



佳兆業集團控股有限公司*

KAISA GROUP HOLDINGS LTD.

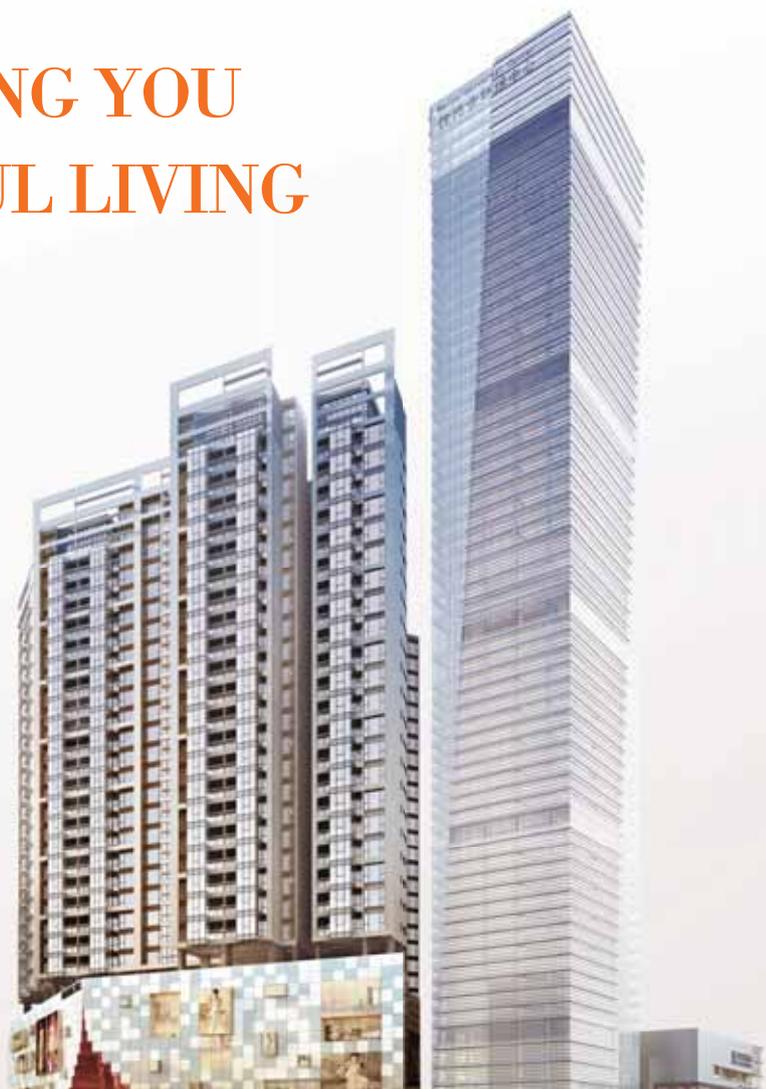
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1638

Annual Report 2011



**BRING YOU
JOYFUL LIVING**



* For identification purposes only



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GROUP OVERVIEW



Established in 1999, Kaisa Group Holdings Ltd. (the “Company”) and its subsidiaries (together referred as the “Group” or “Kaisa”) is a large-scale integrated property developer. The Group’s shares commenced trading on the Main Board of the Stock Exchange of Hong Kong Limited on 9 December 2009. Over the years, the Group has been focusing on urban property development. The scope of its business covers property development, commercial operation, hotel management and property management services with products comprising residential properties, villas, offices, serviced apartments, integrated commercial buildings and mega urban complexes. Founded in Shenzhen, the Group has expanded to cover the most economically-vibrant cities and regions, including the Pearl River Delta region, the Yangtze River Delta region, the Western Region, the Central China region and the Pan-Bohai Bay Rim. As at 19 March 2012, the Group owns 60 projects spanning across 24 cities in these regions.

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.



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. KWOK Ying Shing (*chairman*)

Mr. KWOK Ying Chi

Mr. SUN Yuenan

Dr. TAM Lai Ling

Dr. HUANG Chuanqi

(resigned on 8 February 2012)

Mr. CHEN Gengxian

Mr. HAN Zhenjie

Mr. JIN Zhigang

(appointed on 8 February 2012)

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. FOK Hei Yu

Mr. RAO Yong

Mr. ZHANG Yizhao

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

Agricultural Bank of China

LEGAL ADVISERS

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

Sidley Austin

As to PRC law:

King & Wood Mallesons

As to Cayman Islands law:

Conyers Dill & Pearman

Harney Westwood & Riegels

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

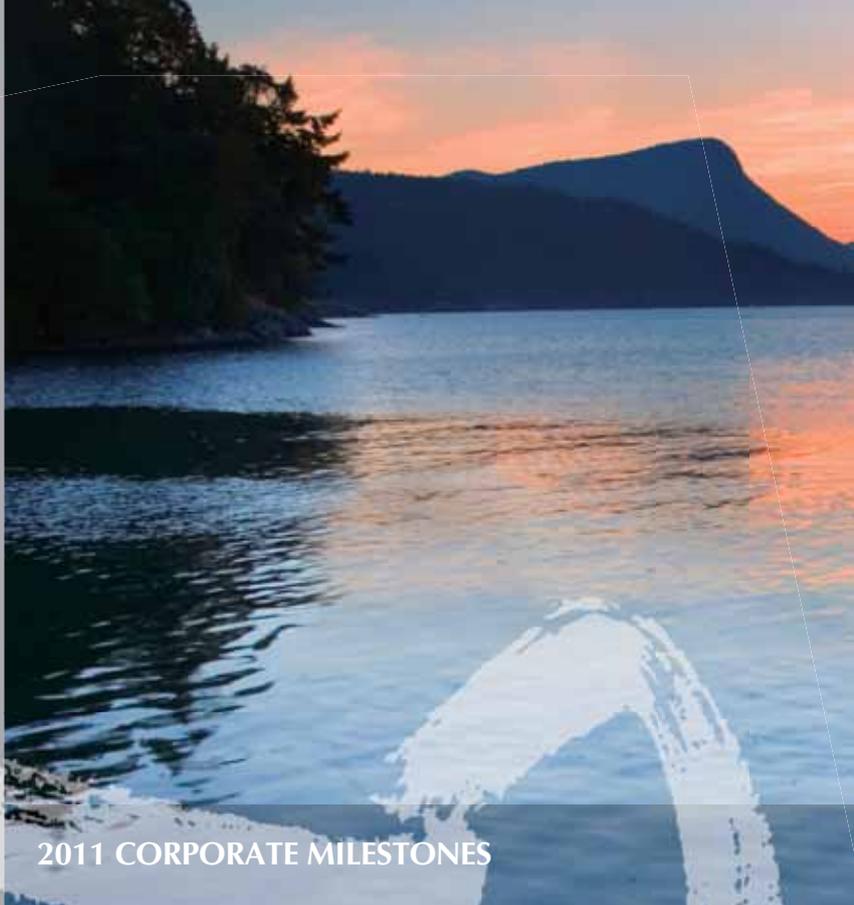
(Stock Code: 1638.HK)

WEBSITE

<http://www.kaisagroup.com>



MILESTONES AND AWARDS



2011 CORPORATE MILESTONES

JANUARY

- Successfully acquired the Hangzhou Zhijiang Project, the Group's first project in Hangzhou with expected GFA of approximately 70,877 sq.m., enlarging the Group's land bank in Yangtze River Delta Region
- Finalized Dongguan Le Grand Bleu, an urban redevelopment project located in Shatian Town, Dongguan City, with expected total GFA of approximately 525,934 sq.m.

FEBRUARY

- Successfully acquired Benxi Lake View Place, the Group's first project in Benxi with expected total GFA of approximately 356,824 sq.m., further diversifying the Group's land bank portfolio into Pan-Bohai Bay Rim

MARCH

- The Group was awarded the winning bidder in a tender for general resettlement and redevelopment of three old villages located in Yantian District, Shenzhen, involving the relocation of the old villages and development of a new district area of 266,000 sq.m. with planned GFA of 1.1 million sq.m. The acquisition of the high quality redevelopment project will enable the Group further enlarge its redevelopment project footprint in Shenzhen
- Successfully acquired Panjin Kaisa Center with planned total GFA of approximately 380,092 sq.m., the Group's first project in Panjin





- Successfully issued RMB2 billion USD-settled 8.5% bonds due in 2014, further diversifying the Group’s funding channel
- Granted 5-year unsecured bank loan in Hong Kong with principal amount of USD59.5 million

APRIL

- Three of the Group’s projects – general resettlement and redevelopment projects of three old villages in Yantian District, Shenzhen Kaisa City Plaza and Shenzhen Kaisa Global Center are listed in the 60 landmark projects of the 12th Five-Year Plan of Shenzhen

MAY

- Successfully acquired Weifang Golden World and Wuhan Qingling Project, the Group’s first project in Weifang and Wuhan with expected total GFA of approximately 246,704 sq.m. and 351,760 sq.m., respectively

JUNE

- Further issue of 13.5% senior notes due 2015 in the aggregate principal amount of US\$300 million

JULY

- Successfully acquired Liaoyang Gongchangling Project, the Group’s first project in Liaoyang with estimated total GFA of approximately 256,975 sq.m.
- Granted 5-year unsecured bank loans in Hong Kong with an aggregate principal amount of USD58 million

AUGUST

- Entry into an asset transfer agreement with the Tiexi District Government of Anshan for the acquisition of Anshan Yaguang Project, once a distressed asset covering a total GFA of approximately 76,200 sq.m. and to be developed into a high-end commercial plaza

DECEMBER

- Nanchong Monarch Residence and Zhuzhou Golden World, ranked number one in terms of sales amount, GFA sold and number of units sold in Nanchong⁽¹⁾ and Zhuzhou⁽²⁾, respectively
- Ranked number two both in terms of GFA sold and number of units sold in Chengdu⁽³⁾

Sources :

(1) According to data compiled by CRIC

(2) According to data from Zhuzhou Property Bureau

(3) According to data compiled by CRIC

MILESTONES AND AWARDS



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| Presenting Institute | Time | Name of Awards |
|--|-----------------------|--|
| Enterprise Research Institute of Development Research Centre of the State Council, the Institute of Real Estate Studies of Tsinghua University and China Index Academy | March 2011 | 2011 China Real Estate Top 100 Enterprises – five years in a row from 2007 to 2011 1 |
| China Academy of Real Estate, China Real Estate Association and China Real Estate Appraisal Center | May 2011 | 2011 China Top 50 Real Estate Listed Companies of Comprehensive Strength 2 |
| Enterprise Research Institute of Development Research Centre of the State Council, the Institute of Real Estate Studies of Tsinghua University and China Index Academy | June 2011 | Top 10 Hong Kong-Listed China-based Property Developers in 2011 both in terms of “Economic Value-Added” and “Investment Value” |
| Boao 21st Century Real Estate Forum and 21st Century Business Herald | July 2011 | 2011 Most Valuable Listed Developer Award 3 |
| Boao Real Estate Forum Committee and Guandian Real Estate New Media | August 2011 | Most Valuable Listed Real Estate Enterprise in China 2011 4 |
| Capital Weekly Magazine | August 2011 | The Excellence of Listed Enterprise Awards 2011 |
| Economic Digest Magazine | September 2011 | The Outstanding Chinese Property Developers 2011 5 |



MILESTONES AND AWARDS



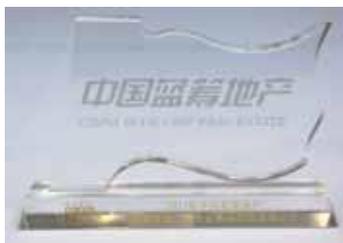
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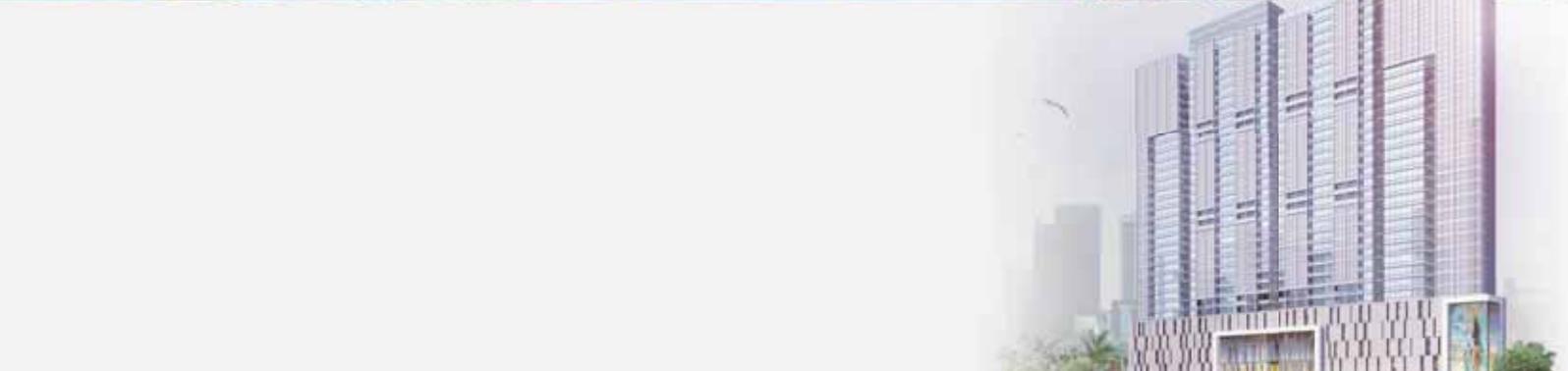


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| Presenting Institute | Time | Name of Awards |
|--|-----------------------|--|
| China Real Estate Research Society, China Real Estate Association and China Real Estate Assessment Center | September 2011 | 2011 Top 10 South China Real Estate Enterprises in terms of Brand Value 6 |
| Enterprise Research Institute of Development Research Centre of the State Council, the Institute of Real Estate Studies of Tsinghua University and China Index Academy | September 2011 | 2011 Top 10 Real Estate Developer in Brand Values in Southern China and Top 10 Most Valuable Real Estate Brands in Southern China 7 |
| First Financial Daily | September 2011 | Top 10 China-Affiliated HK-Listed Companies of Listed PRC Real Estate Companies in terms of Composite Value 8 |
| Economic Observer | November 2011 | China Blue-Chip Real Estate Enterprises 2011 9 |
| Guandian Real Estate New Media | December 2011 | China Real Estate Annual Top 30 Enterprises 2011 10 |
| Economic Digest Magazine | December 2011 | Hong Kong Outstanding Enterprises 2011 11 |



QUALITY 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 2011.

For the year ended 31 December 2011, the Group's turnover and gross profit reached approximately RMB10,834.7 million and RMB3,233.5 million, representing growth of 39.7% and 7.4% over those of 2010, respectively. Profit attributable to shareholders and basic earnings per share amounted to RMB1,901.0 million and RMB38.8 cents, representing a decrease of 47.7% and 47.4% as compared to those of 2010, respectively.

BUSINESS REVIEW

In 2011, the Central Government (the "Central Government") of the People's Republic of China (the "PRC" or "China") continued its tightening policy to tackle the inflationary pressure, including raising the reserve ratio requirement for banks to historical level of 21.5% and also raising the benchmark lending rates three consecutive times. On the property sector, the Central Government continued to introduce an array of austerity measures to curb the housing price, including the local governments to set and announce a specific annual price increase target for new flats in their respective cities, the increase of minimum down payment ratio for second homes from the previous 50% to 60%, the introduction of purchase restriction for second homes in all major cities, provincial capital cities and certain lower tier cities, and the imposition of a price cap for new flats in some cities. The Central Government also reiterated its commitments to building more public housing. These measures have been imposing severe challenges on property developers. As a result, first-tier cities and affluent second-tier cities recorded a decline in housing price, as well as in transaction volume, such trend was more

prominent in the fourth quarter of 2011. Further, the deteriorated credit environment caused by the eurozone sovereign debt crisis, and monetary tightening in the PRC, including the prolonged lag in mortgage disbursements from local banks and limited availability of construction loans, exacerbated property developers' liquidity and funding cost.

Despite the challenging operating environment, the Group successfully executed asset-turnover business model to capture the robust mass market housing demand. The Group achieved RMB15.3 billion of contracted sales, representing an increase of 51.5% year-on-year. In January 2012, Kaisa was ranked 12th in terms of gross floor area ("GFA") sold according to "Top 50 Real Estate Enterprise Property Developers by Sales in 2011" jointly compiled and issued by China Real Estate Information Corporation (NASDAQ:CRIC; "CRIC") and China Real Estate Appraisal Center, and was ranked number two both in terms of GFA sold and number of units sold in Chengdu according to statistics compiled by CRIC.

CHAIRMAN'S STATEMENT

In addition, the Group continued to expand its land bank as part of its efforts to achieve geographical diversification and nationwide expansion to tap into second- and third-tier cities, including sites in Zhuhai, Dongguan and Foshan in the Pearl River Delta region, Hangzhou and Jiangyin in the Yangtze River Delta region, Changsha and Wuhan in the Central China region, and Benxi, Anshan, Weifang, Huludao, Liaoyang and Panjin in the Pan-Bohai Bay Rim. The robust housing demand in the second and third-tier cities are typically driven by end-users and upgraders. In 2011, the Group acquired high-quality land reserves of maximum planned GFA of approximately 4.9 million sq.m., with total consideration of approximately RMB5.9 billion. As at 31 December 2011, the Group had a total of 59 projects located in 24 cities in the PRC and had a land bank with total planned GFA of approximately 23.7 million sq.m., which is sufficient to meet the Group's development needs in the next five years.

The Group has been able to maintain its competitiveness and consolidate its market position in the Pearl River Delta region. In March 2011, Shenzhen Municipal Government announced its 60 landmark projects in response to the Central Government's 12th Five-Year Plan. The projects are divided into 12 categories including, amongst others, infrastructure, environmental, education, urban redevelopment and signature development. Included in the 60 landmark projects are three of the Group's projects – resettlement and redevelopment projects of three old villages in Yantian and Shenzhen Kaisa City Plaza (previously known as "Boji Project"), and a trophy commercial project Shenzhen Kaisa Global Center (previously known as "Fenglong Project") in the heart of Shenzhen's CBD. Leveraging its experience and brand in redevelopment projects and in realizing the potential value of distressed assets, Kaisa will be able to further solidify its leading position in Shenzhen.

CHAIRMAN'S STATEMENT

We have made significant progress in redevelopment projects. In March 2011, primarily due to Kaisa's established track record and execution capabilities in urban redevelopment, the Group was the winning bidder in a tender for resettlement and redevelopment of three villages located in Yantian District, Shenzhen, with an aggregate GFA of approximately 1.1 million sq.m.. In June 2011, we were granted the approval of the urban development plans of the Shenzhen Kaisa City Plaza and Dapeng project by the Shenzhen Municipal Government, with GFA of approximately 1.3 million sq.m. and 141,000 sq.m., respectively.

DEVELOPMENT AND FINANCING STRATEGIES

The Group will continue to adopt a flexible yet prudent policy to cope with market and policy changes, including making appropriate adjustments in future development plans, product mix, sales and marketing strategies in accordance with the prevailing market conditions and product demand in different markets. To provide further buffer for the Group's business expansion in the credit tightening environment, on 15 March 2011 and 14 June 2011, the Company successfully issued RMB2 billion USD settled 8.5% bonds due 2014 and USD300 million 13.5% senior notes due 2015, respectively. In 2011, the Group

was also granted unsecured bank loans in Hong Kong with an aggregate amount of approximately USD117.5 million. The above financing arrangements affirmed the Group's capability to secure the required funding by leveraging the capital market in order to support its long term business growth.

INVESTOR RELATIONS

The Company strives to achieve a high standard of corporate governance and is devoted to maintaining a timely and effective communication with its shareholders and investors through various means, including the distribution of interim and annual reports, press releases and monthly newsletters, as well as the published announcements, so as to keep shareholders and investors well informed of the Group's latest information including development strategies, sales performance, operation management and financial condition. In the mean time, the Group also strives to maintain an appropriate degree of corporate transparency, while strengthening the relationship with investors through a variety of investor relations activities and collection of constructive opinions from the public.



CHAIRMAN'S STATEMENT

PROSPECTS

Despite the unfavorable impact arising from the eurozone debt crisis and global economic uncertainty, the Chinese economy remains resilient and reported steady GDP growth for 2011. The austerity measures are gradually taking positive effect on the economy as the latest CPI figures are showing good sign of control of inflation. Further, there are signs of stabilization of measures in the property sector, including banks extending favorable mortgage rate to first time home buyers in early 2012 and prompt disbursement of mortgage financing. The two cuts in reserve requirement ratio since November 2011 may also improve the overall liquidity gradually. Nonetheless, we believe in the long run, the property sector will continue to benefit from increase in domestic consumption as well as the end-user demand driven by urbanization.

With the continuing improvement and expansion of the metro network, Shenzhen's public transportation has entered into a new era. Moreover, the commute time between cities within and beyond the Pearl River Delta region has been significantly shortened due to successive completion of the inter-city high speed rails, including the Guangzhou-Shenzhen section. The Group has approximately 10.5 million sq.m. of GFA in the Pearl River Delta region, Kaisa is

therefore well positioned to capture the housing demand generated from the improvement in infrastructure. While we will continue to leverage our brand and our expertise to unlock the value of our pipeline for redevelopment projects, we will cautiously implement the asset-turnover business model, aiming to become a leading national property developer.

ACKNOWLEDGEMENT

Thanks to the enormous support from all of our stakeholders and the ardent efforts of all our staff members who have made invaluable contributions during the year, Kaisa has been growing on a steady pace. On behalf of the Board, I would like to take this opportunity to express my wholehearted gratitude to all the shareholders of the Company, investors, business partners and customers for their trust and support. Upholding the spirit enshrined in our motto "Kaisa, bring you joyful living", we will make every endeavor to maximise values and generate greatest returns for our shareholders and investors.

KWOK Ying Shing

Chairman

Hong Kong, 19 March 2012



FINE LIVING



MANAGEMENT DISCUSSION AND ANALYSIS



OVERALL PERFORMANCE

During the year, the Group recorded a turnover of RMB10,834.7 million, representing an increase of 39.7% as compared to that of year 2010. Profit attributable to equity holders amounted to RMB1,901.0 million, representing a decrease of 47.7% as compared to that of year 2010. Our net profit for the year, excluding change in fair values on investment properties and the corresponding deferred taxes, increase to RMB1,574.7 million, representing an increase of 11.8% as compared to that of year 2010. Basic earnings per share was RMB38.8 cents (2010: RMB73.8 cents).

Property Development

Contracted Sales in 2011

As at 31 December 2011, the Group has established presence in 24 core cities within five regions in the PRC, namely the Pearl River Delta, the Yangtze River Delta, the Pan-Bohai Bay Rim, the Western China region and the Central China region. The table below shows the Group's 2011 contracted sales by region:

MANAGEMENT DISCUSSION AND ANALYSIS

| Region | Number of projects | Contracted sales area sq. m. | Contracted sales amount RMB million |
|----------------------|--------------------|---------------------------------|--|
| Pearl River Delta | 18 | 333,903 | 4,115 |
| Yangtze River Delta | 8 | 393,536 | 3,899 |
| Western China Region | 5 | 859,471 | 4,368 |
| Central China Region | 2 | 341,262 | 1,748 |
| Pan-Bohai Bay Rim | 5 | 249,275 | 1,159 |
| Total | 38 | 2,177,447 | 15,289 |



In spite of the tightening measures introduced by the PRC Central Government, the Group still achieved its record annual contracted sales. For the year under review, the Group's contracted sales and GFA sold amounted to approximately RMB15,289.1 million and 2,177,447 sq.m., representing growth of 51.5% and 148.7% year-on-year, respectively. Contracted average selling price ("ASP") declined by 38.8% year-on-year to RMB7,022 per sq.m. The increase in GFA but decline in ASP is mainly attributable to the Group's strategy to focus on churning our landbank while achieving geographical diversification to areas outside of Shenzhen where ASPs are generally lower. In 2011, the Group launched an aggregate GFA of approximately 2,840,979 sq.m.

