



INTERIM REPORT 2012



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

* For identification purposes only





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Corporate Information

Directors

Executive Directors

Mr. KWOK Ying Shing (*chairman*)
Mr. KWOK Ying Chi
Mr. SUN Yuenan
Dr. TAM Lai Ling
Mr. CHEN Gengxian
Mr. HAN Zhenjie
Mr. JIN Zhigang
Mr. JI Jiaming

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. FOK Hei Yu (*chairman*)
Mr. KWOK Ying Shing
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

Corporate Information (CONTINUED)

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>



Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Kaisa Group Holdings Ltd. (the "Company", together with its subsidiaries referred to as the "Group"), I am pleased to present the interim results of the Group for the six months ended 30 June 2012 (the "Period"). For the Period, the Group's turnover and gross profit reached approximately RMB2,300.2 million and RMB1,108.6 million, representing a decrease of 38.0% and 10.5% over the corresponding period of last year, respectively, mainly attributable to an expected back-loaded delivery schedule in 2012. As at 30 June 2012, the Group has locked in approximately 1.5 million sq.m. of gross floor area ("GFA") for delivery in the second half of 2012. Profit attributable to shareholders and basic earnings per share amounted to RMB674.8 million and RMB13.8 cents, representing a decrease of 26.4% and 26.2% as compared to the corresponding period in 2011, respectively.

Business Review

In the first half of 2012, the operating environment remained challenging and the Central Government (the "Central Government") of the People's Republic of China (the "PRC") vowed to continue to regulate the real estate market to curb home prices to a reasonable level. Nonetheless, there are signs of stabilization of measures in the China property sector, including banks extending favorable mortgage rate to first-time home buyers and prompt disbursement of mortgage financing underpinning demand, the two cuts in reserve requirement ratio and reverse repurchase program enhancing overall liquidity gradually, reduction in benchmark lending rates twice for the first time since the 2008 global financial crisis improving affordability of housing, and some local governments loosening the usage of and raising the cap on housing provident fund as well as offering incentives for home purchases. While it is unlikely that the Central Government will loosen the reins on the property sector in the short term despite expectations for policy easing, the above fine-tuning of policies have contributed to overall market sentiment and transaction volume improvement in both primary and secondary property markets.

During the Period under review, the Group successfully executed a rapid asset-turnover business model to capture the robust mass market housing demand. The Group achieved approximately RMB6.5 billion of contracted sales, representing an increase of 43.9% year-on-year. The Group successfully launched its new developments in Zhuhai Golden World and Foshan Shunde Kaisa Golden World of the Pearl River Delta region and Panjin Kaisa Center in the Pan-Bohai Bay Rim, further solidifying the Group's nationwide presence.

In 2010 and 2011, the Group has been active in expanding its land bank as part of its efforts to achieve geographical diversification and nationwide expansion to tap on third- and lower-tier cities where the robust housing demand is principally driven by end-users and up-graders. Since the second half of 2011, the Group has come across opportunities for land acquisitions in first-tier cities but has been wary given the uncertain outlook of the Chinese real estate sector. Following the cancellation of a number of land auctions towards the end of 2011 and subsequently property price stabilization and volume recovery in the second quarter of 2012 in first-tier cities, the Group has cautiously and selectively replenished its land bank in first-tier cities and provincial capitals with a focus on end-user mass market, which enables the Group to be less susceptible to policy risk and to achieve a more balanced property portfolio.

In 2011, the Group has successfully secured a total of 3 million sq.m. of GFA of urban redevelopment projects in the Pearl River Delta region, and we expect to launch Phase 1 of Shenzhen Kaisa City Plaza, Shenzhen Dapeng project and Zhuhai Lake View Waldorf Garden in the near term, with an aggregate GFA of approximately 280,442 sq.m.. The project pipeline also provides the Group with considerable saleable resources to support its growth, improve its profitability and consolidate its leading market position in the Pearl River Delta region.

Chairman's Statement (CONTINUED)

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, capital structure, sales and marketing strategies in accordance with the prevailing market conditions and product demand in different markets.

