents both interest and principal cash flows.

The Group

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2010					
Borrowings	**2,387,828**	**1,384,600**	**6,184,364**	**781,795**	**10,738,587**
Accrued construction costs	**1,325,983**	**–**	**–**	**–**	**1,325,983**
Other payables	**806,337**	**–**	**–**	**–**	**806,337**
Amount due to non-controlling interest of a subsidiary	**37,477**	**–**	**–**	**–**	**37,477**
Total	**4,557,625**	**1,384,600**	**6,184,364**	**781,795**	**12,908,384**
At 31 December 2009					
Borrowings	3,293,699	752,964	1,729,888	767,286	6,543,837
Loan with detachable warrants	712,575	–	–	–	712,575
Accrued construction costs	1,119,549	–	–	–	1,119,549
Other payables	750,357	–	–	–	750,357
Amount due to non-controlling interest of a subsidiary	37,477	–	–	–	37,477
Total	5,913,657	752,964	1,729,888	767,286	9,163,795

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factor *(Continued)*

(iii) Liquidity risk *(Continued)*

The Company

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
At 31 December 2010				
Borrowings	**434,590**	**434,923**	**4,903,953**	**5,773,466**
Other payables	**9,341**	**–**	**–**	**9,341**
Total	**443,931**	**434,923**	**4,903,953**	**5,782,807**
At 31 December 2009				
Loan with detachable warrants	712,575	–	–	712,575
Other payables	26,191	–	–	26,191
Total	738,766	–	–	738,766

(b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 19, loan with detachable warrants disclosed in note 20 and equity attributable to equity holders of the Company, comprising share capital and reserves.

The Directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company assess the annual budget prepared by the treasury department which reviews the planned construction projects proposed by engineering department and prepared the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the Directors of the Company consider the cost of capital and the risks associated with each class of capital. The Directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Capital risk management *(Continued)*

The gearing ratios of the Group at 31 December 2010 and 2009 were as follows:

	2010	2009
	RMB'000	RMB'000
Total borrowings (note 19)	**7,927,372**	5,861,878
Loan with detachable warrants (note 20)	**–**	684,736
Less: cash and cash equivalents (note 16)	**(4,339,600)**	(3,344,453)
Net debt	**3,587,772**	3,202,161
Total equity	**9,993,393**	6,628,533
Total capital	**13,581,165**	9,830,694
Gearing ratio	**26%**	33%

The decrease in the gearing ratio during 2010 resulted primarily from the increase in profit after tax of the year.

(c) Fair value estimation

The carrying value less impairment provisions of trade and other receivables and the carrying value of other payables approximate their fair values due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

At 31 December 2009, the financial derivatives are categorised in level 2 but the fair values amounted to nil.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of investment properties

The Group carries its investment properties at fair value with changes in the fair values recognised in the statement of comprehensive income. It obtains independent valuations at least annually. In making the judgment, consideration is given to assumptions that are mainly based on market conditions existing at the balance sheet date, expected rental from future leases in the light of current market conditions and appropriate capitalisation rates. Changes in subjective input assumptions can materially affect the fair value estimate. The key assumptions used in the valuation in determining fair value for the Group's portfolio of properties are set out in note 7.

(b) Provision for land use rights, properties under development and completed properties held for sale.

The Group performs impairment tests for its land use rights in accordance with the accounting policies stated in note 2(e).

The management has assessed the recoverable amounts of land use rights by reference to the market condition, value-in-use calculations and the Group's latest business plan. The value-in-use calculations require the use of estimates such as the projection of future cash inflow generated by the underlying assets (cash generating units) and appropriate discount rates.

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties, taking into account estimated costs to completion based on past experience (properties under development only) and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(c) Prepayments for proposed development projects and deposits for land acquisitions

The Group assesses the carrying amounts of deposits for land acquisitions and prepayments for proposed development projects according to their net recoverable amounts based on the realisability of these land use rights and property development projects, taking into account estimated net sales values based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(d) Income taxes, land appreciation taxes, withholding taxes and deferred income taxes

Significant judgment is required in determining the provision for income taxes and withholding taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred income tax provision in the period in which such determination is made.

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its land appreciation taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these land appreciation taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the costs of sales and deferred income tax provision in the periods in which such taxes have been finalised with local tax authorities.

Deferred income tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future.

If those undistributed earnings of the PRC subsidiaries are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred income tax liability would have been increased by the same amount of approximately RMB173,024,000.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board of Directors of the Company. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Board of Directors assesses the performance of the single operating segment based on a measure of profit before finance costs and income tax expenses.

The Board of Directors considers the business from services perspective only. From services perspective, management assesses the performance of sales of properties, rental income and property management services and regards these being the reportable segments. No geographical segment analysis is presented as the majority of the assets and operation of the Group are located in 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:

	2010	2009
	RMB'000	RMB'000
Sales of properties	**7,530,783**	4,513,257
Rental income	**119,517**	100,405
Property management services	**105,590**	58,494
	7,755,890	4,672,156

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

5 SEGMENT INFORMATION *(Continued)*

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2010 is as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Others RMB'000	Total RMB'000
Revenue	7,530,783	119,517	105,590	–	7,755,890
Segment results before change in fair value of investment properties	2,472,702	78,793	35,384	(164,502)	2,422,377
Change in fair value of investment properties	–	2,970,144	–	–	2,970,144
Segment results	2,472,702	3,048,937	35,384	(164,502)	5,392,521
Share of result from an associate	(479)	–	–	–	(479)
Finance income					11,031
Finance costs					(56,873)
Finance costs – net					(45,842)
Profit before income tax					5,346,200
Income tax expenses					(1,709,544)
Profit for the year					3,636,656
Other information:					
Depreciation (note 6)	13,841	1,062	692	2,686	18,281
Amortisation	419	–	–	–	419
Reversal of impairment loss on properties under development and completed properties held for sale	155,000	–	–	–	155,000

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

5 SEGMENT INFORMATION *(Continued)*

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	36,231,346	6,669,134	995,645	31,578,737	(49,562,713)	25,912,149
Investment in an associate	299,521	–	–	–	–	299,521
Unallocated						210,872
Total assets						26,422,542
Segment liabilities	22,707,960	1,238,642	74,404	21,169,512	(38,526,368)	6,664,150
Unallocated						9,764,999
Total liabilities						16,429,149
Other information:						
Capital expenditure (notes 6, 7 and 8)	22,667	365	668	13,121	–	36,821

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

5 SEGMENT INFORMATION (Continued)

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2009 is as follows:

	Property development RMB'000	Property investment and agency RMB'000	Property management RMB'000	Others RMB'000	Total RMB'000
Revenue	4,513,257	100,405	58,494	–	4,672,156
Segment results before change in fair value of investment properties and financial derivatives	874,892	65,766	18,279	(15,268)	943,669
Change in fair value of investment properties	–	289,847	–	–	289,847
Change in fair value of financial derivatives	–	–	–	(85,339)	(85,339)
Segment results	874,892	355,613	18,279	(100,607)	1,148,177
Finance income					9,958
Finance costs					(204,740)
Finance costs – net					(194,782)
Profit before income tax					953,395
Income tax expenses					(405,538)
Profit for the year					547,857
Other information:					
Depreciation (note 6)	10,973	1,033	613	1,009	13,628
Amortisation	10,741	–	–	–	10,741

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

5 SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property investment and agency RMB'000	Property management RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	29,073,029	3,831,972	1,030,766	12,569,267	(28,784,952)	17,720,082
Unallocated						262,130
Total assets						17,982,212
Segment liabilities	20,144,965	1,709,044	259,949	6,619,877	(24,560,377)	4,173,458
Unallocated						7,180,221
Total liabilities						11,353,679
Other information:						
Capital expenditure (notes 6, 7 and 8)	25,003	277	365	4,153	–	29,798

No inter-segment transfers or transactions are entered during the years ended 31 December 2010 and 2009.

Other business segments include the investment holding and inactive companies.

Segment assets consist primarily of property and equipment, investment properties, land use rights, properties under development, completed properties held for sale, debtors, deposits and other receivables, prepayments for proposed development projects, restricted cash and, cash and cash equivalents. They exclude deferred income tax assets and prepaid taxes.

Segment liabilities consist primarily of advance proceeds received from customers, accrued construction costs and other payables and amount due to non-controlling interest of a subsidiary. They exclude deferred income tax liabilities, income tax payable, long-term loan with detachable warrants, borrowings and financial derivatives.