In 2011, the Group achieved outstanding sales results in a number of major cities in the PRC:

- According to "Top 50 Real Estate Enterprise Property Developers by Sales in 2011" jointly compiled and issued by China Real Estate Information Corporation ("CRIC") and China Real Estate Appraisal Center, Kaisa was ranked 12th nationwide in terms of GFA sold.
- According to statistics compiled by CRIC, Kaisa was ranked number two both in terms of GFA sold and number of units sold in Chengdu.
- According to China Real Estate Index System ("CREIS"), our project Changsha Lake View Place was ranked number three and two in terms of GFA sold and number of units sold in Changsha, respectively.

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

MANAGEMENT DISCUSSION AND ANALYSIS



Projects Completed in 2011

The Group adopts a strict and prudent practice in project development and adjusts its pace of business expansion as and when appropriate. During the year 2011, the GFA of newly completed projects of the Group amounted to approximately 1.6 million sq.m.

Projects under Development

As at 31 December 2011, the GFA of projects under development of the Group was approximately 6.9 million sq.m.

Property Management

The Group also provided property management service to its own property development and managed a total floor area of approximately 5.2 million sq.m. In total, the Group provided property management service to 46,456 units. In 2011, Kaisa was awarded one of the “Outstanding Brand of Chinese Property Management 2011” jointly issued by the Enterprise Research Institute of Development Research Centre of the State Council of China, the Institute of Real Estate Studies of Tsinghua University and the China Index Academy. Building on its national recognition, our property management arm is striving to deliver excellent and professional service to our customers so as to further enhance our brand and corporate image.

Investment Properties

The Group adopts a diversified business strategy, characterized by its increase in investment in investment properties. The portfolio of investment properties will generate steady and reliable income, and enlarge the overall income base of the Group. We develop commercial properties such as office building, retail store and carpark for leasing purposes. In managing our investment property portfolio, we will take into account the estimated long term growth potential, the overall market conditions and our cash flows and financial condition. As at 31 December 2011, we held an aggregate GFA of approximately 75,559 sq.m. completed investment properties for rental purpose.

Land Bank

It remains an ongoing effort of the Group to expand its land reserve. We believe our insight into the development trends in our target regions will enable us to acquire land at a price not yet reflecting the full value of the site.

During the year under review, we made significant progress in the area of urban redevelopment projects. In March 2011, the Group was the winner in a very competitive auction, based on price and experience, for a resettlement and redevelopment project for three villages located in Yantian District, Shenzhen, with an aggregate GFA of approximately 1.1 million sq.m. In June 2011, the Shenzhen Municipal Government granted its approval on the development plans of our Shenzhen Kaisa City Plaza and Dapeng project, separately, with GFA of approximately 1.3 million sq.m. and 141,000 sq.m., respectively. These are very sizable projects and will certainly strengthen our leading position in urban redevelopment business, as well as geographically in the Pearl River Delta region.

In addition, during the year under review, we purchased a total of 32 land parcels through government-held public tenders, auctions or listing-for-sale and another 3 land parcels in the secondary market through acquisition of equity interest. The aggregate consideration for the acquisition of the interests in the above 35 parcels of land was approximately

MANAGEMENT DISCUSSION AND ANALYSIS

RMB5,949.8 million, with an average land cost per total planned GFA of approximately RMB1,208.5 per sq.m. The total planned GFA per maximum allowed plot ratio attributable to the Group is up to approximately 4.9 million sq.m. As at 31 December 2011, the Group had a total land bank of approximately 23.7 million sq.m., which is sufficient for the Group's development needs for the next five years. The above land acquisitions will serve to further diversify our development portfolio geographically and strengthen 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 | | Type |
|----------------------|--|---------------------------|--|--|---------------------------------|----------------------------|
| | | | | per maximum allowed plot ratio (sq.m.) | Consideration (RMB in millions) | |
| January 2011 | Zhijiang, Hangzhou City, Zhejiang Province | 100% | 39,376/(1) | 70,877 | 672.0 | Residential |
| January 2011 | Shatian Town, Dongguan City, Guangdong Province | 100% | 239,061/(5) | 525,934 | 352.0 | Residential |
| January 2011 | Changjing Town, Jiangyin City, Jiangsu Province | 100% | 93,274/(2) | 141,328 | 162.5 | Residential and commercial |
| February 2011 | Mingshan District, Benxi City, Liaoning Province | 100% | 122,200/(2) | 356,824 | 171.1 | Residential and commercial |
| March 2011 | Xinglongtai District, Panjin City, Liaoning Province | 100% | 52,812/(2) | 380,092 | 246.4 | Residential and commercial |
| March 2011 | Ronggui Town, Foshan City, Guangdong Province | 100% | 197,584/(2) | 493,961 | 1,050.2 | Residential and commercial |
| April 2011 | Doumen District, Zhuhai City, Guangdong Province | 100% | 192,711/(1) | 256,305 | 517.7 | Residential |
| April 2011 | Hi-tech Zone, Anshan City, Liaoning Province | 100% | 308,956/(3) | 926,868 | 649.4 | Residential and commercial |
| May 2011 | Weijiao Road, Weifang District, Shandong Province | 100% | 164,469/(5) | 246,704 | 296.0 | Residential |
| May 2011 | Hongshan District, Wuhan City, Hubei Province | 100% | 118,750/(1) | 351,760 | 680.0 | Residential and commercial |
| July 2011 | Gongchangling District, Liaoyang City, Liaoning Province | 100% | 372,427/(1) | 256,975 | 184.4 | Commercial |
| July 2011 | Suizhong County, Huludao City, Liaoning Province | 100% | 430,508/(7) | 742,028 | 323.1 | Residential and commercial |



MANAGEMENT DISCUSSION AND ANALYSIS



| 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 |
|----------------------|--|---------------------------|--|---|---------------------------------|----------------------------|
| August 2011 | Tiexi District, Anshan City, Liaoning Province | 100% | 9,783/(2) | 76,200 | 180.0 | Commercial |
| August 2011 | Nancheng District, Dongguan City, Guangdong Province | 100% | 65,020/(1) | 97,530 | 465 | Residential and commercial |
| Total | | | 2,406,931/(35) | 4,923,386 | 5,949.8 | |

Outlook

Though, for the time being, there is no sign of easing the tightening policy in China, given the downgrade of the US sovereign debt rating, the eurozone debt crisis and the uncertainty of the global economic outlook, some loosening of the current credit policy in China might be possible to counter the adverse impact on the economy. Moreover, growth of the Chinese economy is still one of the fastest globally, coupled with the long-term policy of urbanization, we remain optimistic about the prospects of China's real estate sector. In the interim, the Group will continue to focus on realizing value from its redevelopment project pipeline and the asset-turnover business model, further enhancing the product quality and capitalizing its strong branding, with an aim to maximizing the returns to the shareholders of the Company.

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 RMB3,078.8 million, or approximately 39.7%, to approximately RMB10,834.7 million in 2011 from approximately RMB7,755.9 million in 2010, primarily attributable to an increase in sales of properties. In 2011, the revenue generated from property development, property investment and property management are approximately RMB10,575.6 million, RMB151.0 million and RMB108.1 million, respectively.

Sales of properties

Our revenue from sales of properties increased by RMB3,044.8 million, or approximately 40.4%, to RMB10,575.6 million in 2011 from RMB7,530.8 million in 2010. This increase was primarily attributable to an increase in the total delivered GFA from approximately 706,701 sq.m. in 2010 to approximately 1,178,108 sq.m. in 2011, partly offset by a decrease in average selling price per sq.m. ("ASP") from approximately RMB10,656 in 2010 to approximately RMB8,977 in 2011 which is in turn explained by the Group's geographical

MANAGEMENT DISCUSSION AND ANALYSIS

diversification to areas outside of first tier cities where ASPs are generally lower. The property projects that contributed substantially to our revenue in 2011 were Shenzhen Jincui Garden, Shenzhen Mingcui Garden, Shenzhen Metro City, Jiangyin Lake View Place, Changsha Lake View Place, Huizhou Kaisa Plaza and Chengdu Lijing Harbour.

Rental income

Our rental income increased by RMB31.5 million, or approximately 26.4%, to RMB151.0 million in 2011 from RMB119.5 million in 2010. This increase was primarily attributable to an increase in GFA of our retail spaces, rented out at higher rental rates.

Property management services

Our revenue from property management fees remained fairly stable, and increased slightly by RMB2.5 million, or approximately 2.4%, to RMB108.1 million in 2011 from RMB105.6 million in 2010.

Cost of sales

Our cost of sales increased by RMB2,856.2 million, or approximately 60.2%, to RMB7,601.2 million in 2011 from RMB4,745.0 million in 2010. This increase was in line with the increase in the total GFA delivered.

Gross profit

As a result of the above, our gross profit increased by RMB222.6 million, or approximately 7.4%, to RMB3,233.5 million in 2011 from RMB3,010.9 million in 2010. The increase is mainly explained by the increase in contribution from property sales. Our gross profit margin decreased to 29.8% from 38.8% in 2010. The decrease in gross profit margin was primarily attributable to (i) our lower ASP recognized in 2011 as compared to 2010 and (ii) our enbloc sale of Guangzhou Kaisa Plaza in 2010. We had a gross profit margin of 51.8% from the enbloc sale of Guangzhou Kaisa Plaza, which contributed to the higher profit margin in 2010. In 2011, land cost, construction cost and capitalized interest represented approximately 15.5% (2010: 13.0%), 45.4% (2010: 39.2%) and 4.7% (2010: 5.6%) of our recognised sales of properties, respectively.

Other gains

The Group had other net gains of RMB43.3 million in 2011, as compared to RMB6.0 million in 2010. The other gains recorded in 2011 mainly comprised investment return from an infrastructure project in Huizhou of approximately RMB32.4 million.

Selling and marketing costs

Our selling and marketing costs increased by RMB221.5 million, or approximately 120.9%, to RMB404.8 million in 2011 from RMB183.3 million in 2010. The increase in selling and marketing costs was mainly explained by the group's strategy to achieve geographical diversification, resulting in an increase in our advertising, staff and other promotional costs incurred for our pre-sale activities of relatively larger number of our projects during the year, as compared to that in 2010, as well as the higher agency fee as a result of the increase in contracted sales amount in 2011.



MANAGEMENT DISCUSSION AND ANALYSIS



Administrative expenses

Our administrative expenses increased by RMB153.8 million, or approximately 37.4%, to RMB565.0 million in 2011 from RMB411.2 million in 2010. This increase was primarily attributable to increase in staff costs resulting from our business expansion and in operating expenses in various new cities we entered since second half of 2010.

Change in fair value of investment properties

The increase in fair value of our investment properties was RMB2,970.1 million in 2010 and RMB432.7 million in 2011. The increase in fair value of our investment properties in 2010 was primarily attributable to addition of commercial properties including Shenzhen Kaisa Global Center, Huizhou Kaisa Center Phase 2, Shenyang Kaisa Center, Woodland Height Phase 6 and Jiangyin Kaisa Plaza into our investment portfolio in 2010. The increase in fair value of our investment properties in 2011 was primarily attributable to the appreciated fair value of our investment properties in Shenzhen Kaisa Global Center, Huizhou Kaisa Center Phase 2 and Shenzhen Kaisa Center.

Finance income

Our finance income increased by RMB103.6 million, or approximately 201.2% to RMB155.1 million in 2011 from RMB51.5 million in 2010. The increase was primarily due to net exchange gains arising from the U.S. dollar denominated offshore financing as a result of appreciation of the Renminbi against the U.S. dollar in 2011.

Finance costs

The Group's finance costs decreased by RMB28.0 million, or approximately 28.8%, to RMB69.3 million in 2011 from RMB97.3 million in 2010. The decrease was primarily attributable to a decrease in average outstanding bank debt balance in 2011 in relation to completed projects.

Income tax expenses

Our income tax expenses decreased by RMB783.8 million, or approximately 45.8%, to RMB925.7 million in 2011 from RMB1,709.5 million in 2010, mainly attributable to decrease in the deferred tax charge arising from fair value gain on investment properties. Our effective income tax rate increased to 32.8% in 2011 from 32.0% in 2010. The increase was primarily explained by the fact that a much lower proportion of our operating profit before taxation was derived from the increase in fair value of our investment properties, for which no provision for land appreciation tax ("LAT") is required.

Profit for the year

As a result of the factors described above, our profit for the year decreased by RMB1,737.4 million, or approximately 47.8%, to RMB1,899.3 million in 2011 from RMB3,636.7 million in 2010. Our net profit margin was 17.5% in 2011 and 46.9% in 2010. Our net profit (excluding change in fair value on investment properties, net of deferred taxes) in 2010 and 2011 was RMB1,409.0 million and RMB1,574.7 million, respectively, resulting in corresponding net profit margin (excluding change in fair value on investment properties, net of deferred taxes) of 18.2% and 14.5% for years ended 31 December 2010 and 2011, respectively.

Liquidity, Financial and Capital Resources

Cash position

As at 31 December 2011, the carrying amount of the Group's cash and bank deposits was approximately RMB4,486.4 million (31 December 2010: RMB4,869.7 million), representing a decrease of 7.9% as compared to that as at 31 December 2010. 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 2011, certain of the Group's cash was deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties. The aggregate of the above guarantee deposits amounted to approximately RMB541.0 million as at 31 December 2011.

Senior notes

On 28 April 2010, the Company issued senior notes due 2015 with nominal value of US\$350 million at a coupon rate of 13.5% per annum for the purpose of debt prepayment, financing property projects and general corporate use. On 14 June 2011, the Company issued additional 13.5% senior notes due 2015 in the aggregate principal amount of US\$300 million (collectively, the "Senior Notes") for the purpose of financing new land bank in the PRC and real estate projects.

Convertible bonds

On 20 December 2010, the Company issued RMB1.5 billion USD settled 8% convertible bonds due 2015 (the "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.



MANAGEMENT DISCUSSION AND ANALYSIS

Senior bonds

On 15 March 2011, the Company issued RMB2.0 billion USD settled senior secured guaranteed bonds due 2014 at a coupon rate of 8.5% per annum (the “Bonds”) for the purpose of financing new land bank in the PRC and real estate projects.

Borrowings and charges on the Group’s assets

The Group had aggregate borrowings as at 31 December 2011 of approximately RMB13,644.5 million, of which approximately RMB2,067.2 million will be repayable within 1 year, approximately RMB11,030.1 million will be repayable between 2 and 5 years and approximately RMB547.2 million will be repayable over 5 years. As at 31 December 2011, the Group’s bank loans of approximately RMB5,036.2 million were secured by plant and equipment, land use rights, investment properties, properties under development, completed properties held for sale and cash of the Group with total carrying values of approximately RMB11,539.7 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 RMB3,995.0 million, the Convertible Bonds with a carrying value of RMB1,277.9 million, the Bonds with a carrying value of RMB1,983.2 million and other offshore banking facilities with a carrying value of RMB986.1 million as at 31 December 2011 which were denominated in USD. The Senior Notes, the Convertible Bonds and the Bonds are secured by the share pledge of certain 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.

Gearing

As at 31 December 2011, the Group’s net debts (total borrowings net of cash and cash equivalent and restricted cash) over equity was 76.6% (31 December 2010: 30.6%). The Group’s net current assets increased by 58.3% from RMB11,157.2 million as at 31 December 2010 to RMB17,657.2 million as at 31 December 2011, and the current ratio decreased from 2.2 times as at 31 December 2010 to 2.0 times as at 31 December 2011.



MANAGEMENT DISCUSSION AND ANALYSIS

Cost of borrowings

For the year under review, the Group's total cost of borrowings was RMB1,279.6 million, representing an increase of RMB757.2 million or 144.9% as compared to the same period last year. The increase was primarily attributable to the higher average debt balance and interest rate in the year 2011 as compared to that in the previous year.

Foreign currency risks

The Group's property development projects are all located in China and most of the related transactions are settled in RMB. The Company and certain of the Group's intermediate holding companies operate in Hong Kong have recognized assets and liabilities in currencies other than RMB. As at 31 December 2011, the Group had cash balances in USD of approximately US\$62.4 million, and HK dollar of approximately HK\$479.1 million, the Senior Notes in USD with a carrying value of US\$634.0 million and other offshore banking facilities with a carrying value of US\$156.5 million which are subject to foreign currency exposure. The Group does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Financial guarantees

As at 31 December 2011, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by domestic banks to our customers amounting to approximately RMB3,679.3 million (31 December 2010: approximately RMB4,367.0 million). The decrease was mainly explained by a lower proportion of our sales proceeds being obtained through mortgage loans in 2011 as compared to 2010. 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 mortgage property and the completion of the de-registration of the mortgage.

Material acquisitions and disposals of assets

During the year under review, the Group did not have any material acquisitions and disposals of assets.

Employees and remuneration policy

As at 31 December 2011, the Group had approximately 6,633 employees (31 December 2010: approximately 3,150 employees). 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.

PROJECT PORTFOLIO



We have accumulated substantial experience in developing 59 projects. The map below shows the geographical coverage of our property development projects as at 31 December 2011.

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 Kaisa Global Center, Shenzhen Nan' Ao Kangbao Project, Shenzhen Metro City, Shenzhen Kaisa City Plaza, Guangzhou Jinmao, Guangzhou Kaisa Plaza, Guangzhou Monarch Residence, Foshan Shunde Kaisa Mocha Town, Foshan Shunde Kaisa Shangpin Garden, Foshan Shunde Kaisa Golden World, Dongguan Zhongyang Haomen, Dongguan Dongjiang Haomen, Dongguan Shui'an Haomen, Dongguan Dijingwan, Dongguan Le Grand Bleu (previously "Dongguan Shatian Project"), Dongguan Oasis Town (previously "Dongguan Nancheng Project"), Huizhou Jincheng Heights, Huizhou Kaisa Center, Huizhou Yuan Zhou Project, Huizhou Tonghu Project, Huizhou Riverbank New Town, Zhuhai Lake View Waldorf Garden, Zhuhai Golden World (previously "Zhuhai Doumen Project")

THE YANGTZE RIVER DELTA REGION — JIANGYIN, CHANGZHOU, SHANGHAI, TAICANG, HANGZHOU

Jiangyin Lake View Place, Jiangyin Gushan Mocha Town, Jiangyin Kaisa Plaza, Jiangyin Zhouzhuang Golden World, Jiangyin Changjing Lake View Waldorf, Changzhou Phoenix Lake No.1, Shanghai Shanhuwan Garden, Taicang Lake View Waldorf, Hangzhou Zhijiang Project

THE WESTERN REGION — CHENGDU, NANCHONG

Chengdu Kaisa Monarch Residence, Chengdu Lijing Harbour, Chengdu Modern Town, Nanchong Kaisa Plaza, Nanchong Monarch Residence

THE CENTRAL REGION — CHANGSHA, ZHUZHOU, WUHAN

Changsha Lake View Place, Zhuzhou Golden World, Wuhan Qingling Project

PAN-BOHAI RIM — SHENYANG, YINGKOU, ANSHAN, BENXI, PANJIN, HULUDAO, WEIFANG, LIAOYANG

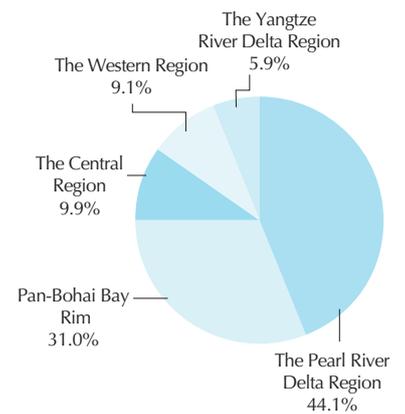
Shenyang Kaisa Center, Yingkou Dragon Bay, Yingkou Monarch Residence, Anshan Lake View Waldorf, Anshan Monarch Residence, Anshan Yaguang Project, Benxi Lake View Place, Panjin Kaisa Center, Huludao Suizhong Kaisa Dongdaihe (previously "Huludao Suizhong Project"), Weifang Golden World (previously "Weifang Project"), Liaoyang Gongchangling Project



PROJECT PORTFOLIO



Total GFA of approximately
23.7
 sq. m.



CITIES WE ENTERED INTO BEFORE 2011

- 1 SHENYANG
- 2 ANSHAN
- 3 HULUDAO
- 4 YINGKOU
- 5 JIANGYIN
- 6 CHANGZHOU
- 7 TAICANG
- 8 SHANGHAI
- 9 CHENGDU
- 10 NANCHONG
- 11 CHANGSHA
- 12 ZHUZHOU

NEWLY ENTERED CITIES

- 13 GUANGZHOU
- 14 HUIZHOU
- 15 FOSHAN
- 16 DONGGUAN
- 17 SHENZHEN
- 18 ZHUHAI
- 19 LIAOYANG
- 20 BENXI
- 21 PANJIN
- 22 WEIFANG
- 23 WUHAN
- 24 HANGZHOU