To refinance the Group's existing trust loans and to finance the Group's existing property projects, in May 2012, the Company entered into a facility agreement with PA International Opportunity VI Limited, as the lender, for an exchangeable term loan in the aggregate principal amount of US\$120 million with a tenor of 27 months, and a call option deed with the lender as the grantee. Upon exercise of the call option, the lender will become a minority shareholder of Fenglong Group Co. Ltd., currently a wholly-owned subsidiary of the Group. The above financing arrangements affirmed the Group's capability to secure funding from the capital market with the possibility to lower the Group's gearing in the medium term. Further, in an effort to capture investment opportunities whilst effectively monitor its gearing, in the second quarter of 2012, the Group acquired controlling equity interests in a land parcel through partnership arrangement with independent third party passive investors. Going forward, the Group will continue to pursue for strategic partnerships, where appropriate, to support its business expansion plans whilst achieving an optimal capital structure.

Team Building and Human Resources

The Group's rapid asset-turnover business model and geographical diversification strategy has provided a broad platform for its employees' personal development. The Group has formulated training programs for its employees at different project stages to match with their personal development. The Group also adopts competitive incentive schemes in order to motivate its staff. In June 2012, the Group granted employee share options to over 200 key staff members entitling them to purchase a total of 326.8 million shares of the Company.

In February 2012, in order to cope with the Group's rapid expansion, Mr. Jin Zhigang was appointed as an executive director and chief executive officer of the Company. Mr. Jin joined the Group in 2004 as a sales and marketing director of one of the Group's major subsidiaries and held various positions within the Group including vice president and chief operating officer. In June 2012, in order to further reinforce cost control, product quality and brand reputation, Mr. Ji Jiaming was appointed as an executive director and vice chairman of the Company. Mr. Ji has over 30 years of experience in the architecture and construction industries in the PRC and held various senior positions within the group of China State Construction Engineering Corporation (the "CSCEC"). The above appointments will not only further strengthen the Group's execution capability and enhance the Group's profitability, but will also enable the Group to gain new insights on its future business strategies, providing strong support for its sustainable 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 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 (CONTINUED)

Prospects

We reckon that the global economic outlook is being shrouded in uncertainty stemming from eurozone sovereign debt crisis, and in the first half of 2012, the Chinese economy also showed signs of strain. However, the slowing growth was in line with the market expectations of a soft landing, and the Central Government has been introducing easing policies to combat the slowdown, including the cuts in reserve ratio requirement for banks which resulted in the recent loan growth and in interest rates, while fast tracking infrastructure and industrial investment projects. Given the above considerations, it is anticipated that China's economic growth could bottom out in the second quarter of 2012. In addition, the latest Consumer Price Index figures are showing good sign of control of inflation, allowing flexibility for the Central Government to step up policy fine-tuning to support China's economy, and to structurally reform China's economic growth pattern to ensure a more balanced and sustainable development in the future.

Although the overall policy stance on the property sector is expected to remain firm in the near term, the Central Government has pledged to support demand driven by first-time home owners. Together with the improved availability of mortgage financing and favorable mortgage rates applicable to first-time home buyers, price correction since mid-2011 and anticipated further interest rate cut making housing more affordable, we believe that property price and transaction volume will stabilize for the rest of the year, in particular in the end-user mass market.

With Qianhai of Shenzhen designated as a new financial services hub of China and a pioneer test zone of the convertibility of yuan, along with the continual expansion of inter-city connection of Shenzhen's transportation network with cities within and outside of the Pearl River Delta region, Shenzhen has entered into a new epoch of its history. Taking advantage of its project pipeline on urban redevelopment projects, and approximately 10.4 million sq.m. of land bank in the Pearl River Delta region, the Group is well positioned to capture the housing demand generated from the new opportunities arising. 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 to capitalize the growing end-user mass market driven by urbanization, 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, the Group 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, 21 August 2012