Capital expenditure comprises additions to non-current assets other than deferred income tax assets and investment in an associate that are expected to be recovered for more than one year after the balance sheet date.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

6 PROPERTY AND EQUIPMENT

	Buildings	Motor vehicles	Furniture, fitting and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009				
Cost	50,784	17,149	32,309	100,242
Accumulated depreciation	(5,643)	(9,948)	(7,959)	(23,550)
Net book amount	45,141	7,201	24,350	76,692
Year ended 31 December 2009				
Opening net book amount	45,141	7,201	24,350	76,692
Acquisition of subsidiaries (note 34)	–	27	4,487	4,514
Additions	13,012	3,806	8,466	25,284
Disposals	–	(780)	(351)	(1,131)
Depreciation	(3,843)	(3,013)	(6,772)	(13,628)
Closing net book amount	54,310	7,241	30,180	91,731
At 31 December 2009				
Cost	63,796	18,872	42,770	125,438
Accumulated depreciation	(9,486)	(11,631)	(12,590)	(33,707)
Net book amount	54,310	7,241	30,180	91,731
Year ended 31 December 2010				
Opening net book amount	**54,310**	**7,241**	**30,180**	**91,731**
Acquisition of subsidiaries (note 34)	**–**	**–**	**3,000**	**3,000**
Additions	**–**	**16,237**	**17,584**	**33,821**
Disposals	**–**	**(2,086)**	**(2,045)**	**(4,131)**
Depreciation	**(3,838)**	**(3,301)**	**(11,142)**	**(18,281)**
Closing net book amount	**50,472**	**18,091**	**37,577**	**106,140**
At 31 December 2010				
Cost	**63,796**	**32,749**	**60,164**	**156,709**
Accumulated depreciation	**(13,324)**	**(14,658)**	**(22,587)**	**(50,569)**
Net book amount	**50,472**	**18,091**	**37,577**	**106,140**

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

6 PROPERTY AND EQUIPMENT *(Continued)*

As at 31 December 2010, buildings with net book amounts totalling RMB17,610,000 (2009: RMB18,735,000) were pledged as collateral for the Group's borrowings (note 19).

Depreciation expense of RMB18,281,000 (2009: RMB13,628,000) has been charged in administrative expenses during the year.

7 INVESTMENT PROPERTIES

	2010 **RMB'000**	2009 RMB'000
At beginning of year	**1,578,600**	1,278,400
Transfer from properties under development	**926,760**	–
Transfer from completed properties held for sale	**8,496**	10,353
Increase in fair value	**2,970,144**	289,847
At end of year (note)	**5,484,000**	1,578,600

Note: The amount includes an investment property amounting to RMB2,299,000,000 which is in the process of obtaining the land use rights certificate.

The following amounts have been recognised in the statement of comprehensive income for investment properties:

	2010 **RMB'000**	2009 RMB'000
Rental income	**94,175**	60,488
Direct operating expenses arising from investment properties that generated rental income	**25,618**	11,168

The Group obtains independent valuations from Savills Valuation and Professional Services Limited, for its investment properties at least annually.

The best evidence of fair value is current prices in an active market for similar investment properties. Where such information is not available, the valuers consider information from a variety of sources including:

(i) current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;

(ii) discounted cash flow projections based on reliable estimates of future cash flows;

(iii) capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence; and

(iv) the expected total value of the investment properties under construction assuming the properties are completed, taking into consideration of the en-bloc property sale discount, and the estimated costs to completion such as construction costs and anticipated developer's profit with reference to past experience and committed contracts as well as allowances for contingencies.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

7 INVESTMENT PROPERTIES *(Continued)*

As at 31 December 2010, the key assumptions adopted in the valuation in determining fair value were in the following ranges for the Group's portfolio of properties:

	2010
Capitalisation rate	**4.5–7.5%**
Discount rate	**5.9–6.2%**
Expected vacancy rate	**5.0–8.0%**
Monthly rental (RMB/sqm/month)	**156–390**
Budgeted construction cost (RMB/sqm)	**2,500–7,000**
Anticipated developer's profit margin	**20.0–35.0%**
En-bloc property sale discount	**3.5–4.0%**

The Group's interests in investment properties are analysed as follows:

	2010 **RMB'000**	2009 RMB'000
In the PRC, held on:		
Leases of over 50 years	**764,200**	149,800
Leases of between 10 to 50 years	**4,719,800**	1,428,800
	5,484,000	1,578,600

As at 31 December 2010, the investment properties with carrying values totaling RMB2,029,700,000 (2009: RMB1,428,800,000) were pledged as collateral for the Group's borrowings (note 19).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

8 LAND USE RIGHTS

	As at 31 December 2010 RMB'000	2009 RMB'000 (Restated)
Opening net book amount, as previously reported	**4,411,097**	4,839,251
Effect of adoption of change in accounting policy (note 2)	**(4,392,299)**	(4,820,014)
Opening net book amount, as restated	**18,798**	19,237
Amortisation		
– expensed in administrative expenses	**(419)**	(439)
Closing net book amount	**18,379**	18,798
In the PRC, held on:		
Leases of over 50 years	**5,234**	5,326
Leases of between 10-50 years	**13,145**	13,472
	18,379	18,798

As at 31 December 2010, land use rights with net book amounts totalling RMB8,245,000 (2009 (Restated): RMB8,446,000) were pledged as collateral for the Group's borrowings (note 19).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

9 INVESTMENT IN AN ASSOCIATE

	2010 RMB'000	2009 RMB'000
Unlisted shares, share of net assets (note a)	**299,521**	–

Notes:

(a) In 2010, the Group acquired 49% of the equity interest of Xing Huo Ju Long Technology Investment Co., Ltd. ("Xing Huo") from a third party at a total cash consideration of RMB300,000,000. This company has been loss making and did not operate any business prior to the acquisition, and only held a piece of land. Therefore, the Group considered that this would be acquisition of asset in substance and as a result the difference between the cash consideration and the net assets acquired would be recognised as an adjustment to the carrying value of the investment in an associate.

(b) As at 31 December 2010, the Group's interest in its associate, of which is unlisted, is as follows:

Name	Particulars of registered capital RMB'000	Place of incorporation	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Net loss RMB'000	Interest indirectly held %
Xing Huo 星火巨龍科技投資有限公司	68,000	PRC	111,278	86,929	–	479	49%

10 SUBSIDIARIES

	Company 2010 RMB'000	2009 RMB'000
Non-current assets		
Unlisted shares, at cost	**7**	7
Share options issued on behalf of subsidiaries (note 18(c))	**78,994**	4,651
	79,001	4,658
Current assets		
Due from a subsidiary (note b)	**7,923,183**	3,213,228

Notes:

(a) Details of the subsidiaries are set out in note 38.

(b) The amount due from a subsidiary is unsecured, interest-free and has no fixed term of repayment.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

11 PROPERTIES UNDER DEVELOPMENT

	2010 **RMB'000**	2009 RMB'000 (Restated)
Amount comprises:		
Construction costs	**3,370,710**	2,754,307
Interest capitalised	**358,290**	333,691
Land use rights	**6,792,175**	4,291,832
	10,521,175	7,379,830

The properties under development are all located in the PRC.

As at 31 December 2010, properties under development of approximately RMB3,999,383,000 (2009 (Restated): RMB4,208,393,000) were pledged as collateral for the Group's borrowings (note 19).

12 COMPLETED PROPERTIES HELD FOR SALE

Completed properties held for sale are all located in the PRC.

As at 31 December 2010 and 2009, completed properties held for sale of approximately RMB47,036,000 (2009: Nil) were pledged as collateral for the Group's bank borrowings (note 19).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

13 DEBTORS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables (note a)	**177,133**	91,432	**–**	–
Other receivables	**167,082**	134,616	**–**	–
Other deposits	**149,650**	55,000	**1,896**	–
Prepayments	**246,996**	247,900	**–**	–
Deposits for land acquisitions (note b)	**1,585,759**	1,919,117	**–**	–
Prepaid interest for loan with detachable warrants	**–**	15,022	**–**	15,022
Prepaid other taxes	**155,664**	63,626	**–**	–
	2,482,284	2,526,713	**1,896**	15,022

Notes:

(a) The ageing analysis of trade receivables of the Group is as follows:

	2010	2009
	RMB'000	RMB'000
Within 90 days	**176,077**	81,080
91 – 180 days (note c)	**1,056**	10,352
	177,133	91,432

Trade receivables mainly arose from sales of properties. Customers are generally granted credit terms of 1 to 3 months for property development business.

(b) Deposits for land acquisitions arise from the acquisition of land in various regions in the PRC. These deposits would be converted into land use rights when the rights to use the lands have been obtained.

(c) As at 31 December 2010, trade receivables of HK$1,056,000 (2009:Nil) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2010	2009
	RMB'000	RMB'000
Up to 3 months	**1,056**	–

Note: As at 31 December 2009, the amount of RMB10,352,000 recoverable from the independent customers will be settled on or before 30 June 2010 in accordance with the sales and purchases agreements of the property units. Such amount was received before 30 June 2010.

(d) As at 31 December 2010, there is no provision made for trade and other receivables and no trade and other receivables were impaired.

(e) The maximum credit risk exposure is the amount shown on the balance sheet.

(f) The carrying amounts of the Group's receivables are mainly denominated in Renminbi.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

14 PREPAYMENTS FOR PROPOSED DEVELOPMENT PROJECTS

The Group has entered into a number of contracts of property development projects and has made prepayments in accordance with the terms of the contracts. These prepayments would be converted into properties under development when the rights to use the lands have been obtained.

15 RESTRICTED CASH

Restricted cash mainly comprised of:

(a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of presale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for construction materials and construction fees of the relevant property projects when approvals are obtained from local State-Owned Land and Resource Bureau. As at 31 December 2010, such guarantee deposits amounted to RMB246,569,000 (2009: RMB196,819,000). They will be released after pre-sold properties are completed or their property ownership certificates are issued, whichever is the earlier.