PROJECT PORTFOLIO

AS AT 31 DECEMBER 2011

| No. | Project | Address | Location | Type ⁽¹⁾ |
|---------------------------------------|--|---|-----------|---------------------|
| 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 ⁽²⁾ | East of Shangbu Nan Road and North of Nanyuan Road, Futian District | Shenzhen | Residential |
| 4 | Shenzhen Lake View Place | Junction of Xincheng Road and Pingxi Road, Longgang District | Shenzhen | Residential |
| 5 | Shenzhen Xiangrui Garden | North of Beihuan Highway, Nanshan District | Shenzhen | Residential |
| 6 | Shenzhen Mingcui Garden | Ping'an Avenue, Liang'antian Community, 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 Kaisa Global Center | Shennan Avenue, Futian District | Shenzhen | Commercial |
| 10 | Shenzhen Nan' Ao Kangbao Project | Dongyong Village(close to Dongchong Beach), Nan'ao Town, Longgang District | Shenzhen | Residential |
| 11 | Shenzhen Metro City | Buji Station, Shenhui Road, Buji Town, Longgang District | Shenzhen | Residential |
| 12 | Shenzhen Kaisa City Plaza | Banxuegang Avenue, Longgang District | Shenzhen | Residential |
| 13 | Guangzhou Jinmao ⁽³⁾ | No. 191 Tiyu West Road, Tianhe District | Guangzhou | Commercial |
| 14 | Guangzhou Kaisa Plaza | No. 78 Huangpu Avenue West, Zhujiang New Town, Tianhe District | Guangzhou | Commercial |
| 15 | Guangzhou Monarch Residence | No. 99 Jiangnan Avenue Central, Haizhu District | Guangzhou | Residential |
| 16 | Foshan Shunde Kaisa Mocha Town | Junction of Xinglong Road and Second Ring Road, Xingtian Town, Shunde District | Foshan | Residential |
| 17 | Foshan Shunde Kaisa Shangpin Garden | Linsang Road, Beijiao New Town, Shunde District | Foshan | Residential |
| 18 | Foshan Shunde Kaisa Golden World | West of Waihuang Road, Ronggui Town, Shunde District | Foshan | Residential |
| 19 | Dongguan Zhongyang Haomen | Longsheng Road, Xincheng District, Shilong Town | Dongguan | Residential |
| 20 | Dongguan Dongjiang Haomen | Junction of Xinxing Road and Huangdaxian Road, Qishi Town | Dongguan | Residential |
| 21 | Dongguan Shui'an Haomen | Fengshen Avenue, Fenggang Town | Dongguan | Residential |
| 22 | Dongguan Dijingwan | Jinshawan Square, Xincheng District, Shilong Town | Dongguan | Residential |
| 23 | Dongguan Le Grand Bleu (previously "Dongguan Shatian Project") | Qisha Village, Shatian Town | Dongguan | Residential |
| 24 | Dongguan Oasis Town (previously "Dongguan Nancheng Project") | Xiping Community, Nancheng District | Dongguan | Residential |
| 25 | Huizhou Jincheng Heights | Gutang' ao Miaozhaikeng | Huizhou | Residential |
| 26 | Huizhou Kaisa Center | No. 18 Sub-district, Jiangbei, Huicheng District | Huizhou | Commercial |
| 27 | Huizhou Yuan Zhou Project | Tanjiao Section, Liangwu Gaotou Village, Yuanzhou Town, Boluo County | Huizhou | Residential |
| 28 | Huizhou Tonghu Project | Guandong Shuiku, Tonghu Town | Huizhou | Residential |
| 29 | Huizhou Riverbank New Town | Jiangnan Section, Cuimeiyuan Village Committee, Hengkeng, Luoyang Town, Boluo County | Huizhou | Residential |
| 30 | Zhuhai Lake View Waldorf Garden | Shangsha Street, Wanzai, Xiangzhou District | Zhuhai | Residential |
| 31 | Zhuhai Golden World (previously "Zhuhai Doumen Project") | North of Huangyang Avenue, South of Wangbao Reservoir, Jintaisi, Doumen Town, Doumen District | Zhuhai | Residential |
| The Western Region | | | | |
| 32 | Chengdu Kaisa Monarch Residence | Erjiangsi Village, Huayang Town, Shuangliu County | Chengdu | Residential |
| 33 | Chengdu Lijing Harbour | Group 1 and 2, Ban Huaifeng Village, Yongquan Street, Wenjiang District | Chengdu | Residential |
| 34 | Chengdu Modern Town | Yingchunqiao, Dongsheng Sub-district Office, Shuangliu County | Chengdu | Commercial |
| 35 | Nanchong Kaisa Plaza | Junction of Binjiang Central Road and Zhengyang East Road, Shunqing District | Nanchong | Residential |
| 36 | Nanchong Monarch Residence | Baituba Road, Wangjianba, Shunqing District | Nanchong | Residential |
| Pan-Bohai Bay Rim | | | | |
| 37 | Shenyang Kaisa Center | East of Qingnian Avenue, Shenhe District | Shenyang | Commercial |
| 38 | Yingkou Dragon Bay | Junction of Xinxin Road and Bohai Street, Laobian District | Yingkou | Residential |
| 39 | Yingkou Monarch Residence | West of Xuefu Road, East of Shifu Road, South of New Donghai Street, Laobian District | Yingkou | Residential |
| 40 | Anshan Lake View Waldorf | Shengli Bei Road, Lishan District | Anshan | Residential |
| 41 | Anshan Monarch Residence | South of Ziyou Dong Street, East of Anqian Road, Lishan District | Anshan | Residential |
| 42 | Anshan Yaguang Project ⁽²⁾ | Renmin Road, Tiexi District | Anshan | Residential |
| 43 | Benxi Lake View Place | Binhe Bei Road, Mingshan District | Benxi | Residential |
| 44 | Panjin Kaisa Center | Junction of Shuangxing Nan Road and Shifu Avenue, Xinglongtai District | Panjin | Residential |
| 45 | Huludao Suizhong Kaisa Dongdaihe (previously "Huludao Suizhong Project") | Binhai Road, Dongdaihe New Zone, Suizhong County | Huludao | Commercial |
| 46 | Weifang Golden World (previously "Weifang Project") | North of Bailanghe Reservoir Dam, South of Weijiao Road | Weifang | Residential |
| 47 | Liaoyang Gongchangling Project | Gongchangling District | Liaoyang | Residential |
| The Central Region | | | | |
| 48 | Changsha Lake View Place | Jinping Village, Tiaoma County | Changsha | Residential |
| 49 | Zhuzhou Golden World | Liyu Central Business Area, Tianyuan District | Zhuzhou | Residential |
| 50 | Wuhan Qingling Project | Junction of Baisha Road and Qingling Dong Road, Qingling County, Hongshan District | Wuhan | Residential |
| The Yangtze River Delta Region | | | | |
| 51 | Jiangyin Lake View Place | South of Xinhua Road, West of Dongwaihuan Road and North of Renmin Dong Road | Jiangyin | Residential |
| 52 | Jiangyin Gushan Mocha Town | South of Golden Gushan Garden and West of Xinfu Avenue, Gushan Town | Jiangyin | Residential |
| 53 | Jiangyin Kaisa Plaza | No.1091, Ren Min Dong Road | Jiangyin | Residential |
| 54 | Jiangyin Zhouzhuang Golden World | East of Zhouxi Dong Road, Zhouzhuang Town | Jiangyin | Residential |
| 55 | Jiangyin Changjing Lake View Waldorf | East of Xinglong Road, South of Dongshun Road, Changjing Town | Jiangyin | Residential |
| 56 | Changzhou Phoenix Lake No.1 | South of Qingyang Road, Xuejia Town, Xinbei District | Changzhou | Residential |
| 57 | Shanghai Shanhuwan Garden | No. 4333 Alley, Haima Road, Haiwan Town, Fengxing District | Shanghai | Residential |
| 58 | Taicang Lake View Waldorf | No. 1 Queqiao Road, Science-Education New Town | Taicang | Residential |
| 59 | Hangzhou Zhijiang Project | North of Zhennan Road, Zhijiang Holiday Resort Area, Xihu District | Hangzhou | Residential |
| Total⁽³⁾ | | | | |

Notes:

- (1) Residential properties include apartments, serviced apartments and townhouses, often with complementary commercial facilities, restaurants and community facilities.
- (2) The projects are renovation developments of once distressed assets and partially completed properties.
- (3) Including (i) Shenzhen Kaisa Global Center, (ii) a portion of land with a site area of 750,842 sq.m. for Huizhou Riverbank New Town, (iii) a portion of land with a site area of 248,883 sq.m. for Yingkou Dragon Bay, (iv) a portion of land with a site area of 177,548 sq.m. for Yingkou Monarch Residence, (v) a portion of land with a site area of 22,000 sq.m. for Benxi Lake View Place, (vi) a site area of 366,775 sq.m. for Anshan Lake View Waldorf, Anshan Monarch Residence and Anshan Yaguang Project and Panjin Kaisa Center, (vii) a site area of 226,648 sq.m. for Huludao Suizhong Kaisa Dongdaihe, Weifang Golden World and Liaoyang Gongchangling Project, (viii) a site area of 64,122 sq.m. for Zhuzhou Golden World and Wuhan Qingling Project for which as at 31 December 2011, we have not obtained the land use rights certificates, but have entered into land grant contracts or obtained confirmation from the relevant land and resources bureau that we have been selected as the winner of the public listing-for-sale process.

PROJECT PORTFOLIO

| Project phase | Site Area (sq. m.) | Total GFA (sq. m.) | Completed properties (sq. m.) | Total GFA Under development (sq. m.) | 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 ⁽⁶⁾ | | | 100% |
| 1-5 | 182,064 | 388,626 | 388,626 | | | 100% |
| - | 57,984 | 143,796 | 143,796 | | | 100% |
| 1-4 | 102,439 | 394,663 | 379,574 | 15,089 | | 100% |
| - | 9,066 | 105,830 | 105,830 | | | 100% |
| - | 45,829 | 231,572 | 231,572 | | | 100% |
| - | 14,411 | 142,000 | | | 142,000 ⁽⁵⁾ | 89% |
| - | 73,305 | 44,000 | | | 44,000 | 100% |
| - | 5,241 | 124,479 | 124,479 | | | 100% |
| 1-4 | 321,824 | 1,283,430 | | | 1,283,430 | 100% |
| - | 14,192 | 233,322 | 233,322 ⁽⁷⁾ | | | 100% |
| - | 7,106 | 117,522 | 117,522 | | | 100% |
| - | 7,707 | 56,644 | | 56,644 | | 100% |
| 1-2 | 71,200 | 233,229 | | 233,229 | | 100% |
| - | 32,819 | 97,287 | | 97,287 | | 100% |
| 1-4 | 197,584 | 493,961 | | 337,919 | 156,042 | 100% |
| 1-4 | 82,742 | 377,480 | 171,160 | 206,321 | | 100% |
| 1-3 | 86,324 | 243,659 | 64,351 | 122,112 | 57,195 | 100% |
| 1-3 | 70,734 | 202,908 | | 107,281 | 95,627 | 80% |
| - | 46,474 | 155,432 | 155,432 | | | 100% |
| 1-5 | 239,061 | 525,934 | | | 525,934 | 100% |
| - | 65,020 | 120,531 | | | 120,531 | 100% |
| - | 89,998 | 267,995 | | | 267,995 | 100% |
| 1-3 | 70,859 | 734,076 | 104,644 | 450,720 ⁽⁸⁾ | 178,712 | 100% |
| - | 20,400 | 61,200 | | | 61,200 ⁽⁴⁾ | 100% |
| 1-4 | 731,487 | 731,487 | | | 731,487 ⁽⁶⁾ | 100% |
| 1-10 | 1,663,969 | 4,326,319 | 36,489 | 427,204 | 3,862,625 ⁽⁵⁾ | 100% |
| 1-3 | 164,354 | 550,431 | | 180,316 | 370,115 | 100% |
| 1-4 | 192,711 | 256,305 | | 159,521 | 96,784 | 100% |
| 1-6 | 182,666 | 1,002,253 | | 709,568 | 292,685 | 100% |
| 1-7 | 150,071 | 761,542 | 456,505 | 305,037 | | 100% |
| 1-2 | 133,269 | 365,813 | 198,345 | 167,468 | | 100% |
| - | 29,541 | 116,634 | | 116,634 | | 100% |
| 1-4 | 188,246 | 474,261 | | 365,174 | 109,087 | 100% |
| - | 30,983 | 292,331 | | | 292,331 ⁽⁸⁾ | 100% |
| 1-3 | 469,552 | 1,408,656 | | 347,443 | 1,061,213 ⁽⁵⁾ | 100% |
| 1-3 | 249,470 | 873,145 | | 233,745 | 639,400 ⁽⁵⁾ | 100% |
| 1-3 | 477,463 | 1,359,251 | | 115,506 | 1,243,745 ⁽⁵⁾ | 100% |
| 1-3 | 308,956 | 926,868 | | | 926,868 ⁽⁵⁾ | 100% |
| - | 9,783 | 76,200 | | | 76,200 ⁽⁵⁾ | 100% |
| 1-5 | 122,200 | 356,824 | | 132,139 | 224,685 ⁽⁵⁾ | 100% |
| 1-2 | 52,812 | 380,092 | | | 380,092 ⁽⁵⁾ | 100% |
| 1-2 | 853,773 | 1,165,293 | | 114,320 | 1,050,972 ⁽⁵⁾ | 100% |
| 1-4 | 164,469 | 246,704 | | | 246,704 ⁽⁵⁾ | 100% |
| - | 372,427 | 256,975 | | | 256,975 ⁽⁵⁾ | 100% |
| 1-4 | 673,536 | 1,683,840 | 185,729 | 458,282 | 1,039,829 | 100% |
| 1-3 | 222,177 | 509,709 | 25,398 | 347,164 | 137,146 ⁽⁵⁾ | 100% |
| 1-2 | 118,750 | 351,760 | | | 351,760 ⁽⁵⁾ | 100% |
| 1-3 | 225,530 | 272,274 | 272,274 | | | 100% |
| 1-4 | 76,465 | 132,849 | 67,970 | 64,879 | | 100% |
| 1-3 | 158,241 | 424,359 | 104,745 | 319,614 ⁽⁸⁾ | | 100% |
| 1-3 | 103,589 | 245,681 | 25,135 | 220,546 | | 100% |
| 1-2 | 93,275 | 141,329 | | 65,651 | 75,678 | 100% |
| 1-2 | 101,819 | 256,342 | | 256,342 | | 100% |
| 1-4 | 104,796 | 140,151 | 140,151 | | | 100% |
| 1-3 | 87,741 | 199,676 | | 199,676 | | 100% |
| - | 39,376 | 70,877 | | | 70,877 | 100% |
| | 10,820,084 | 28,549,480 | 5,146,724 | 6,932,832 | 16,469,924 | |

(4) Based on our internal project plans but subject to the governmental approval.

(5) Including completed properties sold.

(6) 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 Kaisa Global Center, with GFA attributable to the Group of approximately 19,170 sq.m. and 125,705 sq.m., respectively).

(7) Including certain commercial spaces and car parks held for investment under medium term lease, with an aggregate GFA of approximately 43,503 sq.m..

(8) 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 146,278 sq.m.) or medium term lease (for Jiangyin Kaisa Plaza and Shenyang Kaisa Center, with GFA of approximately 67,915 sq.m. and 113,219 sq.m., respectively).

PROJECT PORTFOLIO

PROPERTIES UNDER DEVELOPMENT

The table below sets forth certain information of our property projects or project phases under development as at 31 December 2011. We have obtained land use rights certificates and construction works commencement permits for all of our properties under development.

| Project | City | Project Phase | Total GFA or estimated total GFA (sq. m.) |
|--|-----------|---------------|---|
| Shenzhen Mingcui Garden | Shenzhen | 4 | 15,089 |
| Guangzhou Monarch Residence | Guangzhou | – | 56,644 |
| Foshan Shunde Kaisa Mocha Town | Foshan | 1 | 82,747 |
| Foshan Shunde Kaisa Mocha Town | Foshan | 2 | 150,482 |
| Foshan Shunde Kaisa Shangpin Garden | Foshan | – | 97,287 |
| Foshan Shunde Kaisa Golden World | Foshan | 1 | 145,390 |
| Foshan Shunde Kaisa Golden World | Foshan | 2 | 75,173 |
| Foshan Shunde Kaisa Golden World | Foshan | 3 | 117,355 |
| Dongguan Zhongyang Haomen | Dongguan | 3 | 109,577 |
| Dongguan Zhongyang Haomen | Dongguan | 4 | 96,744 |
| Dongguan Dongjiang Haomen | Dongguan | 2 | 122,112 |
| Dongguan Shui'an Haomen | Dongguan | 1 | 107,281 |
| Huizhou Kaisa Center | Huizhou | 2 | 450,720 |
| Huizhou Riverbank New Town | Huizhou | 1 | 10,877 |
| Huizhou Riverbank New Town | Huizhou | 2 | 95,254 |
| Huizhou Riverbank New Town | Huizhou | 3 | 321,073 |
| Zhuhai Lake View Waldorf Garden | Zhuhai | 1 | 180,316 |
| Zhuhai Golden World (previously "Zhuhai Doumen Project") | Zhuhai | 1 | 106,369 |
| Zhuhai Golden World (previously "Zhuhai Doumen Project") | Zhuhai | 2 | 53,152 |
| Chengdu Lijing Harbour | Chengdu | 5 | 78,475 |
| Chengdu Lijing Harbour | Chengdu | 6 | 117,742 |
| Chengdu Lijing Harbour | Chengdu | 7 | 108,820 |
| Chengdu Kaisa Monarch Residence | Chengdu | 1 | 259,981 |
| Chengdu Kaisa Monarch Residence | Chengdu | 2 | 149,887 |
| Chengdu Kaisa Monarch Residence | Chengdu | 3 | 149,845 |
| Chengdu Kaisa Monarch Residence | Chengdu | 4 | 149,856 |
| Chengdu Modern Town | Chengdu | 2 | 167,468 |
| Nanchong Monarch Residence | Nanchong | 1 | 132,626 |
| Nanchong Monarch Residence | Nanchong | 2 | 119,153 |
| Nanchong Monarch Residence | Nanchong | 3 | 113,395 |
| Nanchong Kaisa Plaza | Nanchong | – | 116,634 |
| Yingkou Dragon Bay | Yingkou | 1 | 347,443 |
| Yingkou Monarch Residence | Yingkou | 1 | 233,745 |
| Anshan Lake View Waldorf | Anshan | 1 | 115,506 |
| Benxi Lake View Place | Benxi | 1 | 132,139 |
| Huludao Suizhong Kaisa Dongdaihe (previously "Huludao Suizhong Project") | Huludao | 1 | 114,320 |
| Changsha Lake View Place | Changsha | 2 | 336,214 |
| Changsha Lake View Place | Changsha | 3 | 122,068 |
| Zhuzhou Golden World | Zhuzhou | 1 | 80,125 |
| Zhuzhou Golden World | Zhuzhou | 2 | 267,039 |
| Jiangyin Gushan Mocha Town | Jiangyin | 3 | 15,521 |
| Jiangyin Gushan Mocha Town | Jiangyin | 4 | 49,358 |
| Jiangyin Kaisa Plaza | Jiangyin | 1 | 112,132 |
| Jiangyin Kaisa Plaza | Jiangyin | 3 | 207,483 |
| Jiangyin Zhouzhuang Golden World | Jiangyin | 2 | 220,546 |
| Jiangyin Changjing Lake View Waldorf | Jiangyin | 1 | 65,651 |
| Changzhou Phoenix Lake No.1 | Changzhou | 1 | 100,494 |
| Changzhou Phoenix Lake No.1 | Changzhou | 2 | 155,848 |
| Taicang Lake View Waldorf | Taicang | 1 | 74,074 |
| Taicang Lake View Waldorf | Taicang | 2 | 81,897 |
| Taicang Lake View Waldorf | Taicang | 3 | 43,705 |
| Total | | | 6,932,832 |

PROJECT PORTFOLIO

| Saleable GFA or Estimated saleable GFA (sq. m.) | Commencement Time | Status of presale permit | Estimated completion time | interest attributable to us |
|---|----------------------|-----------------------------|------------------------------|--------------------------------|
| 15,089 | June 2011 | Not yet obtained | 2012 4th quarter | 100% |
| 36,637 | June 2010 | Yes | 2012 4th quarter | 100% |
| 70,335 | January 2011 | Yes | 2012 1st quarter | 100% |
| 127,910 | January 2011 | Yes | 2012 2nd quarter | 100% |
| 82,694 | February 2011 | Yes | 2012 2nd quarter | 100% |
| 123,581 | May 2011 | Not yet obtained | 2012 4th quarter | 100% |
| 63,897 | August 2011 | Not yet obtained | 2012 4th quarter | 100% |
| 99,752 | October 2011 | Not yet obtained | 2013 2nd quarter | 100% |
| 93,140 | August 2009 | Yes | 2012 2nd quarter | 100% |
| 82,232 | September 2011 | Not yet obtained | 2013 4th quarter | 100% |
| 103,796 | December 2010 | Yes | 2012 4th quarter | 100% |
| 91,189 | December 2010 | Yes | 2012 4th quarter | 80% |
| 383,112 | March 2011 | Not yet obtained | 2013 4th quarter | 100% |
| 9,246 | November 2010 | Yes | 2012 1st quarter | 100% |
| 80,966 | April 2011 | Not yet obtained | 2012 3rd quarter | 100% |
| 272,912 | October 2011 | Not yet obtained | 2013 2nd quarter | 100% |
| 116,958 | March 2011 | Not yet obtained | 2013 2nd quarter | 100% |
| 90,414 | August 2011 | Yes | 2012 4th quarter | 100% |
| 45,179 | November 2011 | Not yet obtained | 2013 2nd quarter | 100% |
| 67,659 | October 2010 | Yes | 2012 2nd quarter | 100% |
| 82,419 | April 2011 | Yes | 2012 4th quarter | 100% |
| 80,207 | April 2011 | Yes | 2012 4th quarter | 100% |
| 188,814 | January 2011 | Yes | 2012 4th quarter | 100% |
| 108,857 | March 2011 | Yes | 2013 1st quarter | 100% |
| 109,998 | August 2011 | Yes | 2013 2nd quarter | 100% |
| 127,377 | October 2011 | Not yet obtained | 2013 4th quarter | 100% |
| 117,209 | July 2011 | Yes | 2012 4th quarter | 100% |
| 112,732 | September 2011 | Yes | 2013 2nd quarter | 100% |
| 89,702 | September 2011 | Yes | 2013 2nd quarter | 100% |
| 96,386 | December 2011 | Not yet obtained | 2013 4th quarter | 100% |
| 116,395 | July 2011 | Yes | 2012 3rd quarter | 100% |
| 295,327 | July 2011 | Yes | 2012 3rd quarter | 100% |
| 198,683 | June 2011 | Yes | 2012 4th quarter | 100% |
| 80,811 | October 2011 | Yes | 2012 2nd quarter | 100% |
| 100,186 | October 2011 | Yes | 2013 2nd quarter | 100% |
| 102,793 | October 2011 | Yes | 2013 3rd quarter | 100% |
| 285,782 | March 2011 | Yes | 2013 2nd quarter | 100% |
| 103,758 | October 2011 | Not yet obtained | 2013 4th quarter | 100% |
| 68,106 | June 2011 | Yes | 2012 1st quarter | 100% |
| 226,983 | September 2011 | Yes | 2012 4th quarter | 100% |
| 14,995 | April 2011 | Yes | 2012 2nd quarter | 100% |
| 30,844 | June 2011 | Yes | 2012 4th quarter | 100% |
| 95,312 | December 2010 | Yes | 2013 3rd quarter | 100% |
| 176,360 | October 2011 | Not yet obtained | 2013 3rd quarter | 100% |
| 187,464 | May 2011 | Yes | 2012 4th quarter | 100% |
| 53,953 | August 2011 | Yes | 2012 4th quarter | 100% |
| 85,420 | June 2011 | Yes | 2012 2nd quarter | 100% |
| 132,471 | June 2011 | Yes | 2012 4th quarter | 100% |
| 60,842 | February 2011 | Yes | 2012 1st quarter | 100% |
| 67,268 | April 2011 | Yes | 2012 3rd quarter | 100% |
| 37,149 | April 2011 | Not yet obtained | 2013 4th quarter | 100% |

PROJECT PORTFOLIO

PROPERTIES HELD FOR FUTURE DEVELOPMENT

The table below sets forth certain information of our property projects held for future development as at 31 December 2011.

| Project |
|--|
| Shenzhen Kaisa Global Center |
| Shenzhen Nan' Ao Kangbao Project |
| Shenzhen Kaisa City Plaza |
| Foshan Shunde Kaisa Golden World |
| Dongguan Dongjiang Haomen |
| Dongguan Shui'an Haomen |
| Dongguan Le Grand Bleu (previously "Dongguan Shatian Project") |
| Dongguan Oasis Town (previously "Dongguan Nancheng Project") |
| Huizhou Jincheng Heights |
| Huizhou Kaisa Center |
| Huizhou Yuan Zhou Project |
| Huizhou Tonghu Project |
| Huizhou Riverbank New Town |
| Zhuhai Lake View Waldorf Garden |
| Zhuhai Golden World (previously "Zhuhai Doumen Project") |
| Chengdu Kaisa Monarch Residence |
| Nanchong Monarch Residence |
| Shengyang Kaisa Center |
| Yingkou Dragon Bay |
| Yingkou Monarch Residence |
| Anshan Lake View Waldorf |
| Anshan Monarch Residence |
| Anshan Yaguang Project |
| Benxi Lake View Place |
| Panjin Kaisa Center |
| Huludao Suizhong Kaisa Dongdaihe (previously "Huludao Suizhong Project") |
| Weifang Golden World (previously "Weifang Project") |
| Liaoyang Gongchangling Project |
| Changsha Lake View Place |
| Wuhan Qingling Project |
| Zhuzhou Golden World |
| Jiangyin Changjing Lake View Waldorf |
| Hangzhou Zhijiang Project |
| Total |

Notes:

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

PROJECT PORTFOLIO

| Location | Project phase | Estimated total GFA (sq. m.) | Estimated completion time ⁽¹⁾ |
|----------|---------------|------------------------------|--|
| Shenzhen | – | 142,000 | 2015 |
| Shenzhen | – | 44,000 | 2013 |
| Shenzhen | 1–4 | 1,283,430 | 2013 |
| Foshan | 4 | 156,042 | 2013 |
| Dongguan | 3 | 57,195 | 2012 |
| Dongguan | 2–3 | 95,627 | 2012 |
| Dongguan | 1–5 | 525,934 | 2013 |
| Dongguan | – | 120,531 | 2014 |
| Huizhou | 1–2 | 267,995 | 2013 |
| Huizhou | 3 | 178,712 | 2013 |
| Huizhou | – | 61,200 | 2013 |
| Huizhou | 1–4 | 731,487 | 2013 |
| Huizhou | 4–10 | 3,862,625 | 2013 |
| Zhuhai | 2–3 | 370,115 | 2013 |
| Zhuhai | 3–4 | 96,784 | 2013 |
| Chengdu | 5–6 | 292,685 | 2013 |
| Nanchong | 3–4 | 109,087 | 2013 |
| Shenyang | – | 292,331 | 2014 |
| Yingkou | 2–3 | 1,061,213 | 2013 |
| Yingkou | 2–3 | 639,400 | 2013 |
| Anshan | 2–3 | 1,243,745 | 2013 |
| Anshan | 1–3 | 926,868 | 2013 |
| Anshan | – | 76,200 | 2013 |
| Benxi | 2–5 | 224,685 | 2014 |
| Panjin | 1–2 | 380,092 | 2013 |
| Huludao | 2 | 1,050,972 | 2014 |
| Weifang | 1–4 | 246,704 | 2013 |
| Liaoyang | – | 256,975 | 2014 |
| Changsha | 3–4 | 1,039,829 | 2013 |
| Wuhan | 1–2 | 351,760 | 2013 |
| Zhuzhou | 3 | 137,146 | 2013 |
| Jiangyin | 2 | 75,678 | 2013 |
| Hangzhou | – | 70,877 | 2013 |

16,469,924

PROJECT PORTFOLIO



THE PEARL RIVER DELTA REGION – SHENZHEN

THE PEARL RIVER DELTA REGION – SHENZHEN

Shenzhen Kaisa Global Center (佳兆業環球中心)

Shenzhen Kaisa Global Center is located at Shennan Avenue in Futian District, Shenzhen. Shenzhen Science and Technology Museum, Pingan Bank Building, Shenzhen New City Plaza and the Shenzhen Metro are in the vicinity of this project. Shenzhen Kaisa Global Center occupies an aggregate site area of approximately 14,411 sq.m. with a total GFA of approximately 142,000 sq.m. Shenzhen Kaisa Global Center is expected to comprise one high-rise office building with retail space and public car parks.