Management Discussion and Analysis

Overall Performance

Despite the challenging operating environment, the Group still achieved its record contracted sales during the Period. For the first half of 2012, the Group's contracted sales and the GFA amounted to approximately RMB6.5 billion and 1,102,599 sq.m., representing growth of 43.9% and 77.3% year-on-year, respectively. Contracted average sale price (the "ASP") declined by 18.9% year-on-year to RMB5,858 per sq.m. The increase in contracted GFA but decline in contracted ASP is mainly attributable to the Group's strategy to focus on churning its landbank while achieving geographical diversification to areas outside of first-tier cities where ASPs are generally lower. For the Period under review, the Group launched an aggregate GFA of approximately 1.2 million sq.m., and planned to launch another approximately 1.5 million sq.m. of GFA in the second half of 2012. According to "Top 50 Real Estate Enterprise Property Developers by Sales in first half of 2012" compiled and issued by China Real Estate Information Corporation, Kaisa was ranked 16th nationwide in terms of GFA sold, affirming the Group's market position and brand reputation. The table below shows the Group's contracted sales by region in the first half of 2012:

Region	Number of projects	Contracted sales area sq.m.	Contracted sales amount RMB in millions
Pearl River Delta	14	223,596	1,829
Yangtze River Delta	8	191,944	1,163
Chengdu-Chongqing Region	5	393,710	1,956
Central China Region	2	148,402	808
Pan-Bohai Bay Rim	6	144,947	703
Total	35	1,102,599	6,459

During the Period, the Group recorded a turnover of RMB2,300.2 million, representing a decrease of 38.0% as compared to the corresponding period in 2011, mainly attributable to an expected back-loaded delivery schedule in 2012. As at 30 June 2012, the Group has locked in approximately 1.5 million sq.m. GFA for delivery in second half of 2012. Profit attributable to equity holders amounted to RMB674.8 million, representing a decrease of 26.4% as compared to the corresponding period in 2011. The Group's net profit for the Period excluding exchange difference, change in fair values of financial derivatives and of investment properties net of corresponding deferred taxes, amounted to RMB370.3 million, representing a decrease of 28.3% as compared to the corresponding period in 2011. Basic earnings per share was RMB13.8 cents, representing a decrease of 26.2% as compared to the corresponding period in 2011. The Board does not recommend the payment of interim dividends for the Period.

Property Development

1. Projects completed in the period

The Group adopts a strict and prudent practice in project development and adjusts its pace of business expansion as and when appropriate. During the Period, the GFA of newly completed projects of the Group amounted to approximately 202,022 sq.m.

2. Projects under development

As at 30 June 2012, the Group had 33 projects under development concurrently with an aggregate of GFA of approximately 8.5 million sq.m.

3. Property management

The Group also provides property management service to its own development. During the Period under review, the Group managed a total floor area of approximately 5.3 million sq.m., equivalent to 51,129 units. In June 2012, Kaisa was ranked 16th in “2012 China Top 100 Property Management Companies” jointly compiled by China Index Research Institute and China Real Estate Top 10 Research Team. Building on its national recognition, the Group’s property management arm is striving to deliver excellent and professional service to its customers so as to further enhance its brand and corporate image.

4. Investment properties

The Group adopts a diversified business strategy, characterized by its increase in property investment. The portfolio of investment properties will generate steady and reliable income, and enlarge the overall income base of the Group. The Group develops commercial properties such as office buildings, retail stores and carparks for leasing purpose. In managing its investment property portfolio, the Group will take into account the long-term growth potential, the overall market conditions, and our cash flows and financial condition. As at 30 June 2012, the Group held an aggregate GFA of approximately 87,567 sq.m. completed investment properties for rental purpose.