(b) As at 31 December 2010, the Group's cash of RMB250,528,000 (2009: RMB171,647,000) was deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities (note 32) granted by the banks to the purchasers of the Group's properties.

16 CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Denominated in – RMB	**2,174,786**	1,539,623	**7,256**	–
Denominated in – HKD	**650,949**	1,914,492	**5,253**	1,750,265
Denominated in – USD	**2,043,932**	273,304	**944,648**	204,847
	4,869,667	3,727,419	**957,157**	1,955,112
Less: Restricted cash (note 15)	**(530,067)**	(382,966)	**–**	–
Cash at bank and in hand	**4,339,600**	3,344,453	**957,157**	1,955,112

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

17 SHARE CAPITAL AND SHARE PREMIUM

	Note	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Total
			HKD'000	RMB'000	RMB'000	RMB'000
Authorised:						
Ordinary share of HK$0.10 each						
As at 1 January 2009		3,800,000	380	380	–	380
Increase in authorised share capital	(a)	49,996,200,000	4,999,620	4,405,165	–	4,405,165
As at 31 December 2009 and 2010		50,000,000,000	5,000,000	4,405,545	–	4,405,545
Issue and fully paid:						
At 1 January 2009		10,870	1	1	1,490,772	1,490,773
Issue of shares in connection with the IPO	(b)	1,000,000,000	100,000	88,110	2,951,686	3,039,796
Capitalisation of share premium	(c)	3,912,116,622	391,212	344,697	(344,697)	–
Issue of shares to warrant holders	(d)	87,872,508	8,787	7,742	(4,407)	3,335
Transfer from financial derivatives	20(c)	–	–	–	165,727	165,727
Share issue expenses		–	–	–	(234,306)	(234,306)
As at 31 December 2009 and at 1 January 2010		5,000,000,000	500,000	440,550	4,024,775	4,465,325
Repurchase of ordinary shares	(e)	(95,330,000)	(9,533)	(8,400)	(209,561)	(217,961)
As at 31 December 2010		4,904,670,000	490,467	432,150	3,815,214	4,247,364

Notes:

(a) On 22 November 2009, the authorised share capital of the Company was increased from HK$380,000 to HK$5,000,000,000 by the creation of 49,996,200,000 ordinary shares of HK$0.10 each.

(b) On 9 December 2009, the Company issued 1,000,000,000 ordinary shares of HK$0.10 each at HK$3.45 per share in connection with the IPO, and raised gross proceeds of approximately HK$3,450,000,000 (equivalent to RMB3,039,796,000).

(c) On 9 December 2009, pursuant to the written resolutions of shareholders of the Company passed on 22 November 2009, 3,912,116,622 ordinary shares of the Company were issued at par as fully paid to the shareholders whose names appeared on the register of members of the Company on 22 November 2009 in proportion to their then existing shareholdings in the Company. The amount was paid up in full by applying an amount of HK$391,212,000 (equivalent to RMB344,697,000) standing to the credit of the share premium of the Company.

(d) On 9 December 2009, the Company issued 87,872,508 ordinary shares of HK$0.10 each to the warrant holders pursuant to the tranche A and tranche B warrants (note 20(b)).

(e) For the year ended 31 December 2010, the Company repurchased 95,330,000 of its own ordinary shares, in aggregate, on the market at a total consideration of HK$247,241,280 (equivalent to approximately RMB217,961,000). The repurchased shares were subsequently cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

18 RESERVES

	Group							
	Merger reserve (note a) RMB'000	Exchange reserve RMB'000	Statutory reserves (note b) RMB'000	Share option reserve (note c) RMB'000	Revenue reserve (note d) RMB'000	Conversion option reserve (note 19(b)) RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2009	382	24,835	231,020	–	–	–	1,394,943	1,651,180
Profit for the year	–	–	–	–	–	–	547,871	547,871
Transfer to statutory reserves	–	–	13,258	–	–	–	(13,258)	–
Share-based payments	–	–	–	4,651	–	–	–	4,651
Balance at 31 December 2009	382	24,835	244,278	4,651	–	–	1,929,556	2,203,702
Profit for the year	–	–	–	–	–	–	3,636,699	3,636,699
Issuance of Convertible Bonds	–	–	–	–	–	220,824	–	220,824
Transfer to statutory reserves	–	–	70,127	–	–	–	(70,127)	–
Acquisition of additional interest in a subsidiary	–	–	–	–	(394,475)	–	–	(394,475)
Share-based payments (note c)	–	–	–	74,343	–	–	–	74,343
Balance at 31 December 2010	382	24,835	314,405	78,994	(394,475)	220,824	5,496,128	5,741,093

	Company			
	Share option reserve (note c) RMB'000	Conversion option reserves (note 19(b)) RMB'000	(Accumulated losses)/retained profits RMB'000	Total RMB'000
Balance at 1 January 2009	–	–	(353,017)	(353,017)
Profit for the year	–	–	360,134	360,134
Share options issued (note c)	4,651	–	–	4,651
Balance at 31 December 2009	4,651	–	7,117	11,768
Profit for the year	–	–	840,218	840,218
Issuance of Convertible Bonds	–	220,824	–	220,824
Share options issued (note c)	74,343	–	–	74,343
Balance at 31 December 2010	78,994	220,824	847,335	1,147,153

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

18 RESERVES *(Continued)*

Notes:

(a) The merger reserve of the Group represents the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the Reorganisation in December 2007 and the nominal value of the share capital of the Company issued in exchange thereof. The Reorganisation qualifies as common control combinations and has been accounted for using merger accounting.

(b) In accordance with the relevant rules and regulations in the PRC and the provision of the articles of association of the PRC companies comprising the Group, before 1 January 2006, the local investment enterprises were required to appropriate at each year end 10% and 5% to 10% of the profit for the year after setting off the accumulated losses brought forward (based on figures reported in the statutory financial statements) to the statutory surplus reserve and the statutory public welfare fund (collectively the "Statutory Reserves"), respectively. After 1 January 2006, the local investment enterprises are allowed to appropriate any percentage of profits to the Statutory Reserves.

For foreign investment enterprises, before 1 January 2006, the percentage of profits to be appropriated to the Statutory Reserves are solely determined by the board of directors of these foreign investment enterprises. After 1 January 2006, these foreign investment enterprises are not required to make any appropriations to the Statutory Reserves.

For the year ended 31 December 2010, the Board of Directors of the Company's subsidiaries in the PRC, including both local and foreign investment enterprises, appropriated RMB70,127,000 (2009: RMB13,258,000) to the Statutory Reserves.

(c) Share option reserve represents value of employee services in respect of share options granted under the Pre-IPO Share Option Scheme (note 36(a) and share option scheme (note 36(b)).

(d) During the year ended 31 December 2010, the Group acquired the remaining 45% non-controlling interest of a subsidiary for a total cash consideration of RMB350,000,000.

19 BORROWINGS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Borrowings included in non-current liabilities:				
Bank borrowings – secured	**2,000,000**	2,552,890	**–**	–
Bank borrowings – unsecured	**618,285**	260,000	**–**	–
Senior Notes (note a)	**2,320,552**	–	**2,320,552**	–
Convertible Bonds (note b)	**1,236,827**	–	**1,236,827**	–
	6,175,664	2,812,890	**3,557,379**	–
Borrowings included in current liabilities:				
Bank borrowings – secured	**808,750**	1,050,500	**–**	–
Bank borrowings – unsecured	**942,958**	1,724,600	**–**	–
Other borrowings – secured (note d)	**–**	273,888	**–**	–
	1,751,708	3,048,988	**–**	–

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

19 BORROWINGS *(Continued)*

Notes:

(a) Senior Notes

On 28 April 2010, the Company issued 13.5% senior notes due 2015 in an aggregate principal amount of US$350,000,000 (equivalent to approximately RMB2,389,205,000) at 100% of face value (the "Senior Notes"). The net proceeds, after deducting the direct issuance costs, amounted to approximately US$341,800,000 (equivalent to approximately RMB2,333,507,000). The Senior Notes will mature on 28 April 2015.

The Senior Notes are listed on the Singapore Exchange Securities Trading Limited.

The Senior Notes are secured by the pledge of shares of the Group's subsidiaries incorporated outside of the PRC, and jointly and severally guarantees given by certain subsidiaries of the Group.

The Senior Notes recognised in the balance sheet are calculated as follows:

Group and Company	**2010** **RMB'000**
Nominal value	**2,389,205**
Issue costs	**(55,698)**
Fair value at the date of issuance	**2,333,507**
Accrued interest	**213,533**
Coupon payment	**(158,313)**
Exchange gain	**(68,175)**
Carrying amount at 31 December 2010	**2,320,552**

The fair value of the Senior Notes at 31 December 2010 amounted to RMB2,404,868,000.The fair value is calculated using the market price of the Senior Notes on the balance sheet date (or the nearest day of trading).