Shenzhen Kaisa City Plaza (佳兆業城市廣場)

Shenzhen Kaisa City Plaza is an urban redevelopment project and is located at Banxuegang Avenue, Longgang District, Shenzhen. This project occupies an aggregate site area of approximately 321,824 sq.m. with a total GFA of approximately 1,283,430 sq.m. The project has currently obtained the final approval from the relevant department of Shenzhen Government and can be used for commercial and residential purposes. This project is expected to be a large scale integrated residential, commercial and hotel project, with a kindergarten, a nine year integrated curriculum school and other ancillary facilities. The project is divided into four phases and is expected to comprise 29 high-rise buildings.

PROJECT PORTFOLIO



THE PEARL RIVER DELTA REGION – SHENZHEN



THE PEARL RIVER DELTA REGION – HUIZHOU

THE PEARL RIVER DELTA REGION – HUIZHOU

Huizhou Kaisa Center(惠州佳兆業中心)

Huizhou Kaisa Center is located in Jiangbei, Huicheng District, Huizhou. It is in the vicinity of Huizhou Municipal Government building, sport stadium, exhibition center and Dongguan-Huizhou intercity rail transit which is under construction. 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 a residential-commercial integrated project which comprises primarily high-rise apartment buildings and commercial properties and will be one of the largest city complexes in Huizhou as well as South China region. The project is divided into three phases with residential properties, commercial properties, hotel and other ancillary facilities.

Huizhou Riverbank New Town (惠州東江新城)

Huizhou Riverbank New Town is located in Boluo County, Huizhou and adjacent to Binjiang Park. 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. This project is expected to be a residential-commercial integrated project, mainly comprising villas, townhouses, multi-level and high-rise residential, hotel and commercial ancillary properties. The project is expected to be divided into 10 phases.

PROJECT PORTFOLIO



THE PEARL RIVER DELTA REGION – DONGGUAN

**THE PEARL RIVER DELTA REGION –
DONGGUAN****Dongguan Oasis Town (東莞城市綠洲花園)**

Dongguan Oasis Town is located at Nancheng District, Dongguan and in the vicinity of the Nancheng District Government. This project occupies an aggregate site area of approximately 65,020 sq.m. with an expected total GFA of approximately 120,531 sq.m. This residential project is expected to be a commercial-residential complex which comprises 44 high-rise buildings.

Dongguan Le Grand Bleu (東莞碧海雲天花園)

Dongguan Le Grand Bleu is an urban redevelopment project and is located at Shatian Town, Dongguan, which is the intersection of east coast of Shiziyang of Pearl River Delta and river mouth of straight stream of Dongjiang. This project occupies an aggregate site area of approximately 239,061 sq.m. with an expected total GFA of approximately 525,934 sq.m. This project is expected to be a residential complex and is divided into five phases.



THE PEARL RIVER DELTA REGION – ZHUHAI



THE PEARL RIVER DELTA REGION – FOSHAN

THE PEARL RIVER DELTA REGION – ZHUHAI

Zhuhai Golden World (珠海御金山花園)

Zhuhai Golden World is located at Doumen District, Zhuhai and in the vicinity of famous tourist attractions such as Jintai Temple and Zhuhai Yu Hot Spring Resort. This project occupies an aggregate site area of approximately 192,711 sq.m. with an expected total GFA of approximately 256,305 sq.m. This project is expected to be a residential complex which comprises high-rise properties, townhouses, villa and ancillary facilities. The project is divided into four phases.

Zhuhai Lake View Waldorf Garden (珠海水岸華都花園)

Zhuhai Lake View Waldorf Garden is located at Wanzai, Xiangzhou District, Zhuhai, which is very close to the Customs of Wanzai, Zhuhai and Macau. This project occupies an aggregate site area of approximately 164,354 sq.m. with a total GFA of approximately 550,431 sq.m. This project is expected to be a residential complex comprising buildings and ancillary facilities.

THE PEARL RIVER DELTA REGION – GUANGZHOU

Guangzhou Monarch Residence (廣州君匯上品園)

Guangzhou Monarch Residence is located at Jiangnan Avenue Central, Haizhu District. This project occupies an aggregate site area of approximately 7,707 sq.m. with a total GFA of approximately 56,644 sq.m. This project is an integrated residential complex comprising high-rise apartment buildings and commercial facilities.

THE PEARL RIVER DELTA REGION – FOSHAN

Foshan Shunde Kaisa Golden World (佛山順德佳兆業金域天下)

Foshan Shunde Kaisa Golden World is located at Ronggui Town, Shunde District, Foshan. This project occupies an aggregate site area of approximately 197,584 sq.m. with an expected total GFA of approximately 493,961 sq.m. This project is expected to be a residential complex and is divided into four phases. The project is expected to comprises high-rise buildings and townhouses.

PROJECT PORTFOLIO



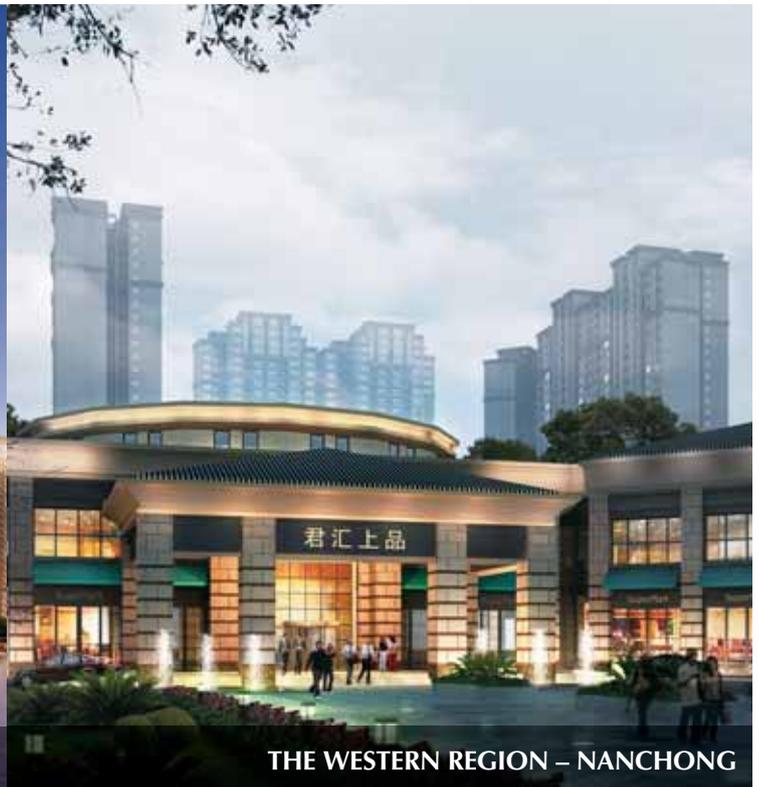
THE CENTRAL REGION – CHANGSHA

THE CENTRAL REGION – CHANGSHA**Changsha Lake View Place (長沙水岸新都)**

Changsha Lake View Place is located in Changsha County, Changsha. 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 stacked villa. This project is divided into four phases.



THE WESTERN REGION – CHENGDU



THE WESTERN REGION – NANCHONG

THE WESTERN REGION – CHENGDU

Chengdu Kaisa Monarch Residence (成都佳兆業君匯上品)

Chengdu Kaisa Monarch Residence 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 Monarch Residence is expected to be a residential project which comprises mainly high-rise apartment buildings. The project is also expected to include one clubhouse and a kindergarten and is divided into six phases.

Chengdu Modern Town (成都現代城)

Chengdu Modern Town is located in Shuangliu County, Chengdu. This project occupies an aggregate site area of approximately 133,269 sq.m. with an expected total GFA of approximately 365,813 sq.m. The project is expected to be developed as a residential-commercial complex and is divided into two phases.

THE WESTERN REGION – NANCHONG

Nanchong Monarch Residence (南充君匯上品)

Nanchong Monarch Residence is located at planned Wang Tian Ba Ecological Zone, Shunqing District, Nanchong. This project occupies an aggregate site area of approximately 188,246 sq.m. with a total GFA of approximately 474,261 sq.m. This project is expected to be a high-end residential project and is divided into three phases.

PROJECT PORTFOLIO



THE YANGTZE RIVER DELTA REGION – JIANGYIN

THE YANGTZE RIVER DELTA REGION – JIANGYIN

Jiangyin Kaisa Plaza (江陰佳兆業廣場)

Jiangyin Kaisa Plaza is located at Jiangyin, Jiangsu Province. This project occupies an aggregate site area of approximately 158,241 sq.m. with a total GFA of approximately 424,359 sq.m. Jiangyin Kaisa Plaza is a commercial-residential project comprising apartment, office buildings and a hotel. The project is expected to be divided into three phases.

Jiangyin Changjing Lake View Waldorf (江陰長溇水岸華府)

Jiangyin Changjing Lake View Waldorf is located at Changjing Town, Jiangyin. This project occupies an aggregate site area of approximately 93,275 sq.m. with an expected total GFA of approximately 141,329 sq.m. This project is expected to be a residential complex and is divided into two phases.

PROJECT PORTFOLIO



PAN-BOHAI BAY RIM – SHENYANG

PAN-BOHAI BAY RIM – SHENYANG

Shenyang Kaisa Center (瀋陽佳兆業中心)

Shenyang Kaisa Center is located in Qingnian Avenue, Shenhe District, Shenyang, which is at the core of Jinlang Commercial Circle. 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 apartment buildings, office buildings and commercial properties.



PAN-BOHAI BAY RIM – YINGKOU

PAN-BOHAI BAY RIM – YINGKOU

Yingkou Dragon Bay (營口龍灣)

Yingkou Dragon Bay is located at Laobian District, Yingkou. 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 villas and garden apartments. It is expected to be developed in three phases.

PROJECT PORTFOLIO



PAN-BOHAI BAY RIM – BENXI



PAN-BOHAI BAY RIM – BENXI

Benxi Lake View Place (本溪水岸新都)

Benxi Lake View Place is located at Mingshan District, Benxi. This project occupies an aggregate site area of approximately 122,200 sq.m, with an expected total GFA of approximately 356,824 sq.m. This project is expected to be a residential complex and is divided into five phases.

PROJECT PORTFOLIO



PAN-BOHAI BAY RIM – ANSHAN



PAN-BOHAI BAY RIM – HULUDAO

PAN-BOHAI BAY RIM – ANSHAN

Anshan Lake View Waldorf (鞍山水岸华府)

Anshan Lake View Waldorf is located at Lishan District, Anshan. 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 will primarily comprise apartments, low-rise and high-rise buildings, and will also include commercial properties such as office buildings, furnished apartments and commercial streets.

PAN-BOHAI BAY RIM – HULUDAO

Huludao Suizhong Kaisa Dongdaihe (葫蘆島綏中佳兆業東戴河)

Huludao Suizhong Kaisa Dongdaihe is located at Dongdaihe New Zone, Suizhong County, Huludao connecting the major routes between northern and northeast China and is in the vicinity of the scenic region of Shanhaiguan and occupies a quality coastline of 4km that enjoy a splendid natural environment. This project occupies an aggregate site area of approximately 853,773 sq.m. with an expected total GFA of approximately 1,165,293 sq.m. This project is expected to be a large scale residential-commercial complex and is divided into two phases.

DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN AND EXECUTIVE DIRECTORS

KWOK Ying Shing (郭英成)

Mr. Kwok, aged 47, 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 ancillary 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 assets. With this additional development model, we renovated and brought to market Shenzhen Kaisa Center, once a distressed and partially completed property in Shenzhen. Mr. Kwok is currently an executive vice president of Shenzhen Overseas Chinese International Association. 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 45, 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 48, is our Vice Chairman and was appointed as an executive Director on 17 November 2009. He has been a Vice Chairman of the Group since September 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 Kaisa Property (Shenzhen) Co., Ltd. and has held various positions within our Group, including senior vice president of our Group, deputy general manager of Kaisa Property (Shenzhen) Co., Ltd. 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 48, 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 in 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.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS *(Continued)***HUANG Chuanqi (黃傳奇)**

Dr. Huang, aged 47, was our Vice Chairman and was appointed as an executive Director and our president on 15 June 2010. He has resigned as an executive Director, president and Vice Chairman and has been appointed as a senior consultant of the Company with effect from 8 February 2012. Dr. Huang was 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 Université 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 40, has ceased to be a co-chief operating officer and has been appointed as the Vice Chairman of the Company with effect from 8 February 2012. He was appointed as our executive Director on 17 November 2009. Mr. Chen is primarily responsible for the Group's overall operation management. Mr. Chen has more than 11 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 Kaisa Property (Shenzhen) Co., Ltd. Mr. Chen completed the part-time programme of administrative management in Northeastern Normal University, China in February 2007.

JIN Zhigang (金志剛)

Mr. Jin, aged 35, is our chief executive officer and was appointed as an executive Director on 8 February 2012. He is primarily responsible for our operation management. Mr. Jin joined us in 2004 as sales and marketing director. From December 2002 to December 2004, Mr. Jin held various positions, including general manager of Sales Center in Shenzhen Large Industrial Corporation Limited. During the period from July 1999 to November 2002, he served in China Overseas Construction (Shenzhen) Co., Ltd as sales manager. Mr. Jin graduated from Department of International Economics and International Trade, School of Economics, Peking University and obtained a bachelor's degree in economics.

HAN Zhenjie (韓振捷)

Mr. Han, aged 44, 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 Group's design management of hotel and commercial projects. 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 11 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.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

ZHANG Yizhao (張儀昭)

Mr. Zhang, aged 41, 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 assisting some Chinese companies for their preparation of oversea listing, and an independent non-executive director of China Green Agriculture Inc. (NYSE Amex: CGA), China Education Alliance, Inc. (OTC QX: CEAI) and China Carbon Graphite Group (OTC BB: CHGI) respectively. Mr. Zhang has over 16 years of experience in accounting and internal control, corporate finance, and portfolio management. Previously, Mr. Zhang held senior positions in Universal Travel Group (NYSE: UTA), 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, the 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.

RAO Yong (饒永)

Mr. Rao, aged 53, 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 27 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. Mr. Rao has been a deputy to the 5th Shenzhen Municipal People's Congress, the vice president of Shenzhen Enterprise Confederation and Shenzhen Entrepreneur Association; and the vice president of Guangdong Provincial Institute of Certified Public Accountants since 2010.

FOK Hei Yu (霍義禹)

Mr. Fok, aged 42, 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. From 1997 to 2010, Mr. Fok was an executive director of Ferrier Hodgson, an international financial and restructuring advisory firm. He is a member of the Hong Kong Institute of Certified Public Accountants, the Australian Society of Certified Practising Accountants and the Hong Kong Institute of Directors. Mr. Fok graduated from Australian National University with a bachelor's degree in commerce in 1995. He is also a non-executive director of Delong Holdings Limited and Emerson Radio Corp, which is listed on SGX and NYSE respectively.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management members are Kwok Ying Shing, Kwok Ying Chi, Sun Yuenan, Tam Lai Ling, Chen Gengxian, Jin Zhigang, Han Zhenjie, Guo Huasu, Zhang Ji, Xing Tao, Gao Feng and Cheung Hung Kwong. Kwok Ying Shing, Kwok Ying Chi, Sun Yuenan, Tam Lai Ling, Chen Gengxian, Jin Zhigang 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 |
|------------------------|-----|---|
| GUO Huasu | 35 | vice president |
| ZHANG Ji | 39 | vice president |
| XING Tao | 47 | vice president |
| GAO Feng | 40 | vice president |
| CHEUNG Hung Kwong, Jim | 44 | chief financial officer and company secretary |

GUO Huasu (郭華蘇)

Mr. Guo, aged 35, was appointed as vice president of our Group in May 2011. Mr. Guo is primarily responsible for our capital management, operation planning and management, human resources and administration management. Mr. Guo joined us in 2007 as assistant to general manager. Prior to joining us, Mr. Guo served in Huabao International Holdings Ltd. and Feishang Group Ltd. and was primarily responsible for business development and investment management. Mr. Guo graduated from Finance and Banking Institute of China and obtained a bachelor’s degree of economics in 1999.

ZHANG Ji (張驥)

Mr. Zhang, aged 39, was appointed as vice president of our Group in September 2009. He is primarily responsible for our accounting and financial management. 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 47, 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 Jiangnan University.

GAO Feng (高峰)

Mr. Gao, aged 40, was appointed as vice president of our Group in September 2011. Mr. Gao is primarily responsible for our investment management. Mr. Gao joined us in September 2004. From July 2000 to October 2004, Mr. Gao served in Gemdale Property (Shanghai) Company as chairman and general manager. From October 1998 to July 2000, Mr. Gao served in Shenzhen Pengji Property Management Service Co., Ltd as manager. In 2009, Mr. Gao obtained an EMBA degree from Tongji University.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT *(Continued)*

CHEUNG Hung Kwong, Jim (張鴻光)

Mr. Cheung, aged 44, was appointed as chief financial officer of our Group in October 2009 and has been the company secretary and a joint authorised representative of our Company since November 2009. Mr. Cheung is primarily responsible for our corporate finance 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 17 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 PricewaterhouseCoopers. 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, Jim (張鴻光). See the paragraph headed "Senior Management" above for the description of Mr. Cheung's experience.

CORPORATE SOCIAL RESPONSIBILITY REPORT

All these years, Kaisa has been devoted to professional urban development operation. We engaged and participated in the urbanization in China, which turned suburban areas and redevelopment zones into comfortable, harmonious communities, further enhancing the living environment and values of the city, and at the same time contributing to the economic growth and social development of those places where our operations are located.

During our business development, Kaisa has always kept corporate social responsibility in mind and have been actively involved in charitable events through continuously making contribution to charitable deeds in educational, cultural, medical and environmental terms to fulfill its corporate social responsibilities. Meanwhile, Kaisa continued to enhance its customer services and actively assisted its employees to plan their career path and enhance their values.

Charity

In 2011, Kaisa actively participated in charitable events organized by different charitable organizations, including Shenzhen Red Cross, and made donation to various major charitable events such as “Guangdong Poverty Alleviation Day” (廣東扶貧濟困日), offering a helping hand to those in need.

While putting charity into practice, Kaisa actively promotes the development of charitable deeds. In May 2011, Kaisa promoted the establishment of “Shenzhen Kaisa Public Welfare Foundation” (深圳市佳兆業公益基金會), with an aim to sponsor outstanding charitable events and promote social equality and social harmony. The Shenzhen Kaisa Public Welfare Foundation is permitted to make donations to entities and individuals in need across China. Since its establishment, the Shenzhen Kaisa Public Welfare Foundation’s footprint has spanned across a number of subdistrict offices as well as neighboring regions of Shenzhen.

Education

To assist the redevelopment of school campuses in disaster-stricken areas, following the “Assistance Program for New Campuses in Yushu” (玉樹新校園援助計劃) in 2010, Kaisa commenced its “Rekindle of hopes – Yushu Education Caring Project” (重築希望•助學玉樹關愛計劃) in 2011. It also established the “Shenzhen Caring Action Foundation – Kaisa Yushu Education Fund” (深圳市關愛行動公益基金會•佳兆業玉樹助學基金) to sponsor poor students with outstanding conduct and academic achievements from the Boarding School of Haxiu Town (哈秀鄉中心寄宿學校) to resume their studies.

In addition, Kaisa made several donations to various education funds in 2011, assisting local outstanding students to complete their studies.

Culture

Kaisa sponsored Hong Kong Culture Association in its efforts to strengthen the cultural exchange between Hong Kong and external regions, including Mainland China and western countries.

While contributing to an enhanced diversity in culture in Greater China, Kaisa made donations to various Buddhist cultural bases such as Beijing Longquan Temple, Jiangxi Lushan Donglin Temple, Anhui Xuancheng Hongyuan Temple, and Dongguan Jin Sha Temple, with an aim to preserve Buddhist relics and promote Buddhism.



CORPORATE SOCIAL RESPONSIBILITY REPORT



Medical

In order to give help desperate medical workers, relieve and ease their workload and enhance their quality of living, Kaisa established the “Shenzhen Caring Action Foundation – Kaisa Medical Workers Caring Foundation” (深圳市關愛行動公益基金會•佳兆業白衣天使關愛基金) in conjunction with Shenzhen Caring Action Foundation, providing care and support to medical workers who are in need and making outstanding contributions to the society.

Green Building

The 26th Universiade was held in Shenzhen in 2011. In support of this international athletic event, which showcased Shenzhen’s achievement since China’s reform and opening-up policy and Shenzhen’s healthy image as a green city, Kaisa made donations to the relevant organizations in Shenzhen for tree planting and the city’s environmental improvement.

Staff Development

In 2011, Kaisa’s asset–turnover business model and geographical diversification strategy have provided a broad platform for the development for its staff.

Kaisa Group has formulated training programs for its employees at different development stages to match with the development of the Group and individuals. The Group believes that the training programs and preset improvement objectives will motivate its staffs to become more proactive in their work and thus taking themselves to a higher level, achieving personal growth and creating the future with the Group at the same time.



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 2011.

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 2011, 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 2011, our Board consisted of 10 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 president), Mr. CHEN Gengxian (co-chief operating officer) and Mr. HAN Zhenjie 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 was vested in the Board. Mr. KWOK Ying Shing is the brother of Mr. KWOK Ying Chi.

During the financial year ended 31 December 2011, 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 2011, the Board comprised 10 Directors, including seven 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 Executive Directors 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.

CORPORATE GOVERNANCE REPORT

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 2011.

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 separated and should not be performed by the same individual. For the year ended 31 December 2011, in order to reinforce their respective independence, accountability and responsibility, the roles of chairman and chief executive officer have been performed by Mr. KWOK Ying Shing and Dr. 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 A.2.2 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.

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 2011, all Independent Non-Executive Directors have confirmed their independence to the Company in accordance with rule 3.13 of the Listing Rules. The Company considers all Independent Non-Executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

CORPORATE GOVERNANCE REPORT

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 2011, 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 would have to be given for a regular board meeting to give all Directors an opportunity to attend. For all other board meetings, reasonable notice would have to be given.

21 board meetings were convened for the year ended 31 December 2011 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) | 21/21 |
| Mr. KWOK Ying Chi (vice chairman) | 21/21 |
| Mr. SUN Yuenan (vice chairman) | 21/21 |
| Dr. TAM Lai Ling (vice chairman) | 21/21 |
| Dr. HUANG Chuanqi (vice chairman and Chief Executive Officer) (resigned on 8 February 2012) | 21/21 |
| Mr. CHEN Gengxian (co-chief operating officer) | 21/21 |
| Mr. Han Zhenjie | 21/21 |
| Ms. JIN Jane (resigned on 11 February 2011) | 0/2 |
| Independent Non-Executive Directors | |
| Mr. ZHANG Yizhao | 21/21 |
| Mr. RAO Yong | 21/21 |
| Mr. FOK Hei Yu | 21/21 |

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 2011, it is considered that the Directors were well acknowledged to the business and the operation of the Group.

All Directors were provided with relevant materials relating to the matters in issue in advance before the meetings and had the opportunity to include matters in the agenda for board meetings. They could separately get access to the senior executives and the company secretary at all time and could 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 were kept by the company secretary of the meeting and such minutes were opened for inspection at any reasonable time on reasonable notice by any Director. Minutes of board meetings and meetings of board committees recorded 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.