Management Discussion and Analysis (CONTINUED)

Land Bank

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

The land market has become more stabilized and rational following cancellation of a number of land auctions towards the end of 2011, with volume recovery in the second quarter of 2012 in first-tier cities, the Group has cautiously replenished its land bank in first-tier cities and provincial capitals with a focus on end-user mass market, enabling the Group to be less susceptible to policy risk while achieving a more balanced property portfolio. For the first half of 2012, we purchased a total of six land parcels through government-held public tenders, auctions or listing-for-sale and in the secondary market through acquisition of equity interest. The aggregate consideration for the land acquisitions was approximately RMB1,595.3 million, with an average land cost per total planned GFA of approximately RMB3,922 per sq.m. The total planned GFA per maximum allowed plot ratio attributable to the Group is up to approximately 406,766 sq.m. As at 30 June 2012, the Group had a total land bank of approximately 23.9 million sq.m., which is sufficient for the Group's development needs for the next five years. The table below set forth detailed information of these land acquisitions:

Month of acquisition	Location	Attributable interest (%)	Site area (sq.m.)/(No. of land parcel)	Attributable GFA per maximum allowed plot ratio (sq.m)	Consideration (RMB in million)	Type
January 2012	Changsha	100%	21,770/(2)	87,079	237.0	Residential and commercial
May 2012	Guangzhou	51%	15,178/(1)	23,222	280.0	Residential
June 2012	Shanghai	100%	23,307/(1)	58,268	407.3	Residential
June 2012	Shanghai	100%	70,318/(1)	84,381	405.0	Residential
June 2012	Wuhan	100%	64,090/(1)	153,816	266.0	Residential
Total			194,663/(6)	406,766	1,595.3	

Outlook

The Group is well positioned for a challenging operating environment in the second half of 2012. Though the overall policy stance on the property sector is expected to remain prudent in the near term, the Central Government has pledged to support demand driven by first time home owners. Nonetheless, 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 prospect of China's real estate sector. In the interim, the Group continues to focus on realizing the value from its redevelopment project pipeline, while remains committed to delivering a rapid asset-turnover business model, further enhancing the product quality and capitalizing its branding, with an aim to maximizing returns to the shareholders of the Company.

Financial Review

Revenue

Revenue of the Group primarily comprises the (i) sales proceeds from the sale of properties including completed properties held for sale and properties under development, (ii) gross recurring revenue received and receivable from investment properties and (iii) property management fee income. The revenue is primarily generated from its three business segments: property development, property investment and property management. The revenue decreased by RMB1,407.3 million, or 38.0%, to approximately RMB2,300.2 million in the Period from approximately RMB3,707.5 million for the corresponding period in 2011, mainly due to the decrease in recognised property sales. For the Period, the revenue generated from property development, property investment and property management was approximately RMB2,155.1 million, RMB87.3 million and RMB57.8 million, respectively.

Sales of properties

Revenue from sales of properties decreased by RMB1,429.9 million, or 39.9%, to RMB2,155.1 million in the Period from RMB3,585.0 million for the corresponding period in 2011. The decrease was primarily attributable to a decrease in the average selling price per sq.m. from approximately RMB13,670 for the corresponding period in 2011 to approximately RMB7,605 in the Period, partly offset by an increase in the total GFA delivered from approximately 262,211 sq.m. for the corresponding period in 2011 to approximately 283,362 sq.m. in the Period.

Rental income

Rental income increased by RMB21.0 million, or 31.7%, to RMB87.3 million in the Period from RMB66.3 million for the corresponding period in 2011. This increase was primarily attributable to the increased lettable area.

Property management service

Revenue from property management service remained fairly stable for the Period as compared to the corresponding period in 2011.

Gross profit

The Group's gross profit decreased by RMB130.7 million, or 10.5%, to RMB1,108.6 million in the Period from RMB1,239.3 million for the corresponding period in 2011, mainly attributable to decrease in recognised property sales. The gross profit margin increased to 48.2% from 33.4% for the corresponding period in 2011, mainly explained by the decrease in cost of sales of properties (excluding business tax) per sq.m., from approximately RMB8,453 for the corresponding period in 2011 to approximately RMB3,658 in the Period, partly offset by the decrease in average selling price per sq.m. from approximately RMB13,670 for the corresponding period in 2011 to approximately RMB7,605 in the Period.