(b) Convertible Bonds

On 20 December 2010, the Company issued RMB denominated US$ settled 8.0% convertible bonds (the "Convertible Bonds"), of an initial principal amount of RMB1,500,000,000 (equivalent to approximately US$225,000,000).

The value of the liability component of RMB1,231,967,000 and the equity conversion component of RMB220,824,000, net of transaction cost of RMB47,209,000, were determined at issuance of the Convertible Bonds.

At the option of bond holders, the aggregate amount of RMB1,500,000,000 will be convertible into fully paid shares with a par value of HK$0.1 each of the Company. The Convertible Bonds mature in five years (December 2015) from the issue date at 100% of the nominal value or can be converted into ordinary shares of the Company on or after 30 January 2011 at an initial conversion price of HK$2.82 per share at a fixed exchange rate of RMB1.00 to HK$1.16560.

The Convertible Bonds are listed on the Singapore Exchange Securities Trading Limited.

The fair value of the liability component included in long-term borrowings was calculated using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently stated at amortised cost until extinguished on conversion or maturity of the bond. The residual amount, representing the value of the equity conversion component, is accounted for as a conversion option reserve included in reserves (note 18).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

19 BORROWINGS (Continued)

Notes:

(b) **Convertible Bonds** *(Continued)*

The Convertible Bonds recognised in the balance sheet is calculated as follows:

Group and Company	2010 RMB'000
Nominal value of the Convertible Bonds at the date of issuance	**1,500,000**
Equity component	**(220,824)**
Issue costs	**(47,209)**
Liability component at the date of issuance	**1,231,967**
Accrued interest	**4,860**
Carrying amount at 31 December 2010	**1,236,827**

Interest expenses on the liability component of the Convertible Bonds are calculated using the effective interest method, applying the effective interest rate of 13.1% per annum to the liability component.

The fair value of the liability component of the Convertible Bonds at 31 December 2010 amounted to RMB1,567,500,000. The fair value is calculated using the market price of the Convertible Bonds on the balance sheet date (or the nearest day of trading).

Up to 31 December 2010, there was no conversion or redemption of the Convertible Bonds.

(c) The Group's bank borrowings of RMB2,808,750,000 (2009: RMB3,588,890,000) were jointly secured by certain properties and land use rights of the Group (notes 6, 7, 8, 11 and 12).

(d) Other borrowings from third parties were secured, interest-bearing at 8%. Other borrowings were initially recognised at fair value which was determined at the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate, and then subsequently stated at amortised cost.

(e) Bank borrowings are guaranteed by:

	2010 RMB'000	2009 RMB'000
Group companies		
– Secured	**1,811,750**	2,784,390
– Unsecured	**1,561,243**	1,948,488
	3,372,993	4,732,878

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

19 BORROWINGS (Continued)

Notes:

(f) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less RMB'000	**6-12 months** RMB'000	**1-5 years** RMB'000	**Over 5 years** RMB'000	**Total** RMB'000
Borrowings included in non-current liabilities:					
At 31 December 2010	1,348,035	1,270,250	3,557,379	–	6,175,664
At 31 December 2009	989,600	–	1,823,290	–	2,812,890
Borrowings included in current liabilities:					
At 31 December 2010	1,077,618	674,090	–	–	1,751,708
At 31 December 2009	2,231,988	817,000	–	–	3,048,988

(g) The maturity of the borrowings included in non-current liabilities is as follows:

	2010 **RMB'000**	2009 RMB'000
Between 1 and 2 years	**800,000**	635,000
Between 2 and 5 years	**4,857,164**	1,568,890
Over 5 years	**518,500**	609,000
	6,175,664	2,812,890

The effective interest rates at each of the balance sheet dates were as follows:

	2010	2009
Bank borrowings, included in non-current liabilities	**5.6%**	5.7%
Bank borrowings, included in current liabilities	**6.1%**	5.8%
Other borrowings	**–**	8.0%
Senior Notes	**14.1%**	–
Convertible Bonds	**13.1%**	–

The carrying amounts of the Group's borrowings are denominated in RMB except for Senior Notes, which are denominated in US$, and approximate to their fair value.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

20 LOAN WITH DETACHABLE WARRANTS

(a) On 24 August 2007 (as amended and restated on 12 September 2007), the Company entered into a 36 months, USD200,000,000 term loan with detachable warrants agreements (the "Loan Plus Warrant Agreements") with a number of financial institutions.

There are two tranches of warrants, A and B, of the Loan Plus Warrant Agreements which would be converted into a certain number of shares of the Company under certain circumstances including initial public offering (the "IPO") of the Company. Also, both lenders and the Company have prepayment options in requesting for loan repayment prior to maturity date.

The net proceeds received from the Loan Plus Warrant Agreements have been split amongst a liability component, a number of financial derivatives and an equity component as follows:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 13.5% per annum to the liability component since the loan was issued. Interest of 8.8% per annum is payable semi-annually in accordance to the Loan Plus Warrant Agreements.

(ii) Financial derivatives represent tranche B warrants and prepayment options.

(iii) Equity component represents the tranche A warrants.

(b) According to the amended Loan Plus Warrant Agreements, the maturity date of the liability component was extended to 1 December 2010 and the effective interest rate was changed from 13.5% to 8.4% since 24 October 2009. Both tranches A and B warrants were converted into shares of the Company in December 2009. Certain prepayment options were expired upon the date of the IPO.

USD100,000,000 was repaid as at 31 December 2009. The remaining USD100,000,000 balance was repaid during the year ended 31 December 2010.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

20 LOAN WITH DETACHABLE WARRANTS *(Continued)*

(c) The movements of the liability and derivative components of the Loan Plus Warrant Agreement are set out as below:

	Group and Company	
	Liability component	**Derivative component**
	RMB'000	RMB'000
At 1 January 2009	1,305,546	80,522
Repayments	(682,876)	–
Interest charged	180,643	–
Interest paid/payable	(120,793)	–
Change in fair value	–	85,339
Exchange difference	2,216	(134)
Transfer to share premium	–	(165,727)
At 31 December 2009	684,736	–
Repayments	(682,820)	–
Interest charged	16,972	–
Interest paid	(18,888)	–
At 31 December 2010	–	–

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

21 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when the deferred income taxes relate to the same tax authority. The offset amounts are as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**65,134**	75,386
– to be recovered within 12 months	**9,941**	44,173
	75,075	119,559
Deferred income tax liabilities:		
– to be settled after more than 12 months	**(971,237)**	(228,701)
The net movement on the deferred income tax is as follows:		
Beginning of the year	**(109,142)**	(65,117)
Recognised in the consolidated statement of comprehensive income (note 28)	**(787,020)**	(44,025)
End of the year	**(896,162)**	(109,142)

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

21 DEFERRED INCOME TAX *(Continued)*

The movements in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, were as follows:

Deferred income tax assets:

	Group			
	Fair value change arising from financial derivatives RMB'000	**Tax losses** RMB'000	**Provisions** RMB'000	**Total** RMB'000
At 1 January 2009	(1,297)	42,069	50,350	91,122
Credited/(charged) to the consolidated statement of comprehensive income	1,297	33,317	(6,177)	28,437
At 31 December 2009	–	75,386	44,173	119,559
Charged to the consolidated statement of comprehensive income	–	(311)	(44,173)	(44,484)
At 31 December 2010	–	75,075	–	75,075

Deferred income tax liabilities:

	Group
	Revaluation arising from investment properties RMB'000
At 1 January 2009	156,239
Charged to the consolidated statement of comprehensive income	72,462
At 31 December 2009	228,701
Charged to the consolidated statement of comprehensive income	742,536
At 31 December 2010	971,237

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

21 DEFERRED INCOME TAX *(Continued)*

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise tax losses amounting to RMB216,780,000 (2009: RMB107,227,000) that can be carried forward against future taxable income. These tax losses have no expiry dates.

At 31 December 2010, the unrecognised deferred income tax liabilities were RMB173,024,000 (2009 (restated): RMB55,699,000), relating to withholding tax that would be payable for undistributed profits of PRC subsidiaries, as the Directors consider that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these PRC subsidiaries as at 31 December 2010 amounted to RMB3,460,481,000 (2009 (restated): RMB556,992,000).

22 OTHER PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other payables and accruals	**340,391**	223,015	**9,341**	26,191
Consideration payable related to purchase of subsidiaries	**380,922**	338,978	**–**	–
Consideration payable related to purchase of an associate	**35,000**	–	**–**	–
Refundable deposit received for renovation contract	**–**	150,101	**–**	–
Other taxes payables	**50,024**	38,263	**–**	–
	806,337	750,357	**9,341**	26,191

Note: The carrying amount of other payables are denominated in RMB and approximate to their fair value.