CORPORATE GOVERNANCE REPORT

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 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 least 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, the Remuneration Committee and the 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.

Nomination Committee

The Nomination Committee is primarily responsible for considering and recommending 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 Nomination 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 comprised 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 2011, one meeting has been convened by the Nomination Committee, and members of the Nomination Committee have made recommendation to the Board in connection with the appointment of new Directors.

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2011, the Nomination Committee recorded an attendance rate of 100%. The attendance of each member is set out below:

Nomination Committee

| | |
|--------------------------------|-----|
| Mr. KWOK Ying Shing (chairman) | 1/1 |
| Mr. ZHANG Yizhao | 1/1 |
| Mr. RAO Yong | 1/1 |
| Mr. FOK Hei Yu | 1/1 |

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 comprised Mr. RAO Yong as chairman, Mr. ZHANG Yizhao and Mr. FOK Hei Yu as members. The Audit Committee has recommended to the Board the re-appointment of PricewaterhouseCoopers as the Company's external auditor for the financial year ending 31 December 2012 at the forthcoming Annual General Meeting ("AGM"). For the year ended 31 December 2011, two meetings have been convened by the Audit Committee.

In 2011, the Audit Committee recorded an attendance rate of 100%. The attendance of each member is set out below:

Audit Committee

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

Remuneration Committee

The Remuneration Committee is responsible for making recommendations on 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. For the year ended 31 December 2011, the Remuneration Committee comprised 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 26 to the consolidated financial statements.

For the year ended 31 December 2011, one meeting has been convened by the Remuneration Committee, and members of the Remuneration Committee have reviewed the remuneration package of the Directors.

CORPORATE GOVERNANCE REPORT

In 2011, the Remuneration Committee recorded an attendance rate of 100%. The attendance of each member is set out below:

Remuneration Committee

| | |
|--------------------------------|-----|
| Mr. KWOK Ying Shing (chairman) | 1/1 |
| Mr. ZHANG Yizhao | 1/1 |
| Mr. RAO Yong | 1/1 |
| Mr. FOK Hei Yu | 1/1 |

(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 73 of the "Independent Auditor's Report" in this annual report.

External Auditor's Remuneration

For the year ended 31 December 2011, 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 RMB4.5 million and RMB1.2 million, respectively.

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 publication 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 which 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 conducting a poll and then answer any questions from shareholders regarding voting by way of a poll.

As at 31 December 2011, 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 2011.

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 2011 are set out in the consolidated statement of comprehensive income on page 77 in this annual report.

DIVIDENDS

The Board of Directors does not recommend the payment of any dividends for the year ended 31 December 2011.

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 2011, the distributable reserves of the Company amounted to approximately RMB538,098,000 (31 December 2010: RMB847,335,000).

SENIOR NOTES

On 28 April 2010, the Company issued senior notes due 2015 in the principal amount of US\$350 million at a coupon rate of 13.5% per annum for the purpose of, among others, debt prepayment, financing property projects and for general corporate use. On 14 June 2011, the Company issued additional 13.5% senior notes due 2015 in the aggregate principal amount of US\$300 million (collectively, the "Senior Notes") for the purpose of financing the acquisition of the new land bank in the PRC and real estate projects.

On 29 August 2011, the Company repurchased from open market an aggregate amount of US\$2 million of the Senior Notes. The repurchased Senior Notes were subsequently cancelled.

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 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 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CHARITABLE DONATIONS

The charitable donations made by the Group during the year amounted to RMB14.5 million (2010: RMB15.9 million).

REPORT OF THE DIRECTORS

DIRECTORS

During the year ended 31 December 2011 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

Dr. HUANG Chuanqi (resigned on 8 February 2012)

Mr. CHEN Gengxian

Mr. HAN Zhenjie

Ms. JIN Jane (resigned on 11 February 2011)

Mr. JIN Zhigang (appointed on 8 February 2012)

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, Mr. SUN Yuenan, Dr. TAM Lai Ling and Mr. ZHANG Yizhao 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 Article of Association, Mr. JIN Zhigang 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 to be independent.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Biography of Directors and senior management are set out on pages 44 to 48.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors (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 redesignated as Executive Directors of the Company on 17 November 2009. Each of the Independent Non-Executive Directors 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 subject to re-election at the Company's general meeting, and such letter of appointment could be terminated 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

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(s)") 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. For the year ended 31 December 2011, none of the options was exercised or cancelled, and 4,350,000 options were lapsed. As at 31 December 2011, a total of 23,397,000 options were exercisable. The summary below set out the details of options granted pursuant to the Pre-IPO Share Option Scheme:

| Grantee | Balance as of 1 January 2011 | Grant during the year | Exercised during the year | Lapsed during the year | Balance as of 31 December 2011 |
|-------------------------|---------------------------------------|-----------------------------|---------------------------------|------------------------------|---|
| 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 (Note 2) | 1,750,000 | — | — | (1,750,000) | — |
| JIN Zhigang (Note 4) | 1,900,000 | — | — | — | 1,900,000 |
| ZHANG Yizhao | 500,000 | — | — | — | 500,000 |
| RAO Yong | 500,000 | — | — | — | 500,000 |
| FOK Hei Yu | 750,000 | — | — | — | 750,000 |
| Other Employee (Note 3) | 26,800,000 | — | — | (2,600,000) | 24,200,000 |
| Total | 39,800,000 | — | — | (4,350,000) | 35,450,000 |

Note:

- (1) 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 ended 31 December 2009 and ending on 8 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 ended 31 December 2010 and ending on 8 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 ended 31 December 2011 and ending on 8 December 2012.
- (2) Ms. JIN Jane resigned as an executive Director of the Company with effect from 11 February 2011.
- (3) Certain senior management and employees of the Company resigned during the year ended 31 December 2011.
- (4) Mr. JIN Zhigang was appointed as an executive Director of the Company with effect from 8 February 2012.

REPORT OF THE DIRECTORS

(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 follows:

(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 2011, a total of 204,750,000 options were granted under the Share Option Scheme. For the year ended 31 December 2011, 720,000 options was exercised and no options was cancelled, a total of 17,080,000 options was lapsed. The number of options available for issue under the Share Option Scheme is 325,630,000 as at 31 December 2011. No share options were granted in 2011 up to the 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.

(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.

REPORT OF THE DIRECTORS

(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 2011 pursuant to the Share Option Scheme:

| Grantee | Balance as of 1 January 2011 | Grant during the year | Exercised during the year | Lapsed during the year | Balance as of 31 December 2011 |
|----------------|---------------------------------------|-----------------------------|---------------------------------|------------------------------|---|
| 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) | – |
| JIN Zhigang | 4,500,000 | – | – | – | 4,500,000 |
| ZHANG Yizhao | 500,000 | – | – | – | 500,000 |
| RAO Yong | 500,000 | – | – | – | 500,000 |
| FOK Hei Yu | 750,000 | – | – | – | 750,000 |
| Other Employee | 109,200,000 | – | (720,000) | (14,080,000) | 94,400,000 |
| Total | 191,450,000 | – | (720,000) | (17,080,000) | 173,650,000 |

As at 31 December 2011, a total of 46,230,000 options were exercisable.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2011, 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 (Note 1) | Capacity | Family interest (Note 2) | Underlying Shares (under equity derivatives of the Company) (Note 3) | Total | Approximate percentage of the issued share capital of the Company (Note 4) (%) |
|------------------------------|---|--------------------------------|---|---------------|--|
| KWOK Ying Shing | Settlor/Beneficiary of the Kwok Family Trust | 3,058,198,701 | – | 3,058,198,701 | 62.35 |
| KWOK Ying Chi | Settlor/Beneficiary of the Kwok Family Trust | 3,058,198,701 | – | 3,058,198,701 | 62.35 |
| 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 |
| 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) As at 31 December 2011, Mr. JIN Zhigang held 1,900,000 options under the Pre-IPO Share Option Scheme and 4,500,000 options under the Share Option Scheme. He was appointed as a Director on 8 February 2012.
- (2) 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".
- (3) These shares refer to the Shares underlying options that have been granted under the Pre-IPO Share Option Scheme and/or Share Option Scheme.
- (4) As at 31 December 2011, the number of Shares in issue was 4,905,390,000.

REPORT OF THE DIRECTORS

(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.

REPORT OF THE DIRECTORS

(iii) Long positions in the Senior Notes

| Name of Director | Capacity | As at 1 January 2011 | Purchased during the year | Disposed during the year | As at 31 December 2011 | Approximate percentage of the issued debentures (%) |
|------------------------|---|----------------------|---------------------------|--------------------------|------------------------|---|
| KWOK Ying Shing | Interest in a controlled corporation (Note 1) | – | USD3,800,000 | – | USD3,800,000 | 0.59 |
| KWOK Ying Chi (Note 1) | Interest in a controlled corporation (Note 1) | – | USD3,800,000 | – | USD3,800,000 | 0.59 |
| TAM Lai Ling (Note 2) | Interest with another person | USD1,500,000 | | (USD1,500,000) | – | – |

Note:

1. Mr. KWOK Ying Shing and Mr. KWOK Ying Chi, both are Directors, held the debentures through Fullbright Securities Limited in which they held equity interest. Both Mr. Kwok Ying Shing and Mr. Kwok Ying Chi held equity interests in the Company through the Kwok Family Trust.
2. Dr. TAM Lai Ling was holding the debentures jointly with his spouse, Ms. CHU Yan Yan.

Save as disclosed above, as at 31 December 2011, none of the Directors knew 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, 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 the Directors or their spouse or their 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 2011.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at 31 December 2011, 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 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 2011, so far as the Directors were 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 | 1,000,307,622 (L) (Note 2 & 16) | 20.40 (L) |
| Da Feng | Beneficial owner | Corporation | 1,035,026,457 (L) (Note 2 & 16) | 21.10 (L) |
| Da Zheng | Beneficial owner | Corporation | 1,022,864,622 (L) (Note 2 & 16) | 20.85 (L) |
| Chang Yu | Interest in a controlled corporation | Corporation | 3,058,198,701 (L) (Note 2 & 16) | 62.35 (L) |
| Good Health | Interest in a controlled corporation | Corporation | 3,058,198,701 (L) (Note 2, 3 & 16) | 62.35 (L) |
| Credit Suisse Trust Limited | Interest in a controlled corporation | Corporation | 3,058,198,701 (L) (Note 4 & 16) | 62.35 (L) |
| Kwok Chun Wai | Settlor/Beneficiary of the Kwok Family Trust | Family Trust | 3,058,198,701 (L) (Note 4 & 16) | 62.35 (L) |
| TC Group Cayman Investment Holdings, L.P. | Interest in a controlled corporation | Corporation | 431,309,914 (L) (Note 5, 6 & 16) | 8.79 (L) |
| TCG Holdings Cayman II, L.P. | Interest in a controlled corporation | Corporation | 431,309,914 (L) (Note 5, 6 & 16) | 8.79 (L) |
| Credit Suisse (Hong Kong) Limited | Interest in a controlled corporation | Corporation | 300,000,000 (L) 150,000,000 (S) (Note 7 & 17) | 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 7 & 17) | 6.00 (L) 3.00 (S) |
| Credit Suisse AG | Interest in a controlled corporation | Corporation | 4,107,726,245 (L) 865,688,491 (S) (Note 7, 15 & 17) | 82.15 (L) 17.31 (S) |
| Carlyle Asia Real Estate GP, L.P. | Interest in a controlled corporation | Corporation | 258,785,949 (L) (Note 9, 10 & 16) | 5.28 (L) |

REPORT OF THE DIRECTORS

| Name of substantial shareholder | Capacity | Type of interests | Number of shares (Note 1) | Approximate percentage of the issued share capital of the Company (%) |
|---|--------------------------------------|-------------------|--|---|
| Carlyle Asia Real Estate II GP, L.P. | Interest in a controlled corporation | Corporation | 258,785,949 (L) (Note 8 & 16) | 5.28 (L) |
| Carlyle Asia Real Estate II, Ltd. | Interest in a controlled corporation | Corporation | 258,785,949 (L) (Note 8 & 16) | 5.28 (L) |
| Carlyle Asia Real Estate Partners, L.P. | Interest in a controlled corporation | Corporation | 258,785,949 (L) (Note 9 & 16) | 5.28 (L) |
| Carlyle Asia Real Estate, Ltd. | Interest in a controlled corporation | Corporation | 258,785,949 (L) (Note 9 & 16) | 5.28 (L) |
| Carlyle Offshore Partners II, Ltd. | Interest in a controlled corporation | Corporation | 431,309,914 (L) (Note 10 & 16) | 8.79 (L) |
| Credit Suisse Holdings (USA), Inc. | Interest in a controlled corporation | Corporation | 3,791,570,651 (L) 715,688,491 (S) (Note 11, 15 & 17) | 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) (Note 11, 15 & 17) | 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) (Note 11, 15 & 17) | 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) (Note 12, 15 & 17) | 75.83 (L) 14.31 (S) |
| DLJ Real Estate Capital IV, L.P. | Interest in a controlled corporation | Corporation | 3,791,570,651 (L) 715,688,491 (S) (Note 12, 15 & 17) | 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) (Note 12, 15 & 17) | 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) (Note 12, 14, 15 & 17) | 75.83 (L) 14.31 (S) |
| Longhill Holding Company Ltd. | Interest in a controlled corporation | Corporation | 258,785,949 (L) (Note 13 & 16) | 5.28 (L) |

REPORT OF THE DIRECTORS

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. 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.
6. 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.
7. 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.
8. 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.
9. 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.
10. Carlyle Offshore Partners II, Ltd. wholly-owned TCG Holdings Cayman II, L.P., which in turn wholly-owned TC Group Cayman Investment Holdings, L.P., which wholly-owned CAGP Ltd.
11. 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.
12. 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.
13. Longhill Holding Company Ltd., an investment holding company incorporated under the laws of the Cayman Islands, is an affiliated entity of Carlyle Asia Real Estate Partners, L.P. and Carlyle Asia Real Estate Partners II, L.P.
14. 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.
15. 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.
16. The percentage has been calculated based on 4,905,390,000 Shares in issue as at 31 December 2011.
17. The percentage has been calculated based on 5,000,000,000 Shares in issue as at 31 December 2009.

REPORT OF THE DIRECTORS

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes as set out in note 35 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 2011.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(i) Connected Transaction

On 21 November 2011, Shenzhen Zhaoruijing Commerce Operation Management Co., Ltd. ("Zhaoruijing"), an indirect wholly-owned subsidiary of the Company, Mr. Zhan Qiongmeng ("Mr. Zhan") and Ms. Zhan Huihua ("Ms. Zhan") entered into a sale and purchase agreement, pursuant to which Mr. Zhan agreed to sell a 60% equity interest in the registered capital of 深圳市嘉美倫餐飲有限公司 ("Jia Meilun") to Zhaoruijing for a consideration of RMB600,000 and Ms. Zhan agreed to sell a 40% equity interest in the registered capital of Jia Meilun to Zhaoruijing for a consideration of RMB400,000 (the "Acquisition").

Mr. Zhan is the brother-in-law of Mr. Kwok Ying Chi, and Ms. Zhan is the sister-in-law of Mr. Kwok Ying Chi. Mr. Zhan and Ms. Zhan are associates of Mr. Kwok Ying Shing and Mr. Kwok Ying Chi, and therefore, the Acquisition constitutes a connected transaction of the Company under the Listing Rules.

As the highest of all applicable percentage ratios in respect of the Acquisition is less than 0.1%, the Acquisition is a *de minimis* transaction under Chapter 14A of the Listing Rules and will be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. There are no other transactions in the past 12 months which require aggregation under the Listing Rules.

(ii) Continuing Connected Transaction

Significant related party transactions entered by the Group for the year ended 31 December 2011 are set out in notes 37 to the consolidated financial statements, which are in compliance with the requirements of the Listing Rules.

REPORT OF THE DIRECTORS

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 26 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 35 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers and sold less than 30% of its goods and services to its 5 largest customers.

At no time during the year ended 31 December 2011 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 2011.

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.

REPORT OF THE DIRECTORS

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, 19 March 2012

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

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 74 to 149, which comprise the consolidated and company balance sheets as at 31 December 2011, 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 information.

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 Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements 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 about whether the consolidated 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 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 2011, 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, 19 March 2012

CONSOLIDATED BALANCE SHEET

As at 31 December 2011

| | Note | 2011 RMB'000 | 2010 RMB'000 |
|---|------|-------------------|-----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 6 | 148,725 | 106,140 |
| Investment properties | 7 | 6,375,100 | 5,484,000 |
| Land use rights | 8 | 20,603 | 18,379 |
| Investment in an associate | 9 | 298,979 | 299,521 |
| Deferred income tax assets | 20 | 105,601 | 75,075 |
| | | 6,949,008 | 5,983,115 |
| Current assets | | | |
| Properties under development | 11 | 22,159,585 | 10,521,175 |
| Completed properties held for sale | 12 | 1,342,662 | 603,321 |
| Debtors, deposits and other receivables | 13 | 3,697,460 | 2,482,284 |
| Prepayments for proposed development projects | 14 | 2,915,684 | 1,827,183 |
| Prepaid taxes | | 153,891 | 135,797 |
| Restricted cash | 15 | 541,030 | 530,067 |
| Cash and cash equivalents | 16 | 3,945,389 | 4,339,600 |
| | | 34,755,701 | 20,439,427 |
| Total assets | | 41,704,709 | 26,422,542 |
| EQUITY | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | 17 | 432,210 | 432,150 |
| Share premium | 17 | 3,816,563 | 3,815,214 |
| Reserves | 18 | 7,692,893 | 5,741,093 |
| | | 11,941,666 | 9,988,457 |
| Non-controlling interests | | 7,786 | 4,936 |
| Total equity | | 11,949,452 | 9,993,393 |

CONSOLIDATED BALANCE SHEET

As at 31 December 2011

| | Note | 2011 RMB'000 | 2010 RMB'000 |
|--|------|-------------------|-----------------|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 19 | 11,577,305 | 6,175,664 |
| Deferred income tax liabilities | 20 | 1,079,415 | 971,237 |
| | | 12,656,720 | 7,146,901 |
| Current liabilities | | | |
| Advance proceeds received from customers | | 7,241,863 | 4,494,353 |
| Accrued construction costs | | 5,274,097 | 1,325,983 |
| Income tax payable | | 989,100 | 866,390 |
| Borrowings | 19 | 2,067,186 | 1,751,708 |
| Other payables | 21 | 1,522,814 | 806,337 |
| Amount due to non-controlling interest of a subsidiary | | 3,477 | 37,477 |
| | | 17,098,537 | 9,282,248 |
| Total liabilities | | 29,755,257 | 16,429,149 |
| Total equity and liabilities | | 41,704,709 | 26,422,542 |
| Net current assets | | 17,657,164 | 11,157,179 |
| Total assets less current liabilities | | 24,606,172 | 17,140,294 |

The notes on pages 80 to 149 are an integral part of these financial statements.

The financial statements on pages 74 to 149 were approved by the Board of Directors on 19 March 2012 and were signed on its behalf.

Director

Director

BALANCE SHEET

As at 31 December 2011

| | Note | 2011 RMB'000 | 2010 RMB'000 |
|--|------|-------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Subsidiaries | 10 | 11,890,875 | 79,001 |
| Current assets | | | |
| Debtors, deposits and other receivables | 13 | 2,213 | 1,896 |
| Due from a subsidiary | 10 | – | 7,923,183 |
| Cash and cash equivalents | 16 | 510,450 | 957,157 |
| | | 512,663 | 8,882,236 |
| Total assets | | 12,403,538 | 8,961,237 |
| EQUITY | | | |
| Share capital | 17 | 432,210 | 432,150 |
| Share premium | 17 | 3,816,563 | 3,815,214 |
| Reserves | 18 | 888,762 | 1,147,153 |
| Total equity | | 5,137,535 | 5,394,517 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 19 | 7,256,105 | 3,557,379 |
| | | 7,256,105 | 3,557,379 |
| Current liabilities | | | |
| Other payables | 21 | 9,898 | 9,341 |
| Total liabilities | | 7,266,003 | 3,566,720 |
| Total equity and liabilities | | 12,403,538 | 8,961,237 |
| Net current assets | | 502,765 | 8,872,895 |
| Total assets less current liabilities | | 12,393,640 | 8,951,896 |

The notes on pages 80 to 149 are an integral part of these financial statements.

The financial statements on pages 74 to 149 were approved by the Board of Directors on 19 March 2012 and were signed on its behalf.

Director

Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

| | Note | 2011 RMB'000 | 2010 RMB'000 |
|--|------|--------------------|-----------------|
| Revenue | 5 | 10,834,726 | 7,755,890 |
| Cost of sales | 23 | (7,601,182) | (4,745,012) |
| Gross profit | | 3,233,544 | 3,010,878 |
| Other gains | 22 | 43,309 | 5,962 |
| Selling and marketing costs | 23 | (404,841) | (183,308) |
| Administrative expenses | 23 | (565,048) | (411,155) |
| Change in fair value of investment properties | 7 | 432,712 | 2,970,144 |
| Operating profit | | 2,739,676 | 5,392,521 |
| Share of result from an associate | 9 | (542) | (479) |
| Finance income/(costs) – net | | 85,834 | (45,842) |
| Profit before income tax | | 2,824,968 | 5,346,200 |
| Income tax expenses | 27 | (925,690) | (1,709,544) |
| Profit and total comprehensive income for the year | | 1,899,278 | 3,636,656 |
| Profit attributable to: | | | |
| Equity holders of the Company | | 1,900,954 | 3,636,699 |
| Non-controlling interests | | (1,676) | (43) |
| | | 1,899,278 | 3,636,656 |
| Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share) | 28 | | |
| – Basic | | 0.388 | 0.738 |
| – Diluted | | 0.372 | 0.736 |

The notes on pages 80 to 149 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

| | Capital and reserves attributable to equity holders of the Company | | | | Non-controlling interests RMB'000 | Total equity RMB'000 |
|--|--|----------------------|----------------------|-------------------|--------------------------------------|-------------------------|
| | Share capital | Share premium | Reserves | Total | | |
| | RMB'000 (note 17) | RMB'000 (note 17) | RMB'000 (note 18) | RMB'000 | | |
| Balance as at 1 January 2010 | 440,550 | 4,024,775 | 2,203,702 | 6,669,027 | (40,494) | 6,628,533 |
| Total comprehensive income for the year | – | – | 3,636,699 | 3,636,699 | (43) | 3,636,656 |
| Transactions with owners in their capacity as 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(a)) | (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 |
| Balance as at 1 January 2011 | 432,150 | 3,815,214 | 5,741,093 | 9,988,457 | 4,936 | 9,993,393 |
| Total comprehensive income for the year | – | – | 1,900,954 | 1,900,954 | (1,676) | 1,899,278 |
| Transactions with owners in their capacity as owners: | | | | | | |
| Capital injection by non-controlling interests | – | – | – | – | 26 | 26 |
| Partial disposal of a subsidiary (note 34(a)) | – | – | – | – | 4,500 | 4,500 |
| Exercise of share options (note 17(b)) | 60 | 1,349 | (211) | 1,198 | – | 1,198 |
| Share-based payments | – | – | 51,057 | 51,057 | – | 51,057 |
| Balances as at 31 December 2011 | 432,210 | 3,816,563 | 7,692,893 | 11,941,666 | 7,786 | 11,949,452 |

The notes on pages 80 to 149 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011

| | Note | 2011 RMB'000 | 2010 RMB'000 |
|---|-------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Cash (used in)/generated from operations | 29 | (2,210,711) | 1,910,006 |
| Income tax paid | | (743,422) | (454,266) |
| Interest paid | | (1,095,597) | (228,853) |
| Net cash (used in)/generated from operating activities | | (4,049,730) | 1,226,887 |
| Cash flows from investing activities | | | |
| Purchase of property and equipment | | (69,749) | (33,821) |
| Additions to investment properties | | (473,188) | – |
| Acquisition of subsidiaries, net of cash acquired | 33(b) | (1,170,407) | (967,599) |
| Acquisition of additional interest in a subsidiary | 33(a) | – | (265,169) |
| Investment in an associate | | – | (265,000) |
| Payment for consideration payable related to purchase of subsidiaries | | (303,398) | (77,084) |
| Proceeds from partial disposal of interest in a subsidiary | 34(a) | 4,500 | – |
| Proceeds from disposal of property and equipment | 29 | 181 | – |
| Repurchase of Senior Notes | 19(a) | (11,390) | – |
| Interest received | | 20,959 | 11,031 |
| Net cash used in investing activities | | (2,002,492) | (1,597,642) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 5,652,251 | 2,619,027 |
| Repayments of borrowings | | (3,633,859) | (4,110,912) |
| Repurchase of ordinary shares | | – | (217,961) |
| Repayment of loan with detachable warrants | | – | (682,820) |
| Proceeds from issuance of Senior Notes | 19(a) | 1,780,785 | 2,333,507 |
| Proceeds from issuance of convertible bonds | 19(b) | – | 1,452,791 |
| Proceeds from issuance of senior bonds | 19(c) | 1,911,737 | – |
| Capital injection by non-controlling interests | | 26 | – |
| Proceeds from exercise of share options | 17(b) | 1,198 | – |
| Net cash generated from financing activities | | 5,712,138 | 1,393,632 |
| Net (decrease)/increase in cash and cash equivalents | | (340,084) | 1,022,877 |
| Cash and cash equivalents at beginning of year | | 4,339,600 | 3,344,453 |
| Exchange adjustments | | (54,127) | (27,730) |
| Cash and cash equivalents at end of year | 16 | 3,945,389 | 4,339,600 |

The notes on pages 80 to 149 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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.