Selling and marketing costs

The Group's selling and marketing costs increased by RMB116.8 million, or 101.4%, to RMB232.0 million in the Period from RMB115.2 million for the corresponding period in 2011. 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 and other promotional costs incurred for our pre-sale activities of relatively larger number of the Group's projects during the Period, as compared to the corresponding period in 2011.

Administrative expenses

The Group's administrative expenses increased by RMB52.9 million, or 23.0%, to RMB282.7 million in the Period from RMB229.8 million for the corresponding period in 2011. The increase was primarily attributable to increase in staff costs and operating expenses resulting from the Group's business expansion.

Management Discussion and Analysis (CONTINUED)

Change in fair value of investment properties

The increase in fair value of the Group's investment properties for the Period was primarily attributable to the appreciated fair value of the Group's investment properties in Shenzhen Kaisa Global Center and Huizhou Kaisa Center Phase 2 and addition of the retail space of Huizhou Kaisa Center Phase 1 as investment properties.

Finance costs, net

The Group recorded a net finance costs of RMB24.6 million in the Period and a net finance income of RMB7.9 million in the corresponding period in 2011. The difference was primarily explained by an exchange loss of RMB18.4 million recorded in the Period as compared to an exchange gain of RMB50.0 million recorded in the corresponding period in 2011, both mainly arising from the U.S. dollar denominated offshore financing as a result of fluctuation of the Renminbi against the U.S. dollar.

Income tax expenses

The Group income tax expenses decreased by RMB144.9 million, or approximately 29.9%, to RMB340.5 million in the Period from RMB485.4 million for the corresponding period in 2011. The decrease was primarily attributable to the decrease in operating profit for the Period.

Profit for the Period

As a result of the factors described above, the Group's profit for the Period decreased by RMB243.7 million, or 26.6%, to RMB673.6 million in the Period from RMB917.3 million for the corresponding period in 2011. The net profit margin was 29.3% for the Period and 24.7% for the corresponding period in 2011. The Group's net profit excluding exchange difference, change in fair value of finance derivatives and of investment properties net of deferred tax for the Period and the corresponding period in 2011 was RMB370.3 million and RMB516.7 million, respectively, resulting in corresponding net profit margin excluding exchange difference, change in fair value of financial derivatives and of investment properties net of deferred tax of 16.1% and 13.9% for the Period and the corresponding period in 2011, respectively.

Liquidity, Financial and Capital Resources

Cash position

As at 30 June 2012, the carrying amount of the Group's cash and bank deposits was approximately RMB3,880.2 million (31 December 2011: RMB4,486.4 million), representing a decrease of 13.5% as compared to that as at 31 December 2011. 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 30 June 2012, 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 RMB422.9 million as at 30 June 2012.

Senior notes

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

Management Discussion and Analysis (CONTINUED)

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.

Senior bonds

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

Exchangeable term loan

To refinance the Group’s trust loans and to finance the Group’s property projects, on 23 May 2012, the Company entered into a facility agreement with PA International Opportunity VI Limited, as the lender, for an exchangeable term loan in the aggregate principal amount of US\$120.0 million at an annual interest rate of 13.5% with a tenor of 27 months (the “Exchangeable Term Loan”), and a call option deed with the lender as the grantee. Upon exercise of the call option, the lender will become a minority shareholder of Fenglong Group Co. Ltd., currently a wholly owned subsidiary of the Group. The Exchangeable Term Loan was fully drawn down as at 30 June 2012.

Borrowings and charges on the Group’s assets

The Group had aggregate borrowings as at 30 June 2012 of approximately RMB13,180.5 million, of which approximately RMB1,102.8 million will be repayable within 1 year, approximately RMB11,586.9 million will be repayable between 2 and 5 years and approximately RMB490.8 million will be repayable over 5 years. As at 30 June 2012, the Group’s bank loans of approximately RMB3,787.9 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 RMB9,410.3 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 RMB4,031.9 million, the Convertible Bonds with a carrying value of RMB1,300.0 million, the Bonds with a carrying value of RMB1,997.2 million, the Exchangeable Term Loan with a carrying amount of RMB657.6 million and other offshore banking facilities with a carrying value of RMB989.8 million as at 30 June 2012 which were denominated in USD. The Senior Notes, the Convertible Bonds, the Bonds and the Exchangeable Term Loan are secured by the share pledge of certain of the Group’s subsidiaries 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. Our interest rate risk is mainly from the floating interest rate of domestic bank loans.