23 OTHER GAINS

	2010	2009
	RMB'000	RMB'000
Forfeited customer deposits	**5,962**	2,628
Compensation from termination of proposed development projects	**–**	14,395
Investment return from primary land development	**–**	17,782
Others	**–**	2,396
	5,962	37,201

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

24 EXPENSES BY NATURE

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

	2010	2009
	RMB'000	RMB'000
Auditors' remuneration	**4,459**	2,863
Advertising and other promotional costs	**128,633**	122,627
Agency fee	**30,564**	28,661
Business taxes (note)	**327,270**	246,748
Cost of completed properties sold	**4,352,621**	3,054,987
Donations	**15,874**	3,707
Legal and professional fees	**22,413**	12,606
Depreciation (note 6)	**18,281**	13,628
Amortisation of land use rights	**419**	10,741
Staff costs – including directors' emoluments (note 26)	**242,200**	131,796
Operating lease rental	**15,711**	11,879
Others	**181,030**	125,445
	5,339,475	3,765,688

Note:

The PRC companies comprising the Group are subject to business taxes on their revenues at the following rates:

Category	**Rate**
Sales of properties	5%
Rental income	5%
Property management	5%

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

25 FINANCE INCOME AND COSTS

	2010	2009
	RMB'000	RMB'000
Interest expense:		
– Bank borrowings	**281,555**	348,284
– Loan with detachable warrants	**16,972**	180,643
– Senior Notes	**213,533**	–
– Convertible Bonds	**4,860**	–
– Other borrowings	**5,461**	21,846
Total interest expense	**522,381**	550,773
Less: interest capitalised (note)	**(425,063)**	(346,033)
	97,318	204,740
Net exchange gain	**(40,445)**	–
Finance costs	**56,873**	204,740
Finance income:		
Interest income on bank deposits	**11,031**	9,958

Note: The capitalisation rate of borrowings is 5.33% (2009: 5.31%) for the year.

26 STAFF COSTS — INCLUDING DIRECTORS' EMOLUMENTS

	2010	2009
	RMB'000	RMB'000
Wages and salaries	**140,321**	113,518
Pension costs — statutory pension	**5,774**	3,672
Medical benefits	**2,164**	1,732
Share-based payments	**74,343**	4,651
Other allowances and benefits	**19,598**	8,223
	242,200	131,796

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

27 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(a) Directors' emoluments

Details of emoluments paid to each director for the year ended 31 December 2010 are as follows:

	Year ended 31 December 2010						
	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Other benefits RMB'000	Contribution to pension scheme RMB'000	Share option benefits (note f) RMB'000	Total RMB'000
Name of director							
Mr. Chen Gengxian	–	1,221	–	100	36	4,846	6,203
Mr. Fok Hei Yu	–	255	–	–	–	977	1,232
Mr. Han Zhenjie (note d)	–	1,302	–	114	31	2,478	3,925
Dr. Huang Chuanqi (note c)	1,061	895	–	62	20	1,586	3,624
Mrs. Jin Jane (note e)	–	1,001	340	82	10	2,478	3,911
Mr. Kwok Ying Shing	–	3,574	–	–	10	–	3,584
Mr. Kwok Ying Chi	–	2,042	–	–	10	–	2,052
Mr. Rao Yong	–	255	–	–	–	651	906
Mr. Sun Yuenan	–	1,378	–	100	36	5,018	6,532
Dr. Tam Lai Ling (note a)	2,836	–	851	68	9	17,822	21,586
Mr. Ye Jiansheng (note b)	–	538	–	48	24	–	610
Mr. Zhang Yizhao	–	255	–	–	–	651	906
	3,897	12,716	1,191	574	186	36,507	55,071

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

27 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(Continued)*

(a) Directors' emoluments *(Continued)*

Details of emoluments paid to each director for the year ended 31 December 2009 are as follows:

	Year ended 31 December 2009						
	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Other benefits RMB'000	Contribution to pension scheme RMB'000	Share option benefits (note f) RMB'000	Total RMB'000
Name of director							
Mr. Chen Gengxian	–	937	200	2	36	265	1,440
Mrs. Jin Jane	–	169	86	–	–	163	418
Mr. Fok Hei Yu	–	32	–	–	–	70	102
Mr. Kwok Ying Shing	–	4,006	–	–	11	–	4,017
Mr. Kwok Ying Chi	–	2,289	–	–	11	–	2,300
Mr. Rao Yong	–	32	–	–	–	47	79
Mr. Sun Yuenan	–	1,074	200	2	36	279	1,591
Mr. Ye Jiansheng	–	966	200	2	47	270	1,485
Mr. Zhang Yizhao	–	32	–	–	–	47	79
	–	9,537	686	6	141	1,141	11,511

During the years ended 31 December 2010 and 2009, no director received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office; no director waived or has agreed to waive any emoluments.

Notes:

(a) Appointed on 8 March 2010
(b) Resigned on 15 June 2010
(c) Appointed on 15 June 2010
(d) Appointed on 24 November 2010
(e) Resigned on 11 February 2011
(f) Share option benefits represent fair value of share options granted to the relevant Director which was charged to the consolidated statement of comprehensive income in accordance with HKFRS 2.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

27 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included 4 directors (2009: 3), whose emolument is reflected in note (a) above. The emoluments for the remaining 1 (2009: 2) individuals are as follows:

	2010 **RMB'000**	2009 RMB'000
Salaries and other benefits	**1,045**	2,666
Discretionary bonuses	**76**	262
Contribution to pension schemes	**26**	59
Share option benefits	**2,887**	140
	4,034	3,127

The emoluments of the five highest paid individuals fell within the following bands:

	2010	2009
HK$1,000,001 to HK$2,000,000	**–**	3
HK$2,000,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$5,000,000	**2**	1
HK$5,000,001 to HK$10,000,000	**2**	–
HK$10,000,001 or above	**1**	–
	5	5

During the years ended 31 December 2010 and 2009, none of the above individuals has received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office; none of the above individuals has waived or has agreed to waive any emoluments.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

28 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 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 22% and 25% (2009: 20% and 25%).

Hong Kong profits tax

No Hong Kong profits tax was provided for the years ended 31 December 2010 and 2009 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 comprehensive income as income tax.

	2010	2009
	RMB'000	RMB'000
Current income tax		
– PRC enterprise income tax	**512,743**	217,166
– PRC land appreciation tax	**409,781**	144,347
Deferred income tax (note 21)	**787,020**	44,025
	1,709,544	405,538

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

28 INCOME TAX EXPENSES *(Continued)*

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies comprising the Group as follows:

	2010	2009
	RMB'000	RMB'000
Profit before income tax	**5,346,200**	953,395
Less: Share of result from an associate	**(479)**	–
	5,345,721	953,395
Calculated at PRC foreign enterprise income tax rate of 22% (2009: 20%)	**1,176,059**	190,679
Effect of different income tax rates of certain companies	**23,835**	34,764
Effect of change in income tax rates of certain companies	**20,989**	5,542
Income not subject to tax	**(8,113)**	(1,875)
Expenses not deductible for tax purposes	**65,556**	23,407
Tax losses not recognised	**21,437**	8,674
PRC enterprise income tax	**1,299,763**	261,191
PRC land appreciation tax	**409,781**	144,347
Income tax expenses	**1,709,544**	405,538

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

29 EARNINGS PER SHARE

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

	2010	2009
Profit attributable to equity holders (RMB'000)	**3,636,699**	547,871
Weighted average number of ordinary shares in issue	**4,927,948,822**	3,977,697,890
Basic earnings per share (RMB)	**0.738**	0.138

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of RMB3,636,699,000 (2009: RMB547,871,000) and the weighted average of 4,927,948,822 shares in issue during the year. As for the year ended 31 December 2009, the weighted average of 3,977,697,890 shares in issue took into consideration the capitalisation issue of 3,912,116,622 shares arising from the Company's reorganisation in preparation for the listing on the Stock Exchange deemed to be issued at the beginning of the earliest period reported, and the warrant shares in connection with a senior term loan facility with detachable warrants (the "Loan") of 87,872,508 shares issued on 9 December 2009.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary share outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2010, the Company has only the Convertible Bonds that have dilutive potential ordinary shares. The Convertible Bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expenses less the tax effect. For the year ended 31 December 2009, diluted earnings per share are the same as basic earnings per share as there was no potential dilutive ordinary share.

	2010	2009
Profit attributable to equity holders (RMB'000)	**3,636,699**	547,871
Adjustment for finance cost on Convertible Bonds (after tax)	**3,645**	-
Profit used to determine diluted earnings per shares	**3,640,344**	547,871
Weighted average number of ordinary shares in issue	**4,927,948,822**	3,977,697,890
- Adjustments for Convertible Bonds	**20,383,562**	-
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**4,948,332,384**	3,977,697,890
- Diluted earnings per share (RMB)	**0.736**	0.138

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

30 CASH GENERATED FROM OPERATIONS

	2010 RMB'000	2009 RMB'000 (Restated)
Profit for the year	**3,636,656**	547,857
Adjustments for:		
Income tax expenses (note 28)	**1,709,544**	405,538
Interest income (note 25)	**(11,031)**	(9,958)
Interest expense (note 25)	**97,318**	204,740
Net exchange gains	**(40,445)**	(2,396)
Depreciation (note 6)	**18,281**	13,628
Amortisation (note 8)	**419**	10,741
Share of result of an associate	**479**	–
Loss/(gain) on disposals of property and equipment	**4,131**	(492)
Other income	**–**	(14,395)
Share-based payments	**74,343**	4,651
Change in fair value of investment properties	**(2,970,144)**	(289,847)
Change in fair value of financial derivatives	**–**	85,339
Changes in working capital:		
Properties under development and completed properties held for sale	**(1,680,633)**	664,276
Debtors, deposits and other receivables	**(448,996)**	(1,236,484)
Prepayments for proposed development projects	**(368,749)**	(183,355)
Restricted cash	**(147,101)**	(277,130)
Advanced proceeds received from customers	**2,228,278**	1,110,149
Accrued construction costs	**206,434**	(25,432)
Other payables	**(398,778)**	29,417
Cash generated from operations	**1,910,006**	1,036,847

Note:

Loss/(gain) on disposals of property and equipment are as follows:

	2010 RMB'000	2009 RMB'000
Net book amount disposed	**4,131**	1,131
Proceeds received	**–**	(1,623)
Loss/(gain) on disposals	**4,131**	(492)

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

31 DIVIDEND

No dividend has been paid or declared by the Company for the years ended 31 December 2010 and 2009.