The Company’s shares are listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements were approved by the Board of Directors of the Company for issue on 19 March 2012.

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

The adoption of new/revised HKFRSs

i. Adoption of revised standards, amendments and interpretations

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011 and are relevant to the Group’s operations.

- HKAS 24 (Revised), “Related Party Disclosures”
- Improvement to HKFRSs 2010

The adoption of the above revised standards, amendments and interpretations had no material financial impact on the consolidated financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(a) Basis of preparation** *(Continued)***The adoption of new/revised HKFRSs** *(Continued)**ii. Standards, amendments and interpretations which are not yet effective*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2012, but the Group has not early adopted them:

| | Applicable for accounting periods beginning on/after |
|--|---|
| Amendments to HKAS 1 (revised), 'Presentation of financial statements – presentation of items of other comprehensive income' | 1 July 2012 |
| HKAS 19 (2011), 'Employee benefits' | 1 January 2013 |
| HKAS 27 (2011), 'Separate financial statements' | 1 January 2013 |
| HKAS 28 (2011), 'Investments in associates and joint ventures' | 1 January 2013 |
| HKAS 32 (amendment), 'Offsetting financial assets and financial liabilities' | 1 January 2014 |
| HKFRS 7 (amendment), 'Disclosures – Transfers of financial assets' | 1 July 2011 |
| HKFRS 7 (amendment), 'Disclosures – offsetting financial assets and financial liabilities' | 1 January 2013 |
| HKFRS 9, 'Financial instruments' | 1 January 2015 |
| HKFRS 10, 'Consolidated financial statements' | 1 January 2013 |
| HKFRS 11, 'Joint arrangements' | 1 January 2013 |
| HKFRS 12, 'Disclosure of interests in other entities' | 1 January 2013 |
| HKFRS 13, 'Fair value measurement' | 1 January 2013 |

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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation

Subsidiaries are all entities (including special purpose 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 Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

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.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(b) Consolidation** *(Continued)***(ii) Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of 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.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, 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, joint venture 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.

(iv) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary 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.

(c) 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. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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 is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to 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 legal or constructive obligations or made payments on behalf of the associate.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) **Associates** *(Continued)*

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are 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 the income statement.

(d) **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.

(e) **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 or valuation where items are re-measured. 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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'.

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 other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(e) 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.

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. Exchange differences arising are recognised in equity.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or jointly controlled entities that do not result in the group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(f) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) 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.

(h) 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(h) 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 it 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) 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.

(j) 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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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 carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment 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 the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(k) 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.

(l) 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.

(m) Trade and other receivables

Trade receivables are amounts due from customers for properties 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(p) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the company.

(q) 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.

(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 and Senior Secured Guaranteed Bonds

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

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) **Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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, 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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

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 performance vesting conditions. Non-market performance 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 based on the non-market performance vesting conditions. 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 grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(x) Provisions, contingent liabilities and contingent assets** *(Continued)*

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.

(y) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services, stated net of discounts, returns and value added tax, 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 installments 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

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

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 and an associate and bank borrowing. 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 factors

(i) Market risk

(1) Foreign currency exchange risk

The Group

The Group's businesses are principally conducted in RMB, except that 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 2011, 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 RMB202,542,000 higher/lower (2010: RMB17,105,000, higher/lower), 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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(i) Market risk *(Continued)*

(1) Foreign currency exchange risk *(Continued)*

The Company

As at 31 December 2011, 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 RMB165,931,000 lower/higher (2010: RMB65,269,000, 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, Senior Notes and Senior Secured Guaranteed Bonds. Bank deposits and bank borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Convertible Bonds, Senior Notes and Senior Secured Guaranteed Bonds 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 2011, 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 RMB28,460,000 higher/lower (2010: RMB28,480,000 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 2011, 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 RMB4,526,000 higher/lower (2010: RMB8,908,000 higher/lower).

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)***(a) Financial risk factors** *(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 reporting 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 state-owned financial institutions and reputable banks with high credit rankings.

The Group has arranged bank financing for certain purchasers of property units for an amount up to 70% of the total purchase price of the property, 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

3 FINANCIAL RISK MANAGEMENT *(Continued)***(a) Financial risk factors** *(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 RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | Over 5 years RMB'000 | Total RMB'000 |
|---|--------------------------------|-------------------------------------|-------------------------------------|-------------------------|-------------------|
| At 31 December 2011 | | | | | |
| Borrowings | 3,756,535 | 2,732,236 | 10,949,001 | 776,450 | 18,214,222 |
| Accrued construction costs | 5,274,097 | – | – | – | 5,274,097 |
| Other payables | 1,522,814 | – | – | – | 1,522,814 |
| Amount due to non-controlling interest of a subsidiary | 3,477 | – | – | – | 3,477 |
| Total | 10,556,923 | 2,732,236 | 10,949,001 | 776,450 | 25,014,610 |
| 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 |

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)**(a) Financial risk factors (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 2011 | | | | |
| Borrowings | 810,129 | 810,129 | 8,522,620 | 10,142,878 |
| Other payables | 9,898 | – | – | 9,898 |
| Total | 820,027 | 810,129 | 8,522,620 | 10,152,776 |
| 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 |

(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 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 and restricted cash. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Capital risk management *(Continued)*

The gearing ratios of the Group at 31 December 2011 and 2010 were as follows:

| | 2011 RMB'000 | 2010 RMB'000 |
|--|-----------------|-----------------|
| Total borrowings (note 19) | 13,644,491 | 7,927,372 |
| Less: cash at bank and in hand (note 16) | (4,486,419) | (4,869,667) |
| Net debt | 9,158,072 | 3,057,705 |
| Total equity | 11,949,452 | 9,993,393 |
| Gearing ratio | 76.6% | 30.6% |

The increase in the gearing ratio during 2011 resulted primarily from the increase in properties under development.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)***(b) Provision for properties under development and completed properties held for sale**

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 judgment and estimates.

Based on management's best estimates, there is no material impairment for properties under development and completed properties held for sale as at 31 December 2011.

(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.

(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 RMB344,426,000.

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

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:

| | 2011 RMB'000 | 2010 RMB'000 |
|--------------------------------------|-------------------|-----------------|
| Sales of properties | | |
| – Completed properties held for sale | 10,065,614 | 5,630,783 |
| – Properties under development | 510,000 | 1,900,000 |
| Rental income | 151,024 | 119,517 |
| Property management services | 108,088 | 105,590 |
| | 10,834,726 | 7,755,890 |

NOTES TO THE FINANCIAL STATEMENTS

5 SEGMENT INFORMATION *(Continued)*

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2011 is as follows:

| | Property development RMB'000 | Property investment RMB'000 | Property Management RMB'000 | Others RMB'000 | Total RMB'000 |
|--|------------------------------------|-----------------------------------|-----------------------------------|-------------------|------------------|
| Revenue | 10,575,614 | 151,024 | 108,088 | – | 10,834,726 |
| Segment results before change in fair value of investment properties | 2,857,963 | 23,382 | 17,850 | (592,231) | 2,306,964 |
| Change in fair value of investment properties | – | 432,712 | – | – | 432,712 |
| Segment results | 2,857,963 | 456,094 | 17,850 | (592,231) | 2,739,676 |
| Share of result from an associate | (542) | – | – | – | (542) |
| Finance income – net | | | | | 85,834 |
| Profit before income tax | | | | | 2,824,968 |
| Income tax expenses | | | | | (925,690) |
| Profit for the year | | | | | 1,899,278 |
| Other information: | | | | | |
| Depreciation (note 6) | 16,600 | 3,325 | 3,135 | 7,149 | 30,209 |
| Amortisation of land use right (note 8) | 791 | – | – | – | 791 |

| | Property development RMB'000 | Property investment RMB'000 | Property management RMB'000 | Others RMB'000 | Elimination RMB'000 | Total RMB'000 |
|---|------------------------------------|-----------------------------------|-----------------------------------|-------------------|------------------------|------------------|
| Segment assets | 60,837,718 | 6,941,867 | 1,253,851 | 48,748,768 | (76,635,966) | 41,146,238 |
| Investment in an associate | 298,979 | – | – | – | – | 298,979 |
| Unallocated | | | | | | 259,492 |
| Total assets | | | | | | 41,704,709 |
| Segment liabilities | 37,640,296 | 2,345,156 | 305,219 | 33,145,451 | (59,393,871) | 14,042,251 |
| Unallocated | | | | | | 15,713,006 |
| Total liabilities | | | | | | 29,755,257 |
| Other information: | | | | | | |
| Capital expenditure (notes 6, 7 and 8) | 31,174 | 488,828 | 11,634 | 15,612 | – | 547,248 |

NOTES TO THE FINANCIAL STATEMENTS

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 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 sales | 155,000 | – | – | – | 155,000 |

NOTES TO THE FINANCIAL STATEMENTS

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 |

No inter-segment transfers or transactions are entered during the years ended 31 December 2011 and 2010.

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 investment in an associate, deferred income tax assets and prepaid taxes.

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

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

6 PROPERTY AND EQUIPMENT

| | Buildings RMB'000 | Motor vehicles RMB'000 | Furniture, fitting and equipment RMB'000 | Total RMB'000 |
|---------------------------------------|----------------------|---------------------------|--|------------------|
| At 1 January 2010 | | | | |
| 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 33) | – | – | 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

6 PROPERTY AND EQUIPMENT *(Continued)*

| | Buildings RMB'000 | Motor vehicles RMB'000 | Furniture, fitting and equipment RMB'000 | Total RMB'000 |
|---|----------------------|---------------------------|--|------------------|
| Year ended 31 December 2011 | | | | |
| Opening net book amount | 50,472 | 18,091 | 37,577 | 106,140 |
| Acquisition of subsidiaries (note 33) | – | – | 2,585 | 2,585 |
| Transfer from completed properties held for sale | 2,664 | – | – | 2,664 |
| Additions | 633 | 20,442 | 48,674 | 69,749 |
| Disposals | – | (388) | (1,816) | (2,204) |
| Depreciation | (3,474) | (6,619) | (20,116) | (30,209) |
| Closing net book amount | 50,295 | 31,526 | 66,904 | 148,725 |
| At 31 December 2011 | | | | |
| Cost | 67,094 | 51,514 | 92,707 | 211,315 |
| Accumulated depreciation | (16,799) | (19,988) | (25,803) | (62,590) |
| Net book amount | 50,295 | 31,526 | 66,904 | 148,725 |

As at 31 December 2011, buildings with net book amounts totalling RMB16,485,000 (2010: RMB17,610,000) were pledged as collateral for the Group's borrowings (note 19).

Depreciation expense of RMB30,209,000 (2010: RMB18,281,000) has been charged in administrative expenses during the year.

NOTES TO THE FINANCIAL STATEMENTS

7 INVESTMENT PROPERTIES

| | Under construction (note) RMB'000 | Completed RMB'000 | Total RMB'000 |
|--|--|----------------------|------------------|
| As at 1 January 2010 | – | 1,578,600 | 1,578,600 |
| Transfer from properties under development | 926,760 | – | 926,760 |
| Transfer from completed properties held for sale | – | 8,496 | 8,496 |
| Increase in fair value | 2,709,340 | 260,804 | 2,970,144 |
| As at 31 December 2010 | 3,636,100 | 1,847,900 | 5,484,000 |
| Additions | 473,188 | – | 473,188 |
| Disposals | – | (14,800) | (14,800) |
| Increase in fair value | 371,912 | 60,800 | 432,712 |
| As at 31 December 2011 | 4,481,200 | 1,893,900 | 6,375,100 |

Note: The amount includes an investment property amounting to RMB2,560,000,000 (2010: 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:

| | 2011 RMB'000 | 2010 RMB'000 |
|--|-----------------|-----------------|
| Rental income | 111,106 | 94,175 |
| Direct operating expenses arising from investment properties that generate rental income | 43,714 | 25,618 |

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

7 INVESTMENT PROPERTIES *(Continued)*

As at 31 December 2011, the key assumptions adopted in the valuation in determining fair value were in the following ranges for the Group's portfolio of properties:

| | 2011 | 2010 |
|---------------------------------------|-------------|-------------|
| Capitalisation rate | 4.5–7.0% | 4.5–7.5% |
| Discount rate | 6.1–6.9% | 5.9–6.2% |
| Expected vacancy rate | 5.0% | 5.0–8.0% |
| Monthly rental (RMB/sqm/month) | 173–419 | 156–390 |
| Budgeted construction cost (RMB/sqm) | 2,500–7,100 | 2,500–7,000 |
| Anticipated developer's profit margin | 12.0–25.0% | 20.0–35.0% |
| En-bloc property sale discount | 5.0–7.0% | 3.5–4.0% |

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

| | 2011 RMB'000 | 2010 RMB'000 |
|----------------------------------|------------------|-----------------|
| In the PRC, held on: | | |
| Leases of over 50 years | 1,012,000 | 764,200 |
| Leases of between 10 to 50 years | 5,363,100 | 4,719,800 |
| | 6,375,100 | 5,484,000 |

As at 31 December 2011, the investment properties with carrying values totaling RMB2,292,300,000 (2010: RMB2,029,700,000) were pledged as collateral for the Group's borrowings (note 19).

NOTES TO THE FINANCIAL STATEMENTS

8 LAND USE RIGHTS

| | 2011 RMB'000 | 2010 RMB'000 |
|--|-----------------|-----------------|
| At beginning of year | 18,379 | 18,798 |
| Transfer from completed properties held for sale | 4,553 | – |
| Additions | 1,726 | – |
| Disposals | (3,264) | – |
| Amortisation – expensed in administrative expenses | (791) | (419) |
| At end of year | 20,603 | 18,379 |
| In the PRC, held on: | | |
| Leases of over 50 years | 9,115 | 9,289 |
| Leases of between 10–50 years | 11,488 | 9,090 |
| | 20,603 | 18,379 |

As at 31 December 2011, land use rights with net book amounts totaling RMB5,380,000 (2010: RMB5,562,000) were pledged as collateral for the Group's borrowings (note 19).

9 INVESTMENT IN AN ASSOCIATE

| | 2011 RMB'000 | 2010 RMB'000 |
|--------------------------------------|-----------------|-----------------|
| Unlisted shares, share of net assets | 298,979 | 299,521 |

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 | Revenues RMB'000 | Net loss RMB'000 | Interest indirectly held % |
|---|--|---------------------------|-------------------|------------------------|---------------------|---------------------|-------------------------------------|
| 31 December 2011 | | | | | | | |
| Xing Huo Ju Long Technology Investment Co., Ltd. 星火巨龍科技投資有限公司 | 68,000 | PRC | 139,049 | 115,242 | – | 542 | 49% |
| 31 December 2010 | | | | | | | |
| Xing Huo Ju Long Technology Investment Co., Ltd. 星火巨龍科技投資有限公司 | 68,000 | PRC | 111,278 | 86,929 | – | 479 | 49% |

NOTES TO THE FINANCIAL STATEMENTS

10 SUBSIDIARIES

| | Company | |
|---|-------------------|-----------|
| | 2011 | 2010 |
| | RMB'000 | RMB'000 |
| Non-current assets | | |
| Unlisted shares, at cost | 7 | 7 |
| Share options issued on behalf of subsidiaries (note 18(c)) | 130,051 | 78,994 |
| Due from a subsidiary (note b) | 11,760,817 | – |
| | 11,890,875 | 79,001 |
| Current assets | | |
| Due from a subsidiary (note b) | – | 7,923,183 |

Notes:

- (a) Details of the subsidiaries are set out in note 38.
- (b) In 2011, the balance due from a subsidiary represent equity funding by the Company to a subsidiary as the Company does not expect repayment in the foreseeable future. As at 31 December 2010, the balance due from a subsidiary was receivable in nature and was unsecured, non-interest bearing and had no fixed terms of repayment.

11 PROPERTIES UNDER DEVELOPMENT

| | 2011 | 2010 |
|----------------------|-------------------|------------|
| | RMB'000 | RMB'000 |
| Amount comprises: | | |
| Construction costs | 9,163,779 | 3,370,710 |
| Interest capitalised | 912,618 | 358,290 |
| Land use rights | 12,083,188 | 6,792,175 |
| | 22,159,585 | 10,521,175 |

The properties under development are all located in the PRC.

As at 31 December 2011, properties under development of approximately RMB9,178,530,000 (2010: RMB3,999,383,000) 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 2011 and 2010, completed properties held for sale of approximately RMB47,036,000 (2010: RMB47,036,000) were pledged as collateral for the Group's bank borrowings (note 19).

NOTES TO THE FINANCIAL STATEMENTS

13 DEBTORS, DEPOSITS AND OTHER RECEIVABLES

| | Group | | Company | |
|---|------------------|------------------|-----------------|-----------------|
| | 2011 RMB'000 | 2010 RMB'000 | 2011 RMB'000 | 2010 RMB'000 |
| Trade receivables (note a) | 842,679 | 177,133 | – | – |
| Other receivables | 258,897 | 74,981 | – | – |
| Other deposits | 189,731 | 241,751 | 2,213 | 1,896 |
| Prepayments | 90,533 | 246,996 | – | – |
| Deposits for land acquisitions (note b) | 2,121,917 | 1,585,759 | – | – |
| Prepaid other taxes | 193,703 | 155,664 | – | – |
| | 3,697,460 | 2,482,284 | 2,213 | 1,896 |

Notes:

- (a) Trade receivables mainly arose from sale of properties. Generally, no credit terms are granted to customers. The ageing analysis of trade receivables of the Group by due date is as follows:

| | 2011 RMB'000 | 2010 RMB'000 |
|--------------------------|-----------------|-----------------|
| Not yet due (note i) | 375,900 | – |
| Within 90 days (note ii) | 466,779 | 176,077 |
| 91–180 days | – | 1,056 |
| | 842,679 | 177,133 |

- (i) As at 31 December 2011, the balance represented receivables from sales of commercial properties and property under development from independent third parties to be settled before the end of 2012.
- (ii) The Group considered the above receivables were past due but not impaired as majority of the balances are due from customers in the process of applying mortgage loans (see note 3(a)(ii)). These relate to a number of independent customers for whom there is no recent history of default. Subsequent to 31 December 2011 and up to the date of this report, trade receivables of RMB195,975,000 have been settled.
- (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 2011, there is no provision made for trade and other receivables and no trade and other receivables were impaired.
- (d) The maximum credit risk exposure is the amount shown on the balance sheet.
- (e) The carrying amounts of the Group's receivables are mainly denominated in Renminbi.

14 PREPAYMENTS FOR PROPOSED DEVELOPMENT PROJECTS

The Group has entered into a number of contracts of property development projects with independent third parties 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.

NOTES TO THE FINANCIAL STATEMENTS

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 2011, such guarantee deposits amounted to RMB68,669,000 (2010: RMB246,569,000). They will be released after pre-sale properties are completed or their property ownership certificates are issued, whichever is the earlier.
- (b) As at 31 December 2011, the Group's cash of RMB321,322,000 (2010: RMB250,528,000) was deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities (note 31) granted by the banks to the purchasers of the Group's properties.

16 CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---------------------------------|------------------|-----------------|-----------------|-----------------|
| | 2011 RMB'000 | 2010 RMB'000 | 2011 RMB'000 | 2010 RMB'000 |
| Denominated in – RMB | 3,704,694 | 2,174,786 | 2 | 7,256 |
| Denominated in – HKD | 388,389 | 650,949 | 130,428 | 5,253 |
| Denominated in – USD | 393,336 | 2,043,932 | 380,020 | 944,648 |
| | 4,486,419 | 4,869,667 | 510,450 | 957,157 |
| Less: Restricted cash (note 15) | (541,030) | (530,067) | – | – |
| Cash at bank and in hand | 3,945,389 | 4,339,600 | 510,450 | 957,157 |

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

17 SHARE CAPITAL AND SHARE PREMIUM

| | Note | Number of ordinary shares | Nominal value of ordinary shares HKD'000 | Equivalent nominal value of ordinary shares RMB'000 | Share premium RMB'000 | Total RMB'000 |
|--|------|------------------------------|---|---|--------------------------|------------------|
| Authorised: | | | | | | |
| Ordinary share of HK\$0.10 each | | | | | | |
| As at 1 January 2010, 31 December 2010 and 2011 | | | | | | |
| | | 50,000,000,000 | 5,000,000 | 4,405,545 | – | 4,405,545 |
| Issue and fully paid: | | | | | | |
| As at 1 January 2010 | | | | | | |
| | | 5,000,000,000 | 500,000 | 440,550 | 4,024,775 | 4,465,325 |
| Repurchase of ordinary shares | | | | | | |
| | (a) | (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 |
| At 1 January 2011 | | | | | | |
| | | 4,904,670,000 | 490,467 | 432,150 | 3,815,214 | 4,247,364 |
| Exercise of share options | | | | | | |
| | (b) | 720,000 | 72 | 60 | 1,349 | 1,409 |
| As at 31 December 2011 | | | | | | |
| | | 4,905,390,000 | 490,539 | 432,210 | 3,816,563 | 4,248,773 |

Notes:

- (a) 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.
- (b) For the year ended 31 December 2011, 720,000 (2010: nil) shares were issued upon exercise of share options. Total proceeds were HK\$1,439,000 (equivalent to approximately RMB1,198,000). The weighted average share price at the time of exercise was HK\$2.54 per share. The related transactions costs were from the proceeds received.