Gearing

As at 30 June 2012, the Group’s net debts (total borrowings net of cash and cash equivalent and restricted cash) over equity was 73.4% (31 December 2011: 76.6%). The Group’s net current assets increased by 3.1% from RMB17,657.2 million as at 31 December 2011 to RMB18,209.1 million as at 30 June 2012, and the current ratio decreased from 2.0 times as at 31 December 2011 to 1.8 times as at 30 June 2012.

Cost of borrowings

For the Period under review, the Group’s total cost of borrowings was RMB805.6 million, representing an increase of RMB309.3 million or 62.3% as compared to the corresponding period in 2011. The increase was primarily attributable to the higher average debt balance in the Period as compared to that in 2011.

Management Discussion and Analysis (CONTINUED)

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 30 June 2012, the Group had cash balances denominated in USD of approximately US\$25.9 million, and in HK dollar of approximately HK\$246.6 million, the Senior Notes in USD with a carrying value of US\$648.0 million, the Exchangeable Term Loan in USD with a carrying value of US\$120.0 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 30 June 2012, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by domestic banks to our customers amounting to approximately RMB5,229.5 million (31 December 2011: approximately RMB3,679.3 million). Pursuant to the terms of the guarantees, upon default in mortgage payments by a purchaser, we would be responsible for repaying the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchaser to the bank, but we would be entitled to assume legal title to and possession of the related property. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage.

Material acquisitions and disposals of assets

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

Employees and remuneration policy

As at 30 June 2012, the Group had approximately 6,903 employees (31 December 2011: approximately 6,633 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

Selected Property Project Information — As At 30 June 2012

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 Metro City ⁽²⁾	Buji Station, Shenhui Road, Buji Town, Longgang District	Shenzhen	Residential
11	Shenzhen Kaisa City Plaza	Banxuegang Avenue, Longgang District	Shenzhen	Residential
12	Guangzhou Jinmao ⁽²⁾	No. 191 Tiyu West Road, Tianhe District	Guangzhou	Commercial
13	Guangzhou Kaisa Plaza	No. 78 Huangpu Avenue West, Zhujiang New Town, Tianhe District	Guangzhou	Commercial
14	Guangzhou Monarch Residence	No. 99 Jiangnan Avenue Central, Haizhu District	Guangzhou	Residential
15	Guangzhou Tianhe Project	Northwest to Junction of Huangpu Avenue and Chebei Road, Tianhe 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	Linshang 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	Qisha Village, Shatian Town	Dongguan	Residential
24	Dongguan Oasis Town	Junction of Huancheng Road and Green Road, Xiping Community, Nancheng District	Dongguan	Residential
25	Huizhou Jincheng Heights	Gutang'ao Miaozaikeng	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

Project Portfolio (CONTINUED)

Project Phase	Site Area (sq.m.)	Total GFA (sq.m.)	Total GFA			Interest attributable to us
			Completed properties (sq.m.)	Under Development (sq.m.)	Future Development (sq.m.)	
1-8	160,514	580,135	580,135 ⁽⁶⁾			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 ⁽³⁾⁽⁸⁾	89%
–	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%
–	15,178	45,534			45,534 ⁽⁹⁾	51%
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	377,481	244,234	133,247		100%
1-3	86,324	243,658	64,351	122,112	57,195	100%
1-3	70,734	200,386		200,386		80%
–	46,474	155,432	155,432			100%
1-5	239,050	525,934			525,934	100%
–	65,021	120,531			120,531	100%
–	89,998	267,995			267,995	100%
1-3	70,859	734,076	104,644 ⁽⁶⁾	450,720 ⁽⁶⁾	178,712	100%
–	20,400	61,200			61,200 ⁽⁴⁾	100%