32 FINANCIAL GUARANTEES CONTRACTS

The Group had the following financial guarantees as at balance sheet dates:

	2010	2009
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the property units	**4,366,964**	2,391,887

It represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees terminate upon the earlier of (i) issuance of the property ownership certificates which are generally be available within six months to one year after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgage loans by the purchasers of properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

33 COMMITMENTS

(a) Commitments for property development expenditures

	2010	2009
	RMB'000	RMB'000
Contracted but not provided for	**9,181,209**	4,246,961

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

33 COMMITMENTS *(Continued)*

(b) Operating lease commitments

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

	2010	2009
	RMB'000	RMB'000
Not later than one year	**13,808**	12,847
Later than one year and not later than five years	**10,095**	7,777
	23,903	20,624

(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:

	2010	2009
	RMB'000	RMB'000
Not later than one year	**100,143**	91,891
Later than one year and not later than five years	**339,691**	316,547
Later than five years	**286,266**	276,550
	726,100	684,988

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

34 ACQUISITIONS

(a) Transaction with non-controlling interest

For the year ended 31 December 2010, the Group acquired an additional 45% of the issued shares of Fenglong Group Co., Ltd. for a purchase consideration of RMB350,000,000. The Group's carrying amount of the non-controlling interest in Fenglong Group Co., Ltd. on the date of acquisition was a net liabilities of RMB44,475,000. The Group recognised a decrease in non-controlling interests of RMB44,475,000 and the excess of consideration paid over the carrying amount was recorded in the revenue reserve (note 18). As at 31 December 2010, the consideration payable amounted to RMB84,831,000 and was subsequently settled in January 2011.

(b) Acquisitions of interests in subsidiaries

For the year ended 31 December 2010, the Group acquired 100% of the equity interest of several subsidiaries, except for Guangdong Guanji Investments Company Limited ("廣東冠基投資有限公司") of which only 80% equity interest was being acquired from respective third parties at a total consideration of approximately RMB1,666,331,000. These companies did not operate any business prior to the acquisitions and only held a piece of land or a property under development. Therefore, the Group considered these would be acquisitions of assets in substance and as a result the difference between the cash consideration and the net assets acquired would be recognised as adjustments to the carrying value of the properties under development.

For the year ended 31 December 2009, the Group acquired 100% of the equity interest of a subsidiary from a third party at a total cash consideration of approximately RMB260,000,000. This company carried out hotel operation but the Group did not take over any management of the hotel operations as its plan is to acquire the land for redevelopment. Therefore, the Group considered that this would be acquisition of assets in substance and as a result the difference between the cash consideration and the net assets acquired would be recognised as adjustments to the carrying value of the land use rights and land deposits.

The considerations of all these acquisitions were based on the fair value of the land.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

34 ACQUISITIONS *(Continued)*

(b) Acquisitions of interests in subsidiaries *(Continued)*

The assets and liabilities arising from the acquisitions are as follows:

	2010	2009
	RMB'000	RMB'000
Property and equipment	**3,000**	4,514
Properties under development	**295,637**	36,891
Debtors, deposits and other receivables	**43,844**	8,744
Cash and cash equivalents	**508**	109
Other payables	**(198,621)**	(10,529)
Net assets	**144,368**	39,729
Less: non-controlling interests	**(998)**	–
Net assets acquired	**143,370**	39,729
Purchase consideration settled in cash	**968,107**	260,000
Cash and bank balances in subsidiaries acquired	**(508)**	(109)
Cash outflow on acquisition	**967,599**	259,891

	2010	2009
	RMB'000	RMB'000
Total purchase consideration:		
– Cash paid during the year	**968,107**	260,000
– Deposit paid in prior years	**484,834**	–
– Payable	**213,390**	–
	1,666,331	260,000
Fair value of net assets acquired shown as above	**(143,370)**	(39,729)
Adjustments to the carrying amount of properties under development	**1,522,961**	220,271

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

35 DISPOSALS OF SUBSIDIARIES

For the year ended 31 December 2010, the Group disposed its entire issued share capital of certain subsidiaries. Certain of these companies solely held a completed properties held for sale in Guangzhou. Therefore, the Group regarded this disposal as sales of properties and its related cash inflow as cash generated from operations.

The aggregates assets and liabilities in respect of the above disposals were as follows:

	2010 RMB'000
Cash and cash equivalent	79,063
Properties under development	885,290
Debtors, deposits and other receivables	1,383
Accrued construction costs	(72,158)
Other payables	(346)
Net asset disposed	893,232
Consideration	
– cash received	1,900,000
– receivable	6,905
	1,906,905
Less: cash and cash equivalents in the subsidiaries and businesses disposed	(79,063)
Cash inflow on disposals	1,820,937

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

36 SHARE OPTION

(a) Pre-IPO Share Option Scheme

Pursuant to the shareholders' resolution passed on 22 November 2009 for adoption of the Pre-IPO Share Option Scheme, options to subscribe for a total of 50,000,000 ordinary shares of the Company have been conditionally granted to 52 eligible participants including directors and selected employees of the Company. The exercise price of HK$3.105 per share under the Pre-IPO Share Option Scheme is determined at a 10% discount to the global offering price, which was HK$3.45 per share, excluding brokerage, Securities and Futures Commission transaction levy and the Hong Kong Stock Exchange trading fee.

The share options may be exercised in the following manner: (i) up to one-third of the options granted to a grantee less the number of options that has been exercised (rounded down to the nearest whole number) at any time during the period commencing from the second business day after the publication of the audited financial statements of the Company for the year ending 31 December 2009 and ending on 9 December 2012; (ii) up to one-third of the options granted to a grantee less the number of options that has been exercised (rounded down to the nearest whole number) at any time during the period commencing from the second business day after the publication of the audited financial statements of the Company for the year ending 31 December 2010 and ending on 9 December 2012; and (iii) up to one-third of the options granted to a grantee less the number of options that has been exercised (rounded down to the nearest whole number) at any time during the period commencing from the second business day after the publication of the audited financial statements of the Company for the year ending 31 December 2011 and ending on 9 December 2012. Exercise of options is conditional upon the achievement of the profit target as may be determined by the Board. The Group has no obligation to repurchase or settle the options in cash. These options will expire on or before 9 December 2012, being the expiry of the period of 36 months commencing on the date of listing of the Company.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

36 SHARE OPTION *(Continued)*

(a) Pre-IPO Share Option Scheme *(Continued)*

Details of the movement of the share options under Pre-IPO Share Option Scheme are as follows:

	2010 Weighted average exercise price in HK$ per share	**2010** Number	2009 Weighted average exercise price in HK$ per share	2009 Number
At 1 January	**3.105**	**50,000,000**	–	–
Granted during the year	**–**	**–**	3.105	50,000,000
Forfeited during the year	**3.105**	**10,200,000**	–	–
At 31 December	**3.105**	**39,800,000**	3.105	50,000,000

As at 31 December 2010, 13,134,000 (2009: nil) outstanding options granted under Pre-IPO Share Option Scheme were exercisable (note).

Note: Terms of share options at the end of the reporting period were as follows:

Exercise period	**Exercise price per share** (HK$)	**Number of share options** **2010**	2009
19 March 2010 – 9 December 2012	3.105	**13,134,000**	–
11 March 2011 – 9 December 2012	3.105	**13,134,000**	–
31 March 2012 – 9 December 2012	3.105	**13,532,000**	–
		39,800,000	–

No share options were granted or granted for adjustment, lapsed or cancelled during the year (2009: nil).

The fair value of the options granted determined using the binomial model was HK$83,870,000. The significant inputs to the model were share price of HK$3.45 at the grant date, exercise price of HK$3.105, volatility of 74%, no expected dividend yield, an expected option life of three years and an annual risk free interest rate of 0.72%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the past three years of similar listed companies.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

36 SHARE OPTION *(Continued)*

(b) Share Option Scheme

Pursuant to the shareholders' resolution passed on 22 November 2009, a post-IPO share option scheme ("Share Option Scheme") was conditionally adopted. Pursuant to the terms of the Share Option Scheme, the Company may grant options at its discretion, to any eligible person (including directors, employees, officers of any member of the Group, advisers, consultants, suppliers, agents and customers of any members of the Group). The maximum number of shares which may be issued upon exercise of all options (the "Share Option") granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company's shares in issue from time to time.