NOTES TO THE FINANCIAL STATEMENTS

18 RESERVES

| | Group | | | | | | | Total RMB'000 |
|---|-------------------------------|---------------------|-----------------------------------|--|--------------------------------|---|----------------------|------------------|
| | Merger reserve (note a) | Exchange reserve | Statutory reserves (note b) | Share option reserve (note c) | Capital reserve (note d) | Conversion option reserve (note 19(b)) | Retained earnings | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | |
| Balance at 1 January 2010 | 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 (note d) | – | – | – | – | (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 |
| Profit for the year | – | – | – | – | – | – | 1,900,954 | 1,900,954 |
| Transfer to statutory reserves | – | – | 147,185 | – | – | – | (147,185) | – |
| Exercise of share options (note 17(b)) | – | – | – | (211) | – | – | – | (211) |
| Share-based payments (note c) | – | – | – | 51,057 | – | – | – | 51,057 |
| Balance at 31 December 2011 | 382 | 24,835 | 461,590 | 129,840 | (394,475) | 220,824 | 7,249,897 | 7,692,893 |

| | Company | | | |
|--|-------------------------------------|---|------------------|-----------|
| | Share option reserve (note c) | Conversion option reserves (note 19(b)) | Retained profits | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance at 1 January 2010 | 4,651 | – | 7,117 | 11,768 |
| Profit for the year | – | – | 840,218 | 840,218 |
| Issuance of Convertible Bonds | – | 220,824 | – | 220,824 |
| Share-based payments (note c) | 74,343 | – | – | 74,343 |
| Balance at 31 December 2010 | 78,994 | 220,824 | 847,335 | 1,147,153 |
| Loss for the year | – | – | (309,237) | (309,237) |
| Exercise of share options (note 17(b)) | (211) | – | – | (211) |
| Share-based payments (note c) | 51,057 | – | – | 51,057 |
| Balance at 31 December 2011 | 129,840 | 220,824 | 538,098 | 888,762 |

NOTES TO THE FINANCIAL STATEMENTS

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 group 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 2011, the Board of Directors of the Company's subsidiaries in the PRC, including both local and foreign investment enterprises, appropriated RMB147,185,000 (2010: RMB70,127,000) 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 35(a)) and share option scheme (note 35(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 | |
|---|-------------------|-----------------|------------------|-----------------|
| | 2011 RMB'000 | 2010 RMB'000 | 2011 RMB'000 | 2010 RMB'000 |
| Senior Notes (note a) | 3,994,995 | 2,320,552 | 3,994,995 | 2,320,552 |
| Convertible Bonds (note b) | 1,277,876 | 1,236,827 | 1,277,876 | 1,236,827 |
| Senior Secured Guaranteed Bonds (note c) | 1,983,234 | – | 1,983,234 | – |
| Borrowings included in non-current liabilities: | | | | |
| Bank borrowings – secured (note d) | 3,132,251 | 2,000,000 | – | – |
| Bank borrowings – unsecured | 1,188,949 | 618,285 | – | – |
| | 11,577,305 | 6,175,664 | 7,256,105 | 3,557,379 |
| Borrowings included in current liabilities: | | | | |
| Bank borrowings – secured (note d) | 1,903,950 | 808,750 | – | – |
| Bank borrowings – unsecured | 163,236 | 942,958 | – | – |
| | 2,067,186 | 1,751,708 | – | – |
| Total borrowings | 13,644,491 | 7,927,372 | 7,256,105 | 3,557,379 |

NOTES TO THE FINANCIAL STATEMENTS

19 BORROWINGS (Continued)

Notes:

(a) Senior Notes

On 28 April 2010, the Company issued 13.5% senior note 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 Note 2010"). On 16 June 2011, the Company issued additional 13.5% senior note due 2015 in an aggregate principal amount of US\$300,000,000 (equivalent to approximately RMB1,944,000,000) at 100% of face value (the "Senior Note 2011") (collectively, the "Senior Notes").

The net proceeds, after deducting the transaction costs, of Senior Notes are as follows:

| | Senior Note 2011 RMB'000 | Senior Note 2010 RMB'000 |
|-------------------------|--------------------------------|--------------------------------|
| Nominal value | 1,944,000 | 2,389,205 |
| Less: transaction costs | (163,215) | (55,698) |
| Net proceeds | 1,780,785 | 2,333,507 |

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.

| | Group and Company 2011 RMB'000 | 2010 RMB'000 |
|----------------------------------|--------------------------------------|-----------------|
| Carrying amount as at 1 January | 2,320,552 | – |
| Additions | 1,780,785 | 2,333,507 |
| Repurchase | (11,390) | – |
| Accrued interest (note 24) | 470,280 | 213,533 |
| Coupon payment | (398,862) | (158,313) |
| Exchange difference | (166,370) | (68,175) |
| Closing amount as at 31 December | 3,994,995 | 2,320,552 |

(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 will 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 Convertible Bonds are secured by the pledge of certain shares of the Group's subsidiaries incorporated outside of the PRC, and jointly and severally guarantees given by certain subsidiaries of the Group.

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

19 BORROWINGS *(Continued)*Notes: *(Continued)*(b) Convertible Bonds *(Continued)*

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

| | Group and Company 2011 RMB'000 |
|--|--------------------------------------|
| Face value of the Convertible Bonds on issue | 1,500,000 |
| Equity component | (220,824) |
| Less: transaction costs | (47,209) |
| Liability component on initial recognition | 1,231,967 |
| Accrued interest | 4,860 |
| Carrying amount as at 1 January 2011 | 1,236,827 |
| Accrued interest (note 24) | 162,721 |
| Coupon payment | (121,672) |
| Carrying amount as at 31 December 2011 | 1,277,876 |

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 2011 amounted to RMB1,102,500,000 (2010: 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).

As at 31 December 2011 and 2010, there was no conversion or redemption of the Convertible Bonds.

(c) Senior Secured Guaranteed Bonds

On 15 March 2011, the Company issued RMB denominated US\$ settled 8.5% Senior Secured Guarantee Bonds due 2014 in an aggregate principal amount of RMB2,000,000,000 at 100% of face value (the "Senior Secured Guaranteed Bonds"). The net proceeds, after deducting the direct issuance costs, amounted to approximately RMB1,911,737,000. The Senior Secured Guaranteed Bonds will mature on 15 March 2014.

The Senior Secured Guaranteed Bonds are listed on The Singapore Exchange Security Trading Limited.

The Senior Secured Guaranteed Bonds are secured by the pledge of certain shares of the Group's subsidiaries incorporated outside of the PRC, and jointly and severability guarantees given by certain subsidiaries of the Group.

The Senior Secured Guaranteed Bonds in the balance sheet are calculated as follows:

| | 2011 RMB'000 |
|------------------------------------|-----------------|
| Nominal value | 2,000,000 |
| Less: transaction costs | (88,263) |
| Fair value at the date of issuance | 1,911,737 |
| Accrued interest (note 24) | 158,387 |
| Coupon payment | (86,890) |
| Carrying amount as at 31 December | 1,983,234 |

NOTES TO THE FINANCIAL STATEMENTS

19 BORROWINGS (Continued)

Notes: (Continued)

(d) The Group's bank borrowings of RMB5,036,201,000 (2010: RMB2,808,750,000) were jointly secured by certain properties, land use rights, investment properties, properties under development and cash of the Group (notes 6, 7, 8, 11 and 12).

(e) Bank borrowings are guaranteed by:

| | 2011 RMB'000 | 2010 RMB'000 |
|-----------------|------------------|------------------|
| Group companies | | |
| – Secured | 4,119,950 | 1,811,750 |
| – Unsecured | 1,352,185 | 1,561,243 |
| | 5,472,135 | 3,372,993 |

(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 2011 | 2,359,109 | 1,812,090 | 7,406,106 | – | 11,577,305 |
| At 31 December 2010 | 1,348,035 | 1,270,250 | 3,557,379 | – | 6,175,664 |
| Borrowings included in current liabilities: | | | | | |
| At 31 December 2011 | 1,117,186 | 950,000 | – | – | 2,067,186 |
| At 31 December 2010 | 1,077,618 | 674,090 | – | – | 1,751,708 |

The exposure of the Company'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 2011 | – | – | 7,256,105 | – | 7,256,105 |
| At 31 December 2010 | – | – | 3,557,379 | – | 3,557,379 |
| Borrowings included in current liabilities: | | | | | |
| At 31 December 2011 | – | – | – | – | – |
| At 31 December 2010 | – | – | – | – | – |

NOTES TO THE FINANCIAL STATEMENTS

19 BORROWINGS (Continued)

Notes: (Continued)

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

| | Group | | Company | |
|-----------------------|-------------------|-----------------|------------------|-----------------|
| | 2011 RMB'000 | 2010 RMB'000 | 2011 RMB'000 | 2010 RMB'000 |
| Between 1 and 2 years | 1,649,297 | 800,000 | – | – |
| Between 2 and 5 years | 9,380,758 | 4,857,164 | 7,256,105 | 3,557,379 |
| Over 5 years | 547,250 | 518,500 | – | – |
| | 11,577,305 | 6,175,664 | 7,256,105 | 3,557,379 |

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

| | Group | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2011 RMB'000 | 2010 RMB'000 | 2011 RMB'000 | 2010 RMB'000 |
| Bank borrowings, included in non-current liabilities | 6.5% | 5.6% | – | – |
| Bank borrowings, included in current liabilities | 11.6% | 6.1% | – | – |
| Senior Notes | 14.1% | 14.1% | 14.1% | 14.1% |
| Convertible Bonds | 13.1% | 13.1% | 13.1% | 13.1% |
| Senior Secured Guaranteed Bonds | 10.4% | – | 10.4% | – |

The carrying amounts of the Group's borrowings are denominated in RMB except for Senior Notes and bank borrowings of USD156,500,000 (2010: USD67,500,000), which are denominated in USD, and approximate to their fair value.

20 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 | |
|--|------------------|-----------------|
| | 2011 RMB'000 | 2010 RMB'000 |
| Deferred income tax assets: | | |
| – to be recovered after more than 12 months | 85,561 | 65,134 |
| – to be recovered within 12 months | 20,040 | 9,941 |
| | 105,601 | 75,075 |
| Deferred income tax liabilities: | | |
| – to be settled after more than 12 months | (1,079,415) | (971,237) |
| The net movement on the deferred income tax is as follows: | | |
| Beginning of the year | (896,162) | (109,142) |
| Recognised in the consolidated statement of comprehensive income (note 27) | (77,652) | (787,020) |
| End of the year | (973,814) | (896,162) |

NOTES TO THE FINANCIAL STATEMENTS

20 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:

| | Tax losses RMB'000 | Group Provisions RMB'000 | Total RMB'000 |
|---|-----------------------|--------------------------------|------------------|
| At 1 January 2010 | 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 |
| Charged to the consolidated statement of comprehensive income | 30,526 | – | 30,526 |
| At 31 December 2011 | 105,601 | – | 105,601 |

Deferred income tax liabilities:

| | Group Revaluation arising from investment properties RMB'000 |
|---|---|
| At 1 January 2010 | 228,701 |
| Charged to the consolidated statement of comprehensive income | 742,536 |
| At 31 December 2010 | 971,237 |
| Charged to the consolidated statement of comprehensive income | 108,178 |
| At 31 December 2011 | 1,079,415 |

At 31 December 2011, the unrecognised deferred income tax liabilities were RMB344,426,000 (2010: RMB173,024,000), 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 2011 amounted to RMB6,888,520,000 (2010: RMB3,460,481,000).

NOTES TO THE FINANCIAL STATEMENTS

21 OTHER PAYABLES

| | Group | | Company | |
|---|------------------|-----------------|-----------------|-----------------|
| | 2011 RMB'000 | 2010 RMB'000 | 2011 RMB'000 | 2010 RMB'000 |
| Other payables and accruals (note a) | 878,312 | 307,421 | 9,898 | 9,341 |
| Note payables | 209,707 | 32,970 | – | – |
| Consideration payable related to purchase of subsidiaries | 298,913 | 380,922 | – | – |
| Consideration payable related to purchase of an associate | 6,000 | 35,000 | – | – |
| Other taxes payables | 129,882 | 50,024 | – | – |
| | 1,522,814 | 806,337 | 9,898 | 9,341 |

Notes:

- (a) The amount included a balance of RMB492,710,000 representing the deposit received for project development from an independent third party for the potential acquisition of a piece of land in PRC.
- (b) The carrying amounts of other payables are denominated in RMB and approximate to their fair value.

22 OTHER GAINS

| | 2011 RMB'000 | 2010 RMB'000 |
|--|-----------------|-----------------|
| Forfeited customer deposits | 2,181 | 5,962 |
| Investment return from an infrastructure project | 32,375 | – |
| Others | 8,753 | – |
| | 43,309 | 5,962 |

NOTES TO THE FINANCIAL STATEMENTS

23 EXPENSES BY NATURE

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

| | 2011 RMB'000 | 2010 RMB'000 |
|---|------------------|------------------|
| Auditor's remuneration | 5,000 | 4,459 |
| Advertising and other promotional costs | 290,417 | 128,633 |
| Agency fee | 42,827 | 30,564 |
| Business taxes (note) | 568,625 | 327,270 |
| Cost of completed properties sold | 6,933,997 | 4,352,621 |
| Donations | 14,455 | 15,874 |
| Legal and professional fees | 24,391 | 22,413 |
| Depreciation (note 6) | 30,209 | 18,281 |
| Amortisation of land use rights (note 8) | 791 | 419 |
| Staff costs – including directors' emoluments (note 25) | 306,911 | 242,200 |
| Operating lease rental | 21,878 | 15,711 |
| Others | 331,570 | 181,030 |
| | 8,571,071 | 5,339,475 |

Note:

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

| Category | Rate |
|---------------------|------|
| Sale of properties | 5% |
| Rental income | 5% |
| Property management | 5% |

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCE INCOME/(COSTS) – NET

| | 2011 RMB'000 | 2010 RMB'000 |
|---|-----------------|-----------------|
| Finance income: | | |
| Interest income on bank deposits | 20,959 | 11,031 |
| Interest expense: | | |
| – Bank borrowings | 488,174 | 281,555 |
| – Loan with detachable warrants | – | 16,972 |
| – Senior Notes (note 19) | 470,280 | 213,533 |
| – Convertible Bonds (note 19) | 162,721 | 4,860 |
| – Senior Secured Guaranteed Bonds (note 19) | 158,387 | – |
| – Other borrowings | – | 5,461 |
| Total interest expense | 1,279,562 | 522,381 |
| Less: interest capitalised (note) | (1,210,275) | (425,063) |
| | 69,287 | 97,318 |
| Net exchange gains | 134,162 | 40,445 |
| Finance income/(costs), net | 85,834 | (45,842) |

Note: The capitalisation rate of borrowings is 8.87% (2010: 5.33%) for the year.

25 STAFF COSTS – INCLUDING DIRECTORS' EMOLUMENTS

| | 2011 RMB'000 | 2010 RMB'000 |
|-----------------------------------|-----------------|-----------------|
| Wages and salaries | 198,003 | 140,321 |
| Pension costs – statutory pension | 13,920 | 5,774 |
| Medical benefits | 5,570 | 2,164 |
| Share-based payments | 51,057 | 74,343 |
| Other allowances and benefits | 38,361 | 19,598 |
| | 306,911 | 242,200 |

NOTES TO THE FINANCIAL STATEMENTS

26 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION**(a) Directors' emoluments**

Details of emoluments paid to each director for the year ended 31 December 2011 are as follows:

| Name of director | Year ended 31 December 2011 | | | | | | |
|------------------------------|-----------------------------|---------|-----------------------|----------------|--------------------------------|---------------------------------|---------|
| | Fees | Salary | Discretionary bonuses | Other benefits | Contribution to pension scheme | Share option benefits (note vi) | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Mr. Chen Gengxian | – | 1,387 | – | 42 | 26 | 3,248 | 4,703 |
| Mr. Fok Hei Yu | – | 248 | – | – | – | 404 | 652 |
| Mr. Han Zhenjie (note iv) | – | 1,884 | – | 42 | 26 | 1,242 | 3,194 |
| Dr. Huang Chuanqi (note iii) | 1,650 | 1,545 | – | 42 | 16 | 2,394 | 5,647 |
| Ms. Jin Jane (note v) | – | 113 | – | 7 | 2 | – | 122 |
| Mr. Kwok Ying Shing | – | 3,465 | – | – | 10 | – | 3,475 |
| Mr. Kwok Ying Chi | – | 1,980 | – | – | 10 | – | 1,990 |
| Mr. Rao Yong | – | 248 | – | – | – | 269 | 517 |
| Mr. Sun Yuenan | – | 1,482 | – | 42 | 26 | 3,292 | 4,842 |
| Dr. Tam Lai Ling (note i) | 3,300 | – | – | 79 | 10 | 8,446 | 11,835 |
| Mr. Zhang Yizhao | – | 248 | – | – | – | 269 | 517 |
| | 4,950 | 12,600 | – | 254 | 126 | 19,564 | 37,494 |

NOTES TO THE FINANCIAL STATEMENTS

26 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(Continued)***(a) Directors' emoluments** *(Continued)*

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

| Name of director | Year ended 31 December 2010 | | | | | | |
|------------------------------|-----------------------------|---------|-----------------------|----------------|--------------------------------|---------------------------------|---------|
| | Fees | Salary | Discretionary bonuses | Other benefits | Contribution to pension scheme | Share option benefits (note vi) | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Mr. Chen Gengxian | – | 1,221 | – | 100 | 36 | 4,846 | 6,203 |
| Mr. Fok Hei Yu | – | 255 | – | – | – | 977 | 1,232 |
| Mr. Han Zhenjie (note iv) | – | 1,302 | – | 114 | 31 | 2,478 | 3,925 |
| Dr. Huang Chuanqi (note iii) | 1,061 | 895 | – | 62 | 20 | 1,586 | 3,624 |
| Ms. Jin Jane (note v) | – | 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 i) | 2,836 | – | 851 | 68 | 9 | 17,822 | 21,586 |
| Mr. Ye Jiansheng (note ii) | – | 538 | – | 48 | 24 | – | 610 |
| Mr. Zhang Yizhao | – | 255 | – | – | – | 651 | 906 |
| | 3,897 | 12,716 | 1,191 | 574 | 186 | 36,507 | 55,071 |

During the years ended 31 December 2011 and 2010, 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:

- (i) Appointed on 8 March 2010
- (ii) Resigned on 15 June 2010
- (iii) Appointed on 15 June 2010 and resigned on 8 February 2012
- (iv) Appointed on 24 November 2010
- (v) Resigned on 11 February 2011
- (vi) 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

26 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 5 directors (2010: 4), whose emoluments are reflected in note (a) above. In 2010, the emoluments for the remaining individual are as follows:

| | 2011 RMB'000 | 2010 RMB'000 |
|---------------------------------|-----------------|-----------------|
| Salaries and other benefits | – | 1,045 |
| Discretionary bonuses | – | 76 |
| Contribution to pension schemes | – | 26 |
| Share option benefits | – | 2,887 |
| | – | 4,034 |

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

| | 2011 | 2010 |
|---------------------------------|------|------|
| HK\$1,000,001 to HK\$2,000,000 | – | – |
| HK\$2,000,001 to HK\$3,000,000 | – | – |
| HK\$3,000,001 to HK\$4,000,000 | – | – |
| HK\$4,000,001 to HK\$5,000,000 | 1 | 2 |
| HK\$5,000,001 to HK\$10,000,000 | 3 | 2 |
| HK\$10,000,001 or above | 1 | 1 |
| | 5 | 5 |

During the years ended 31 December 2011 and 2010, 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

27 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 24% and 25% (2010: 22% and 25%).

Hong Kong profits tax

No Hong Kong profits tax was provided for the years ended 31 December 2011 and 2010 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.

| | 2011 RMB'000 | 2010 RMB'000 |
|-------------------------------|-----------------|------------------|
| Current income tax | | |
| – PRC enterprise income tax | 632,084 | 512,743 |
| – PRC land appreciation tax | 271,870 | 409,781 |
| Overprovision in prior years | | |
| – PRC land appreciation tax | (55,916) | – |
| Deferred income tax (note 20) | 77,652 | 787,020 |
| | 925,690 | 1,709,544 |

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:

| | 2011 RMB'000 | 2010 RMB'000 |
|---|------------------|------------------|
| Profit before income tax | 2,824,968 | 5,346,200 |
| Less: Share of result from an associate | (542) | (479) |
| | 2,824,426 | 5,345,721 |
| Calculated at PRC foreign enterprise income tax rate of 24% (2010: 22%) | 677,862 | 1,176,059 |
| Effect of different income tax rates of certain companies | (37,419) | 23,835 |
| Effect of change in income tax rates of certain companies | 16,267 | 20,989 |
| Income not subject to tax | (20,246) | (8,113) |
| Expenses not deductible for tax purposes | 41,164 | 65,556 |
| Tax losses not recognised | 32,108 | 21,437 |
| | 709,736 | 1,299,763 |
| PRC enterprise income tax | 709,736 | 1,299,763 |
| PRC land appreciation tax | 215,954 | 409,781 |
| | 925,690 | 1,709,544 |
| Income tax expenses | 925,690 | 1,709,544 |

NOTES TO THE FINANCIAL STATEMENTS

28 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.

| | 2011 | 2010 |
|---|----------------------|---------------|
| Profit attributable to equity holders (RMB'000) | 1,900,954 | 3,636,699 |
| Weighted average number of ordinary shares in issue | 4,904,936,959 | 4,927,948,822 |
| Basic earnings per share (RMB) | 0.388 | 0.738 |

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of RMB1,900,954,000 (2010: RMB3,636,699,000) and the weighted average of 4,904,936,959 shares (2010: 4,927,948,822 shares) in issue during the year. The weighted average number of ordinary shares in issue as at 31 December 2010 has taken into consideration the shares repurchased during the year.

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 2011, the Company has the Convertible Bonds and share options 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 share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

| | 2011 | 2010 |
|--|----------------------|---------------|
| Profit attributable to equity holders (RMB'000) | 1,900,954 | 3,636,699 |
| Adjustment for finance cost on Convertible Bonds | 162,721 | 4,860 |
| Profit used to determine diluted earnings per shares (RMB'000) | 2,063,675 | 3,641,559 |
| Weighted average number of ordinary shares in issue | 4,904,936,959 | 4,927,948,822 |
| Adjustment for Convertible Bonds | 620,000,000 | 20,383,562 |
| Adjustment for share options | 23,825,339 | – |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | 5,548,762,298 | 4,948,332,384 |
| – Diluted earnings per share (RMB) | 0.372 | 0.736 |

NOTES TO THE FINANCIAL STATEMENTS

29 CASH (USED IN)/GENERATED FROM OPERATIONS

| | 2011 RMB'000 | 2010 RMB'000 |
|---|-----------------|-----------------|
| Profit for the year | 1,899,278 | 3,636,656 |
| Adjustments for: | | |
| Income tax expenses (note 27) | 925,690 | 1,709,544 |
| Interest income (note 24) | (20,959) | (11,031) |
| Interest expense (note 24) | 69,287 | 97,318 |
| Net exchange gains | (112,243) | (40,445) |
| Depreciation (note 6) | 30,209 | 18,281 |
| Amortisation (note 8) | 791 | 419 |
| Share of result for an associate | 542 | 479 |
| Loss on disposals of property and equipment (note) | 2,023 | 4,131 |
| Share-based payments | 51,057 | 74,343 |
| Change in fair value of investment properties | (432,712) | (2,970,144) |
| Changes in working capital: | | |
| Properties under development and completed properties held for sale | (9,439,537) | (1,680,633) |
| Debtors, deposits and other receivables | (1,205,055) | (448,996) |
| Prepayments for proposed development projects | (1,088,501) | (368,749) |
| Restricted cash | (10,963) | (147,101) |
| Advanced proceeds received from customers | 2,747,510 | 2,228,278 |
| Accrued construction costs | 3,951,378 | 206,434 |
| Other payables | 455,494 | (398,778) |
| Amount due to non-controlling interest of a subsidiary | (34,000) | - |
| Cash (used in)/generated from operations | (2,210,711) | 1,910,006 |

Note:

Loss on disposals of property and equipment are as follows:

| | 2011 RMB'000 | 2010 RMB'000 |
|--------------------------|-----------------|-----------------|
| Net book amount disposed | 2,204 | 4,131 |
| Proceeds received | (181) | - |
| Loss on disposals | 2,023 | 4,131 |

30 DIVIDEND

No dividend has been paid or declared by the Company for the years ended 31 December 2011 and 2010.

NOTES TO THE FINANCIAL STATEMENTS

31 FINANCIAL GUARANTEES CONTRACTS

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

| | 2011 RMB'000 | 2010 RMB'000 |
|---|------------------|-----------------|
| Guarantees in respect of mortgage facilities for certain purchasers of the property units | 3,679,268 | 4,366,964 |

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.

32 COMMITMENTS**(a) Commitments for property development expenditures**

| | 2011 RMB'000 | 2010 RMB'000 |
|---------------------------------|-------------------|-----------------|
| Contracted but not provided for | 18,395,255 | 9,181,209 |

Note:

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

(b) Operating lease commitments

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

| | 2011 RMB'000 | 2010 RMB'000 |
|---|-----------------|-----------------|
| Not later than one year | 30,857 | 13,808 |
| Later than one year and not later than five years | 27,088 | 10,095 |
| | 57,945 | 23,903 |

NOTES TO THE FINANCIAL STATEMENTS

32 COMMITMENTS *(Continued)***(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:

| | 2011 RMB'000 | 2010 RMB'000 |
|---|-----------------|-----------------|
| Not later than one year | 94,820 | 100,143 |
| Later than one year and not later than five years | 248,328 | 339,691 |
| Later than five years | 178,170 | 286,266 |
| | 521,318 | 726,100 |

33 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. ("Fenglong") for a purchase consideration of RMB350,000,000. The Group's carrying amount of the non-controlling interest in Fenglong 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 capital reserve (note 18). The consideration payable amounted to RMB84,831,000 settled in January 2011.