Project Portfolio (CONTINUED)

NO.	Project	Address	Location	Type ⁽¹⁾
28	Huizhou Tonghu Project	Guangdong Shuiku, Tonghu	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	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, Huafeng Village, Yongquan Street, Wenjiang District	Chengdu	Residential
34	Chengdu Modern Town	Yingchungqiao, 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, Wangtianba, Shunqing District	Nanchong	Residential
Pan-Bohai Bay Rim				
37	Shengyang 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 Ziyu 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	Binhai Road, Dongdaihe New Zone, Suizhong County	Huludao	Residential
46	Weifang Kaisa Golden World	North of Bailanghe Reservoir Dam, South of Weijiao Road	Weifang	Residential
47	Liaoyang Gongchangling Project	Tanghe New Town, Gongchangling District	Liaoyang	Residential
The Central Region				
48	Changsha Lake View Place	Jinping Village, Tiaoma County	Changsha	Residential
49	Changsha Kaisa Times Square	Yingpan Dong Road, Furong District	Changsha	Residential
50	Zhuzhou Golden World	Liyu Central Business Area, Tianyuan District	Zhuzhou	Residential
51	Wuhan Golden World	Junction of Baisha Road and Qingling Dong Road, Qingling County, Hongshan District	Wuhan	Residential

Project Portfolio (CONTINUED)

Project Phase	Site Area (sq.m.)	Total GFA (sq.m.)	Total GFA			Interest attributable to us
			Completed properties (sq.m.)	Under Development (sq.m.)	Future Development (sq.m.)	
1-4	731,487	731,487			731,487 ⁽⁴⁾	100%
1-10	1,663,969	4,326,318	36,489	427,204	3,862,625 ⁽³⁾	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	1,041,531		1,041,531		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 ⁽³⁾	100%
1-3	249,470	873,145		233,745	639,400 ⁽³⁾	100%
1-3	477,463	1,359,251		267,627	1,091,624 ⁽³⁾	100%
1-3	308,956	926,868			926,868 ⁽³⁾	100%
–	9,783	76,200			76,200 ⁽³⁾	100%
–	122,200	356,824		323,120	33,704	100%
1-2	52,812	380,092		170,717	209,375 ⁽³⁾	100%
1-2	853,773	1,165,293		439,575	725,718 ⁽³⁾	100%
1-4	164,469	246,704			246,704	100%
–	372,427	256,975			256,975 ⁽³⁾	100%
1-4	673,536	1,683,840	185,729	458,282	1,039,829	100%
–	21,770	87,079			87,079	100%
1-3	222,177	509,708	80,125	292,437	137,146 ⁽³⁾	100%
1-3	182,840	505,576			505,576 ⁽³⁾	100%

Project Portfolio (CONTINUED)

NO.	Project	Address	Location	Type ⁽¹⁾
The Yangtze River Delta Region				
52	Jiangyin Lake View Place	South of Xinhua Road, West of Dongwaihuan Road and North of Renmin Dong Road	Jiangyin	Residential
53	Jiangyin Gushan Mocha Town	South of Golden Gushan Garden and West of Xinfu Avenue, Gushan Town	Jiangyin	Residential
54	Jiangyin Kaisa Plaza	No. 1091, Ren Min Dong Road	Jiangyin	Residential
55	Jiangyin Zhouzhuang Golden World	East of Zhouxi Dong Road, Zhouzhuang Town	Jiangyin	Residential
56	Jiangyin Changjing Lake View Waldorf	East of Xinglong Road, South of Dongshun Road, Changjing Town	Jiangyin	Residential
57	Changzhou Phoenix Lake No.1	South of Qingyang Road, Xuejia Town, Xinbei District	Changzhou	Residential
58	Shanghai Shanhuwan Garden	No.4333 Alley, Haima Road, Haiwan Town, Fengxian District	Shanghai	Residential
59	Shanghai Jiading Project	Chongfu Road, Malu Town, Jiading District	Shanghai	Residential
60	Shanghai Fengxian Project	Nanting Road, Zhuanghang Town, Fengxian District	Shanghai	Residential
61	Taicang Lake View Waldorf	No. 1 Queqiao Road, Science-Enducation New Town	Taicang	Residential
62	Hangzhou Jade Dragon Court	North of Zhennan Road, Zhijiang Holiday Resort Area, Xihu District	Hangzhou	Residential
Total ⁽⁵⁾				