No options may be granted under the Share Option Scheme after 10 years since the adoption. The vesting periods, exercise periods and vesting conditions may be specified by the Company at the time of the grant, and the options expire no later than 10 years from the relevant date of grant. The exercise price of the option under the Share Option Scheme shall be no less than the highest of (i) the official closing price of the Company's shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average of the official closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; (iii) the nominal value of a share of the Company.

Details of the movement of the share options under Share Option Scheme are as follows:

	2010		2009	
	Weighted average exercise price in HK$ per share	**Number**	Weighted average exercise price in HK$ per share	Number
At 1 January	**–**	**–**	–	–
Granted during the year	**2.135**	**204,750,000**	–	–
Forfeited during the year	**2**	**13,300,000**	–	–
At 31 December	**2.144**	**191,450,000**	–	–

As at 31 December 2010, 8,250,000 (2009: nil) outstanding options granted under the Share Option Scheme were exercisable (note).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

36 SHARE OPTION *(Continued)*

(b) Share Option Scheme *(Continued)*

Note: Terms of share options at the end of the reporting period were as follows:

Exercise period	**Exercise price per share** (HK$)	**Number of share options 2010**	2009
9/6/2010 – 8/6/2015	3.105	**8,250,000**	–
11/3/2011 – 10/3/2016	3.105	**8,250,000**	–
31/3/2012 – 30/12/2017	3.105	**8,500,000**	–
23/7/2011 – 22/7/2020	2.000	**33,290,000**	–
23/7/2012 – 22/7/2020	2.000	**33,290,000**	–
23/7/2013 – 22/7/2020	2.000	**33,290,000**	–
23/7/2014 – 22/7/2020	2.000	**33,290,000**	–
23/7/2015 – 22/7/2020	2.000	**33,290,000**	–
		191,450,000	–

The Company offered to grant Mr. Tam Lai Ling (the "March Grant"); and several directors and senior management (the "July Grant") of 25,000,000 and 179,750,000 shares respectively of HK$0.10 each in the capital of the Company on 23 March 2010 and 23 July 2010 respectively. The valuation was based on a Binomial Model with the following data and assumptions:

	March Grant	**July Grant**
Fair value under binomial model	HK$22,355,000	HK$142,362,000
Closing share price at grant date	HK$2.56	HK$1.71
Exercise price	HK$3.105	HK$2.00
Annual risk free interest rate	1.82% - 2.33%	2.29%
Expected option life	5–7 years	10 years
Expected divided yield	nil	nil

The volatility of the share price of the Company was determined based on the movement of the share price during the year 2010. The volatility rate was 40% per annum.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

37 RELATED PARTY TRANSACTIONS

(a) Key management compensation

	2010 RMB'000	2009 RMB'000
Salaries and other short-term employee benefits	**23,508**	13,912
Retirement scheme contributions	**285**	239
Share option benefits	**44,025**	1,660
	67,818	15,811

(b) Purchasing of services

	2010 RMB'000	2009 RMB'000
Rental expense	**1,204**	1,080

Note: This represents payment of rental expense for various office premises to controlling shareholders Mr. Kwok Chun Wai and Mr. Kwok Ying Shing and Prime Yield Holdings Limited respectively. The rental expense paid during the year was determined at prevailing market rate of respective office premise.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

38 PARTICULAR OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 December 2010 are set out below:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Established and operate in the PRC, all of which are foreign investment enterprises:				
Success Take Zhiye (Shenzhen) Co., Ltd. 迪升置業（深圳）有限公司	15 February 2004	RMB640,000,000	100%	Property development
Kaisa Property (Shenzhen) Co., Ltd. 佳兆業地產（深圳）有限公司	3 June 1999	RMB2,176,000,000	100%	Property development
Kaisa Technology (Shenzhen) Co., Ltd, 佳兆業科技（深圳）有限公司	27 July 2001	HK$586,310,000	100%	Property development
Leisure Land Hotel Management (Shenzhen) Co., Ltd. 可域酒店管理（深圳）有限公司	23 May 2005	RMB540,000,000	100%	Property management
Huizhou Canrong Property Co., Ltd. 惠州燦榮房產有限公司	14 January 1994	HK$31,878,000	100%	Property development
Established and operate in the PRC, all of which are sino-foreign equity joint venture enterprise:				
Fenglong Group Co., Ltd. 豐隆集團有限公司	29 October 1993	RMB168,000,000	100%	Property development
Shenzhen Jililong Shiye Co., Ltd. 深圳市吉利隆實業有限公司	21 March 1997	RMB12,000,000	100%	Property development
Sichuan Tianzi Ziye Co., Ltd. 四川天姿置業有限公司	15 September 2006	RMB20,000,000	100%	Property development
Huizhou Weitong Property Co., Ltd. 惠州緯通房產有限公司	14 January 1994	HK$256,026,685	100%	Property development
Huizhou Jinhu Entertainment Park Co., Ltd. 金湖遊樂園（惠州）有限公司	11 June 1993	USD4,800,000	100%	Property development
Huizhou Jinhu Resort Village Co., Ltd 金湖渡假村（惠州）有限公司	2 June 1993	USD12,000,000	100%	Property development
Kaisa Property (Liaoning) Co. Ltd. 佳兆業地產（遼寧）有限公司	28 January 2010	RMB532,470,000	100%	Property development
Jiangyin Woodland Height Property Co., Ltd. 江陰桂芳園房地產有限公司	22 March 2010	USD16,180,000	100%	Property development
Jiangyin Mocha Town Property Co., Ltd. 江陰可園房地產開發有限公司	7 April 2010	USD7,324,719	100%	Property development

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

38 PARTICULAR OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Established and operate in the PRC, all of which are local investment enterprises:				
Dongguan Yingsheng Property Development Co., Ltd. 東莞市盈盛房地產開發有限公司	3 March 2006	RMB10,000,000	100%	Property development
Huizhou Jinhu Property Co., Ltd. 惠州市金湖房地產有限公司	26 March 1993	RMB51,480,000	100%	Property development
Regal Silver Shiye (Shenzhen) Co., Ltd. 靈菊實業（深圳）有限公司	26 March 2004	RMB10,000,000	100%	Property development
Chengdu Kaisa Property Development Co., Ltd. 成都佳兆業房地產開發有限公司	31 July 2006	RMB10,000,000	100%	Property development
Guangzhou Jinmao Property Development Co., Ltd. 廣州金貿房地產開發有限公司	27 October 2005	RMB202,500,000	100%	Property development
Shenzhen Daye Property Development Co., Ltd. 深圳市大業房地產開發有限公司	26 January 2007	RMB10,000,000	100%	Property development
Shenzhen Jiachangxin Investment Consulting Co., Ltd. 深圳市佳昌信投資諮詢有限公司	14 November 2006	RMB204,680,000	100%	Property development
Shenzhen Zhaoruijing Commerce Operation Management Co., Ltd. 深圳市兆瑞景商業經營管理有限公司	19 July 2004	RMB401,000,000	100%	Commerce management
Shenzhen Zhongwei Investment Consulting Co., Ltd. 深圳市中衛投資諮詢有限公司	31 August 2005	RMB13,480,000	100%	Property development
Sichuan Kaisa Zhiye Co., Ltd. 四川佳兆業置業有限公司	16 May 2007	RMB10,000,000	100%	Property development
Zhuhai Zhanda Property Development Co., Ltd. 珠海市展大房地產開發有限公司	11 April 1993	RMB50,000,000	100%	Property development
Huizhou Kaisa Property Development Co., Ltd. 惠州市佳兆業房地產開發有限公司	29 January 2007	RMB50,000,000	100%	Property development
Dongguan Kaisa Property Development Co., Ltd. 東莞佳兆業房地產開發有限公司	6 September 2004	RMB38,000,000	100%	Property development
Chengdu Nanxing Yinji Property Development Co., Ltd. 成都南興銀基房地產開發有限公司	5 November 2004	RMB20,000,000	100%	Property development
Dongguan Kaisa Property Management Co., Ltd. 東莞市佳兆業物業管理有限公司	18 July 2007	RMB2,500,000	100%	Property management
Guangdong Kaisa Property Development Co., Ltd. 廣東佳兆業房地產開發有限公司	12 July 2007	RMB10,000,000	100%	Property development