(b) Acquisitions of interests in subsidiaries

For the year ended 31 December 2011, the Group acquired 100% of the equity interest of several subsidiaries at a total consideration of approximately RMB1,356,160,000. These companies did not operate any business prior to the acquisitions and only held a piece of land or a property under development. As such, the Group considered these are acquisitions of assets in substance and as a result the difference between the cash consideration and the net assets acquired has been recognised as adjustments to the carrying value of the lands and properties under development.

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 are acquisitions of assets in substance and as a result the difference between the cash consideration and the net assets acquired was recognised as adjustments to the carrying value of the properties under development.

The considerations of all these acquisitions were based on the fair value of the lands and properties under development.

NOTES TO THE FINANCIAL STATEMENTS

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

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

| | 2011 RMB'000 | 2010 RMB'000 |
|--|------------------------|------------------------|
| Property and equipment | 2,585 | 3,000 |
| Properties under development | 961,623 | 295,637 |
| Debtors, deposits and other receivables | 10,121 | 43,844 |
| Cash and cash equivalents | 4,753 | 508 |
| Other payables | (383,381) | (198,621) |
| Net assets | 595,701 | 144,368 |
| Less: non-controlling interests | – | (998) |
| Net assets acquired | 595,701 | 143,370 |
| Purchase consideration settled in cash | 1,175,160 | 968,107 |
| Cash and bank balances in subsidiaries acquired | (4,753) | (508) |
| Cash outflow on acquisition | 1,170,407 | 967,599 |
| | 2011 RMB'000 | 2010 RMB'000 |
| Total purchase consideration: | | |
| – Cash paid during the year | 1,175,160 | 968,107 |
| – Deposit paid in prior years | – | 484,834 |
| – Payable | 181,000 | 213,390 |
| Fair value of net assets acquired shown as above | 1,356,160 (595,701) | 1,666,331 (143,370) |
| Adjustments to the carrying amount of properties under development | 760,459 | 1,522,961 |

NOTES TO THE FINANCIAL STATEMENTS

34 DISPOSALS OF SUBSIDIARIES**(a) Disposal of interest in subsidiaries without loss of control**

For the year ended 31 December 2011, the Group disposed its 45% issued share capital of Guangzhou Kaisa Investment Consulting Limited (“廣州佳兆業投資諮詢有限公司”), a formerly wholly-owned subsidiary of the Company, at a consideration of RMB4,500,000 based on its investment cost to an independent third party. As such, the Group recognised an increase in non-controlling interest.

(b) Disposal of interest in 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 aggregate 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 assets 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

35 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.

| | 2011 | | 2010 | |
|---------------------------|---|-------------|---|--------------|
| | Weighted average exercise price in HK\$ per share | Number | Weighted average exercise price in HK\$ per share | Number |
| At 1 January | 3.105 | 39,800,000 | 3.105 | 50,000,000 |
| Forfeited during the year | 3.105 | (4,350,000) | 3.105 | (10,200,000) |
| At 31 December | 3.105 | 35,450,000 | 3.105 | 39,800,000 |

As at 31 December 2011, 23,397,000 (2010: 13,134,000) outstanding options granted under Pre-IPO Share Option Scheme were exercisable (note).

NOTES TO THE FINANCIAL STATEMENTS

35 SHARE OPTION *(Continued)***(a) Pre-IPO 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 | |
|-------------------------------|------------------------------------|-------------------------|------------|
| | | 2011 | 2010 |
| 19 March 2010–9 December 2012 | 3.105 | 11,698,500 | 13,134,000 |
| 11 March 2011–9 December 2012 | 3.105 | 11,698,500 | 13,134,000 |
| 20 March 2012–9 December 2012 | 3.105 | 12,053,000 | 13,532,000 |
| | | 35,450,000 | 39,800,000 |

No share options were granted or granted for adjustment, lapsed or cancelled during the year (2010: 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

35 SHARE OPTION (Continued)**(b) Share Option Scheme (Continued)**

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

| | 2011 | | 2010 | |
|---------------------------|---|-------------|---|-------------|
| | Weighted average exercise price in HK\$ per share | Number | Weighted average exercise price in HK\$ per share | Number |
| At 1 January | 2.144 | 191,450,000 | – | – |
| Granted during the year | – | – | 2.135 | 204,750,000 |
| Exercised during the year | 2 | 720,000 | – | – |
| Forfeited during the year | 2 | 17,080,000 | 2 | 13,300,000 |
| At 31 December | 2.159 | 173,650,000 | 2.144 | 191,450,000 |

As at 31 December 2011, 46,230,000 (2010: 8,250,000) outstanding options granted under the 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 | |
|----------------------|---------------------------------|-------------------------|-------------|
| | | 2011 | 2010 |
| 9/6/2010–8/6/2015 | 3.105 | 8,250,000 | 8,250,000 |
| 11/3/2011–10/3/2016 | 3.105 | 8,250,000 | 8,250,000 |
| 20/3/2012–30/12/2017 | 3.105 | 8,500,000 | 8,500,000 |
| 23/7/2011–22/7/2020 | 2.000 | 29,730,000 | 33,290,000 |
| 23/7/2012–22/7/2020 | 2.000 | 29,730,000 | 33,290,000 |
| 23/7/2013–22/7/2020 | 2.000 | 29,730,000 | 33,290,000 |
| 23/7/2014–22/7/2020 | 2.000 | 29,730,000 | 33,290,000 |
| 23/7/2015–22/7/2020 | 2.000 | 29,730,000 | 33,290,000 |
| | | 173,650,000 | 191,450,000 |

The Company offered to grant Dr. 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 dividend 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

36 FINANCIAL INSTRUMENTS BY CATEGORY

| | Group | | Company | |
|------------------------------------|-----------------------|-----------|-----------------------|---------|
| | Loans and receivables | | Loans and receivables | |
| | 2011 | 2010 | 2011 | 2010 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Trade receivables (note 13) | 842,679 | 177,133 | – | – |
| Other receivables (note 13) | 258,897 | 74,981 | – | – |
| Other deposits (note 13) | 189,731 | 241,751 | 2,213 | 1,896 |
| Restricted cash (note 15) | 541,030 | 530,067 | – | – |
| Cash at bank and in hand (note 16) | 3,945,389 | 4,339,600 | 510,450 | 957,157 |
| | 5,777,726 | 5,363,532 | 512,663 | 959,053 |

| | Group | | Company | |
|--|--|-----------|--|-----------|
| | Other financial liabilities at amortised cost | | Other financial liabilities at amortised cost | |
| | 2011 | 2010 | 2011 | 2010 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Other payables and accruals (note 21) | 878,312 | 307,421 | 9,898 | 9,341 |
| Note payables (note 21) | 209,707 | 32,970 | – | – |
| Consideration payable related to purchase of subsidiaries (note 21) | 298,913 | 380,922 | – | – |
| Consideration payable related to purchase of an associate (note 21) | 6,000 | 35,000 | – | – |
| Borrowings (note 19) | 13,644,491 | 7,927,372 | 7,256,105 | 3,557,379 |
| Amount due to non-controlling interest of a subsidiary | 3,477 | 37,477 | – | – |
| | 15,040,900 | 8,721,162 | 7,266,003 | 3,566,720 |

NOTES TO THE FINANCIAL STATEMENTS

37 RELATED PARTY TRANSACTIONS**(a) Name and relationship with related parties****Controlling shareholders**

Mr. Kwok Chun Wai and Mr. Kwok Ying Shing

(b) Key management compensation

| | 2011 RMB'000 | 2010 RMB'000 |
|---|-----------------|-----------------|
| Salaries and other short-term employee benefits | 25,475 | 23,508 |
| Retirement scheme contributions | 241 | 285 |
| Share option benefits | 26,794 | 44,025 |
| | 52,510 | 67,818 |

(c) Purchasing of services

| | 2011 RMB'000 | 2010 RMB'000 |
|-----------------------|-----------------|-----------------|
| Rental expense (note) | 1,222 | 1,204 |

Notes:

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

38 PARTICULAR OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 December 2011 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: | | | | |
| Shenzhen Naiao Kasia Property Development Co., Ltd. 深圳市南澳佳兆業房地產開發有限公司 | 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 | RMB2,826,160,000 | 100% | Property development |
| Kaisa Technology (Shenzhen) Co., Ltd. 佳兆業科技(深圳)有限公司 | 27 July 2001 | HK\$714,000,000 | 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 |
| Kaisa Zhiye (Shenzhen) Co., Ltd. 佳兆業置業發展(深圳)有限公司 | 26 March 2004 | 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 |
| Zhuzhou Kaisa Zhiye Co., Ltd 株洲佳兆業置業有限公司 | 13 January 2011 | HK\$515,300,000 | 100% | Property development |
| Bakai Property Development (Weifang) Co., Ltd 八凱房地產開發(濰坊)有限公司 | 22 June 2011 | USD23,749,658.08 | 100% | Property development |
| Leisure Land Hotel Zhiye Management (Suizhong) Co., Ltd 可域酒店置業管理(綏中)有限公司 | 20 December 2010 | HK\$170,000,000 | 100% | Hotel management |
| Zhao Rui Jing Hotel Zhiye Management (Suizhong) Co., Ltd 兆瑞景酒店置業管理(綏中)有限公司 | 20 December 2010 | HK\$68,300,000 | 100% | Hotel management |

NOTES TO THE FINANCIAL STATEMENTS

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 |
|--|---|--|--|-------------------------|
| Dai River East Property (Suizhong) Co., Ltd 東戴河地產(綏中)有限公司 | 15 July 2011 | HK\$22,320,000 | 100% | Property development |
| Kaisa Property (Suizhong) Co., Ltd 佳兆業地產(綏中)有限公司 | 15 July 2011 | HK\$154,250,000 | 100% | Property development |
| Wan Tai Chang Property (Anshan) Co., Limited 萬泰昌地產(鞍山)有限公司 | 16 December 2010 | USD10,664,200 | 100% | Property development |
| Kaisa Property (Anshan) Co., Ltd. 佳兆業地產(鞍山)有限公司 | 16 December 2010 | USD40,767,500 | 100% | Property development |
| Wan Rui Fa Property (Anshan) Co., Ltd 萬瑞發地產(鞍山)有限公司 | 28 June 2011 | USD19,115,864 | 100% | Property development |
| Anshan Monarch Residence Property Development Co., Ltd 鞍山君匯上品房地產開發有限公司 | 28 June 2011 | USD11,327,919 | 100% | Property development |
| Woodland Height Property (Yingkou) Co., Ltd 桂芳園地產(營口)有限公司 | 14 December 2010 | USD37,939,500 | 100% | Property development |
| Zhaoruijing Property (Yingkou) Co., Ltd. 兆瑞景地產(營口)有限公司 | 14 December 2010 | USD8,656,200 | 100% | Property development |
| Wan Tai Chang Property (Yingkou) Company Limited 萬泰昌地產(營口)有限公司 | 14 December 2010 | USD11,084,500 | 100% | Property development |
| Kaisa Property (Yingkou) Co., Ltd. 佳兆業地產(營口)有限公司 | 14 December 2010 | USD36,407,700 | 100% | Property development |
| Kasia Real Estate (Benxi) Co., Ltd. 佳兆業地產(本溪)有限公司 | 7 March 2011 | HK\$210,000,000 | 100% | Property development |
| Kaisa Commerce Property Management (Panjin) Co., Ltd 佳兆業商業置業管理(盤錦)有限公司 | 16 March 2011 | USD20,000,000 | 100% | Commerce management |

NOTES TO THE FINANCIAL STATEMENTS

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 |
|---|---|--|--|-------------------------|
| Cornwell Holdings (Shenzhen) Co., Ltd 冠華基業實業(深圳)有限公司 | 23 August 2004 | RMB550,000,000 | 100% | Property development |
| Kaisa Zhiye (Nanchong) Co., Ltd. 佳兆業置業(南充)有限公司 | 28 December 2010 | RMB850,000,000 | 100% | Property development |
| Kaisa Property (Wuhan) Co., Ltd 佳兆業地產(武漢)有限公司 | 1 July 2011 | RMB293,880,000 | 100% | Property development |
| Zhuhai Kaisa Property Development Co., Ltd 珠海市佳兆業房地產開發有限公司 | 9 June 2011 | RMB10,000,000 | 100% | Property development |
| 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 |
| 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 |
| 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 Longgang Kaisa Property Development Co., Ltd. 深圳市龍崗佳兆業房地產開發有限公司 | 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 |

NOTES TO THE FINANCIAL STATEMENTS

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 |
|---|---|--|--|-------------------------|
| 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. 東莞市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 | RMB420,000,000 | 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 development |
| 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 |
| 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 |

NOTES TO THE FINANCIAL STATEMENTS

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 |
|---|---|--|--|-------------------------|
| Guangzhou Kaisa Commerce Operation Management Co., Ltd. 廣州市佳兆業商業經營管理有限公司 | 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 | RMB155,000,000 | 100% | Property development |
| Shanghai Xinwan Investment Development Co. Ltd. 上海新灣投資發展有限公司 | 17 January 2007 | RMB35,000,000 | 100% | Property development |
| Chengdu Kaisa Commerce Operation Management Co., Ltd. 成都市佳兆業商業經營管理有限公司 | 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 |

NOTES TO THE FINANCIAL STATEMENTS

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 |
|---|---|--|--|-------------------------|
| Shenzhen 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 |
| 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 |
| 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. 南充市佳兆業房地產有限公司 | 10 December 2010 | RMB10,000,000 | 100% | Property development |
| Jiangyin Juicui Garden Property Development Co., Ltd. 江陰金翠園房地產開發有限公司 | 22 February 2011 | RMB20,000,000 | 100% | Property development |
| Shenzhen Woodland Height Shiye Co., Ltd 深圳市桂芳園實業有限公司 | 13 October 2003 | RMB10,000,000 | 100% | Property development |
| Shenzhen Yantian Kaisa Property Development Co., Ltd. 深圳市鹽田佳兆業房地產開發有限公司 | 19 April 2011 | RMB160,000,000 | 100% | Property development |
| Hunan Kaisa Property Development Co., Ltd 湖南佳兆業房地產開發有限公司 | 21 August 2007 | RMB20,000,000 | 100% | Property development |

NOTES TO THE FINANCIAL STATEMENTS

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 |
|--|---|--|--|-------------------------|
| Zhejiang Wufeng Zhiye Co., Ltd. 浙江伍豐置業有限公司 | 7 January 2010 | RMB100,000,000 | 100% | Property development |
| Kaisa Dai River East Property Development Co., Ltd 佳兆業東戴河房地產開發有限公司 | 6 July 2011 | RMB50,000,000 | 100% | Property development |
| Kaisa Property (Dalian) Co., Ltd 佳兆業地產(大連)有限公司 | 28 July 2011 | RMB10,000,000 | 100% | Property development |
| Foshan Shunde Ideal City Real Estate Investment Co., Ltd. 佛山市順德區理想城房地產投資有限公司 | 9 October 2010 | RMB360,000,000 | 100% | Property development |
| Shenzhen Kaisa Commerce Management Co., Ltd. 深圳市佳兆業商業管理有限公司 | 13 August 2010 | RMB10,000,000 | 100% | Hotel management |
| Huizhou Kaisa Commerce Operation Management Co. Ltd. 惠州市佳兆業商業經營管理有限公司 | 7 April 2009 | RMB5,000,000 | 100% | Commerce management |
| Dalian Kaisa Commerce Operation Management Co., Ltd 大連市佳兆業商業經營管理有限公司 | 18 March 2011 | RMB20,000,000 | 100% | Commerce management |
| Shenzhen Kaisa Cinema Investment Management Co., Ltd 深圳市佳兆業影院投資管理有限公司 | 13 July 2011 | RMB10,000,000 | 100% | Commerce management |
| Shenzhen Kaisa Baihuo Co., Ltd 深圳市佳兆業百貨有限公司 | 13 June 2002 | RMB6,000,000 | 100% | Commerce management |
| Dongguan City Oasis Garden Property Development Co., Ltd. 東莞市城市綠洲花園房地產開發有限公司 | 21 October 2011 | RMB10,000,000 | 100% | Property development |
| Anshan Kaisa Baihuo Co., Ltd 鞍山佳兆業百貨有限公司 | 17 October 2011 | RMB8,000,000 | 100% | Commerce management |

NOTES TO THE FINANCIAL STATEMENTS

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 sino-foreign equity joint venture enterprises: | | | | |
| Fenglong Group Co., Ltd. 豐隆集團有限公司 | 29 October 1993 | RMB168,000,000 | 100% | Property development |
| Sichuan Tianzi Zhiye 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 Property Co., Ltd. 惠州市金湖房地產有限公司 | 26 March 1993 | RMB100,000,000 | 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 Development Co., Ltd. 金湖渡假村(惠州)發展有限公司 | 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 | RMB1,086,670,000 | 100% | Property development |
| Jiangyin Woodland Height Property Co., Ltd. 江陰桂芳園房地產有限公司 | 22 March 2010 | USD24,280,000 | 100% | Property development |
| Kaisa Jiangyin Real Estate Co., Ltd. 佳兆業地產江陰有限公司 | 15 October 2009 | RMB320,695,660 | 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 |
| Kaisa Technology (Huizhou) Co., Ltd. 佳兆業科技(惠州)有限公司 | 24 March 2008 | USD37,942,560 | 100% | Property development |

FINANCIAL SUMMARY

CONSOLIDATED BALANCE SHEETS

| | 31 December | | | | |
|--|-------------|------------|------------|------------|------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property and equipment | 45,520 | 76,692 | 91,731 | 106,140 | 148,725 |
| Investment properties | 518,560 | 1,278,400 | 1,578,600 | 5,484,000 | 6,375,100 |
| Land use rights | 19,715 | 19,237 | 18,798 | 18,379 | 20,603 |
| Investments in associates | – | – | – | 299,521 | 298,979 |
| Deferred income tax assets | 18,318 | 91,122 | 119,559 | 75,075 | 105,601 |
| | 602,113 | 1,465,451 | 1,808,688 | 5,983,115 | 6,949,008 |
| Current assets | | | | | |
| Properties under development | 5,311,988 | 6,691,753 | 7,379,830 | 10,521,175 | 22,159,585 |
| Completed properties held for sale | 192,754 | 1,782,933 | 1,013,120 | 603,321 | 1,342,662 |
| Debtors, deposits and other receivables | 1,858,045 | 1,318,719 | 2,526,713 | 2,482,284 | 3,697,460 |
| Prepayments for proposed development projects | 769,064 | 1,144,409 | 1,383,871 | 1,827,183 | 2,915,684 |
| Prepaid taxes | 25,960 | 108,821 | 142,571 | 135,797 | 153,891 |
| Restricted cash | 84,400 | 105,836 | 382,966 | 530,067 | 541,030 |
| Cash and cash equivalents | 1,624,780 | 679,271 | 3,344,453 | 4,339,600 | 3,945,389 |
| | 9,866,991 | 11,831,742 | 16,173,524 | 20,439,427 | 34,755,701 |
| Total assets | 10,469,104 | 13,297,193 | 17,982,212 | 26,422,542 | 41,704,709 |
| EQUITY | | | | | |
| Equity attributable to equity holders of the Company | | | | | |
| Share capital | 1 | 1 | 440,550 | 432,150 | 432,210 |
| Share premium | 1,490,772 | 1,490,772 | 4,024,775 | 3,815,214 | 3,816,563 |
| Reserves | 1,150,259 | 1,651,180 | 2,203,702 | 5,741,093 | 7,692,893 |
| | 2,641,032 | 3,141,953 | 6,669,027 | 9,988,457 | 11,941,666 |
| Non-controlling interests | (31,925) | (40,480) | (40,494) | 4,936 | 7,786 |
| Total equity | 2,609,107 | 3,101,473 | 6,628,533 | 9,993,393 | 11,949,452 |

In 2010, the Group changed its accounting policies for land use rights which are held for development and subsequent sale.

The change in accounting policy has been accounted for retrospectively and the financial information for the years ended 31 December 2007, 2008, 2009, 2010 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

CONSOLIDATED BALANCE SHEETS (Continued)

| | 31 December | | | | |
|---|-------------|------------|------------|------------|------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| LIABILITIES | | | | | |
| Non-current liabilities | | | | | |
| Borrowings | 1,634,525 | 2,991,925 | 2,812,890 | 6,175,664 | 11,577,305 |
| Loan with detachable warrants | 1,358,021 | – | – | – | – |
| Deferred income tax liabilities | 78,667 | 156,239 | 228,701 | 971,237 | 1,079,415 |
| | 3,071,213 | 3,148,164 | 3,041,591 | 7,146,901 | 12,656,720 |
| Current liabilities | | | | | |
| Advance proceeds received from customers | 1,374,187 | 1,155,926 | 2,266,075 | 4,494,353 | 7,241,863 |
| Accrued construction costs | 576,349 | 1,144,981 | 1,119,549 | 1,325,983 | 5,274,097 |
| Income tax payable | 223,227 | 277,969 | 404,906 | 866,390 | 989,100 |
| Borrowings | 1,576,000 | 2,200,000 | 3,048,988 | 1,751,708 | 2,067,186 |
| Loan with detachable warrants | – | 1,305,546 | 684,736 | – | – |
| Financial derivatives | 116,739 | 80,522 | – | – | – |
| Other payables | 919,272 | 880,776 | 750,357 | 806,337 | 1,522,814 |
| Amount due to non-controlling interest of a subsidiary | – | – | 37,477 | 37,477 | 3,477 |
| Amounts due to related parties | 3,010 | 1,836 | – | – | – |
| | 4,788,784 | 7,047,556 | 8,312,088 | 9,282,248 | 17,098,537 |
| Total liabilities | 7,859,997 | 10,195,720 | 11,353,679 | 16,429,149 | 29,755,257 |
| Total equity and liabilities | 10,469,104 | 13,297,193 | 17,982,212 | 26,422,542 | 41,704,709 |
| Net current assets | 5,078,207 | 4,784,186 | 7,861,436 | 11,157,179 | 17,657,164 |
| Total assets less current liabilities | 5,680,320 | 6,249,637 | 9,670,124 | 17,140,294 | 24,606,172 |

FINANCIAL SUMMARY

CONSOLIDATED RESULTS

| | Years ended 31 December | | | | |
|---|-------------------------|-------------|-------------|-------------|--------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue | 2,239,360 | 3,110,446 | 4,672,156 | 7,755,890 | 10,834,726 |
| Cost of sales | (1,265,501) | (2,243,354) | (3,352,040) | (4,745,012) | (7,601,182) |
| Gross profit | 973,859 | 867,092 | 1,320,116 | 3,010,878 | 3,233,544 |
| Other gains/(losses), net | 10,422 | (116,216) | 37,201 | 5,962 | 43,309 |
| Selling and marketing cost | (59,346) | (151,821) | (163,543) | (183,308) | (404,841) |
| Administrative expenses | (157,243) | (165,721) | (250,105) | (411,155) | (565,048) |
| Change in fair value of investment properties | 36,500 | 302,557 | 289,847 | 2,970,144 | 432,712 |
| Change in fair value of financial derivatives | (18,642) | 27,221 | (85,339) | – | – |
| Operating profit | 785,550 | 763,112 | 1,148,177 | 5,392,521 | 2,739,676 |
| Share of results from associates | (1) | – | – | (479) | (542) |
| Finance cost – net | (43,409) | (110,399) | (194,782) | (45,842) | 85,834 |
| Profit before income tax | 742,140 | 652,713 | 953,395 | 5,346,200 | 2,824,968 |
| Income tax expenses | (258,770) | (151,800) | (405,538) | (1,709,544) | (925,690) |
| Profit for the year | 483,370 | 500,913 | 547,857 | 3,636,656 | 1,899,278 |
| Profit attributable to: | | | | | |
| Equity holders of the Company | 483,369 | 500,921 | 547,871 | 3,636,699 | 1,900,954 |
| Non-controlling interests | 1 | (8) | (14) | (43) | (1,676) |
| | 483,370 | 500,913 | 547,857 | 3,636,656 | 1,899,278 |
| Basic earnings per share | N/A | 0.128 | 0.138 | 0.738 | 0.388 |
| Diluted earnings per share | N/A | 0.128 | 0.138 | 0.736 | 0.372 |

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