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

38 PARTICULAR OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Huizhou Jiabo Property Development Co., Ltd. 惠州市佳博房地產開發有限公司	14 September 2007	RMB1,000,000	100%	Property development
Chengdu Kaisa Investment Co., Ltd. 成都佳兆業投資有限公司	22 June 2007	RMB20,000,000	100%	Property development
Guangzhou Zhaoruijing Commerce Service Co., Ltd. 廣州市兆瑞景商務服務有限公司	11 October 2007	RMB2,000,000	100%	Commerce management
Shenzhen Xingwoer Shihua Property Development Co., Ltd. 深圳市興沃爾房地產開發有限公司	29 January 1999	RMB10,000,000	100%	Property development
Dongguan Yingtai Property Development Co., Ltd. 東莞市盈泰房地產開發有限公司	4 January 2007	RMB10,000,000	100%	Property development
Chengdu Kaisa Property Management Co. Ltd. 成都市佳兆業物業管理有限公司	30 January 2008	RMB3,000,000	100%	Property management
Jiangyin Taichang Property Development Co., Ltd. 江陰市泰昌房地產開發有限公司	22 November 2007	RMB200,000,000	100%	Property development
Shanghai Xinwan Investment Development Co. Ltd. 上海新灣投資發展有限公司	17 January 2007	RMB60,000,000	100%	Property development
Chengdu Zhaoruijing Commerce Service Co., Ltd. 成都兆瑞景商務服務有限公司	29 January 2008	RMB2,000,000	100%	Commerce management
Huizhou Huasheng Investment Co., Ltd. 惠州市華盛投資有限公司	29 August 2007	RMB60,000,000	100%	Property development
Boluo Kaisa Property Development Co., Ltd. 博羅縣佳兆業房地產開發有限公司	2 June 2008	RMB10,000,000	100%	Property development
Boluo Kaisa Zhiye Co., Ltd. 博羅縣佳兆業置業有限公司	2 June 2008	RMB10,000,000	100%	Property development
Dongguan Yingyan Property Development Co., Ltd. 東莞市盈雁房地產開發有限公司	4 July 2008	RMB10,000,000	80%	Property development
Keyu Golden Bay Resort Co., Ltd. 深圳市金沙灣大酒店有限公司	17 June 1997	RMB50,000,000	100%	Hotel
Kaisa Jiangyin Real Estate Co., Ltd. 佳兆業地產江陰有限公司	15 October 2009	RMB150,000,000	100%	Property development
Shenzhen Tianli'an Industrial Development Co., Ltd. 深圳市天利安實業發展有限公司	4 September 2002	RMB46,000,000	100%	Property development

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

38 PARTICULAR OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Boji (Shenzhen) Company Limited 寶吉工藝品（深圳）有限公司	28 December 1988	RMB442,180,000	100%	Property development
Foshan Shunde Huaren Property Co., Ltd. 佛山市順德區華仁房產投資有限公司	7 December 2009	RMB10,000,000	100%	Property development
Foshan Shunde Kaisa Property Development Co., Ltd. 佛山市順德區佳兆業房地產開發有限公司	2 November 2010	RMB10,000,000	100%	Property development
Kaisa Property (Taichang) Co. Ltd. 佳兆業地產（太倉）有限公司	4 November 2010	RMB210,000,000	100%	Property development
Jiangyin Property Development Co., Ltd. 江陰水岸華府房地產開發有限公司	10 December 2010	RMB20,000,000	100%	Property development
Nanchong Kaisa Property Development Co., Ltd. 南充佳兆業房地產有限公司	10 December 2010	RMB10,000,000	100%	Property development
Changzhou Kaisa Property Development Co., Ltd. 常州佳兆業房地產開發有限公司	8 December 2010	USD36,896,980	100%	Property development
Guangdong Guanji Investments Company Limited 廣東冠基投資有限公司	1 August 2005	RMB5,000,000	80%	Property development

Financial Summary

CONSOLIDATED BALANCE SHEETS

	31 December				
	2006	2007	2008	2009	**2010**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
ASSETS					
Non-current assets					
Property and equipment	43,274	45,520	76,692	91,731	**106,140**
Investment properties	482,060	518,560	1,278,400	1,578,600	**5,484,000**
Land use rights	20,148	19,715	19,237	18,798	**18,379**
Investments in associates	102,135	–	–	–	**299,521**
Deferred income tax assets	8,520	18,318	91,122	119,559	**75,075**
	656,137	602,113	1,465,451	1,808,688	**5,983,115**
Current assets					
Properties under development	2,225,468	5,311,988	6,691,753	7,379,830	**10,521,175**
Completed properties held for sale	201,070	192,754	1,782,933	1,013,120	**603,321**
Debtors, deposits and other receivables	1,156,296	1,858,045	1,318,719	2,526,713	**2,482,284**
Prepayments for proposed development projects	418,827	769,064	1,144,409	1,383,871	**1,827,183**
Prepaid taxes	16,634	25,960	108,821	142,571	**135,797**
Amounts due from related parties	398,051	–	–	–	**–**
Restricted cash	88,995	84,400	105,836	382,966	**530,067**
Cash and cash equivalents	570,262	1,624,780	679,271	3,344,453	**4,339,600**
	5,075,603	9,866,991	11,831,742	16,173,524	**20,439,427**
Total assets	5,731,740	10,469,104	13,297,193	17,982,212	**26,422,542**
EQUITY					
Equity attributable to equity holders of the Company					
Share capital	1	1	1	440,550	**432,150**
Share premium	–	1,490,772	1,490,772	4,024,775	**3,815,214**
Reserves	642,986	1,150,259	1,651,180	2,203,702	**5,741,093**
	642,987	2,641,032	3,141,953	6,669,027	**9,988,457**
Non-controlling interests	–	(31,925)	(40,480)	(40,494)	**4,936**
Total equity	642,987	2,609,107	3,101,473	6,628,533	**9,993,393**

In 2010, the Group changed its accounting policies for land use rights which are held for development and subsequent sale (see page 76 for details).

The change in accounting policy has been accounted for retrospectively and the financial information for the years ended 31 December 2006, 2007, 2008, 2009 as presented in this five-year summary has been restated by reclassifying the land use rights for development and subsequent sale to properties under development and completed properties held for sale.

Financial Summary (Continued)

CONSOLIDATED BALANCE SHEETS *(Continued)*

	31 December				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010 RMB'000**
LIABILITIES					
Non-current liabilities					
Borrowings	1,351,525	1,634,525	2,991,925	2,812,890	**6,175,664**
Loan with detachable warrants	–	1,358,021	–	–	**–**
Deferred income tax liabilities	69,542	78,667	156,239	228,701	**971,237**
	1,421,067	3,071,213	3,148,164	3,041,591	**7,146,901**
Current liabilities					
Advance proceeds received from customers	774,017	1,374,187	1,155,926	2,266,075	**4,494,353**
Accrued construction costs	577,398	576,349	1,144,981	1,119,549	**1,325,983**
Income tax payable	58,973	223,227	277,969	404,906	**866,390**
Borrowings	1,010,000	1,576,000	2,200,000	3,048,988	**1,751,708**
Loan with detachable warrants	–	–	1,305,546	684,736	**–**
Financial derivatives	–	116,739	80,522	–	**–**
Other payables	421,666	919,272	880,776	750,357	**806,337**
Amount due to non-controlling interest of a subsidiary	–	–	–	37,477	**37,477**
Amounts due to related parties	825,632	3,010	1,836	–	**–**
	3,667,686	4,788,784	7,047,556	8,312,088	**9,282,248**
Total liabilities	5,088,753	7,859,997	10,195,720	11,353,679	**16,429,149**
Total equity and liabilities	5,731,740	10,469,104	13,297,193	17,982,212	**26,422,542**
Net current assets	1,407,917	5,078,207	4,784,186	7,861,436	**11,157,179**
Total assets less current liabilities	2,064,054	5,680,320	6,249,637	9,670,124	**17,140,294**

Financial Summary (Continued)

CONSOLIDATED RESULTS

	Years ended 31 December				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010** **RMB'000**
Revenue	2,398,660	2,239,360	3,110,446	4,672,156	**7,755,890**
Cost of sales	(1,826,484)	(1,265,501)	(2,243,354)	(3,352,040)	**(4,745,012)**
Gross profit	572,176	973,859	867,092	1,320,116	**3,010,878**
Other gains/(losses), net	3,134	10,422	(116,216)	37,201	**5,962**
Selling and marketing cost	(83,786)	(59,346)	(151,821)	(163,543)	**(183,308)**
Administrative expenses	(81,518)	(157,243)	(165,721)	(250,105)	**(411,155)**
Change in fair value of investment properties	231,742	36,500	302,557	289,847	**2,970,144**
Change in fair value of financial derivatives	–	(18,642)	27,221	(85,339)	**–**
Operating profit	641,748	785,550	763,112	1,148,177	**5,392,521**
Share of results from associates	(65)	(1)	–	–	**(479)**
Finance income	12,576	9,029	7,243	9,958	**11,031**
Finance costs	(30,222)	(52,438)	(117,642)	(204,740)	**(56,873)**
Finance cost – net	(17,646)	(43,409)	(110,399)	(194,782)	**(45,842)**
Profit before income tax	624,037	742,140	652,713	953,395	**5,346,200**
Income tax expenses	(130,695)	(258,770)	(151,800)	(405,538)	**(1,709,544)**
Profit for the year	493,342	483,370	500,913	547,857	**3,636,656**
Profit attributable to:					
Equity holders of the Company	493,342	483,369	500,921	547,871	**3,636,699**
Non-controlling interests	–	1	(8)	(14)	**(43)**
	493,342	483,370	500,913	547,857	**3,636,656**
Basic earnings per share	N/A	N/A	0.128	0.138	**0.738**
Diluted earnings per share	N/A	N/A	0.128	0.138	**0.736**

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