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) Guangzhou Tianhe Project, (iii) a portion of land with a site area of 750,842 sq.m. for Huizhou Riverbank New Town, (iv) a portion of land with a site area of 248,883 sq.m. for Yingkou Dragon Bay, (v) a portion of land with a site area of 177,548 sq.m. for Yingkou Monarch Residence, (vi) a site area of 366,775 sq.m. for Anshan Lake View Waldorf, (vii) Anshan Monarch Residence, (viii) Anshan Yaguang Project, (ix) a portion of land with a site area of 22,244 sq.m. for Panjin Kaisa Center, (x) a site area of 99,705 sq.m. for Huludao Suizhong Kaisa Dongdaihe, (xi) Liaoyang Gongchangling Project, (xii) a site area of 64,122 sq.m. for Zhuzhou Golden World, (xiii) a portion of land with a site area of 64,090 sq.m. for Wuhan Golden World, (xiv) Shanghai Jiading Project, (xv) Shanghai Fengxian Project, for which as at 30 June 2012, 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.
- (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 Phase 1 of Huizhou Kaisa Center, with GFA attributable to the Group of approximately 19,170 sq.m. and 12,008 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 Phase 2 of Huizhou Kaisa Center with GFA of approximately 146,278 sq.m.) or medium term lease (for Shenzhen Kaisa Global Center, Jiangyin Kaisa Plaza and Shenyang Kaisa Center, with GFA of approximately 125,705 sq.m., 67,915 sq.m. and 113,219 sq.m., respectively).
- (9) As of 30 June 2012, completed properties held for sale had a total GFA of approximately 274,044 sq.m..

Project Portfolio (CONTINUED)

Project Phase	Site Area (sq.m.)	Total GFA (sq.m.)	Total GFA			Interest attributable to us
			Completed properties (sq.m.)	Under Development (sq.m.)	Future Development (sq.m.)	
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 ⁽⁶⁾		100%
1-3	103,589	245,681	25,135	220,546		100%
1-2	93,275	149,763		149,763		100%
1-2	101,819	256,342		256,342		100%
1-4	104,796	140,151	140,151			100%
–	23,307	58,268			58,268 ⁽³⁾	100%
–	70,318	84,381			84,381 ⁽³⁾	100%
1-3	87,741	199,676	74,220	125,456		100%
–	39,376	98,041		98,041		100%
	10,941,432	29,006,912	5,348,745⁽⁹⁾	8,469,436	15,188,731	

Project Portfolio (CONTINUED)

Properties Under Development

The table below sets forth certain information of our property projects or project phases under development as at June 30, 2012. 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	4	133,247
Dongguan Dongjiang Haomen	Dongguan	2	122,112
Dongguan Shui'an Haomen	Dongguan	1	107,281
Dongguan Shui'an Haomen	Dongguan	2	93,105
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	Zhuhai	1	106,369
Zhuhai Golden World	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 Kaisa Monarch Residence	Chengdu	5	185,750
Chengdu Kaisa Monarch Residence	Chengdu	6	146,213
Chengdu Modern Town	Chengdu	2	167,468
Nanchong Monarch Residence	Nanchong	1	132,626
Nanchong Monarch Residence	Nanchong	2	119,153

Project Portfolio (CONTINUED)

Saleable GFA or Estimated saleable GFA (sq.m.)	Commencement time	Status of pre-sale permit	Estimated completion time	Interest attributable to us
15,089	June 2011	Not yet obtained	2012 4th quarter	100%
36,637	December 2010	Yes	2012 4th quarter	100%
70,335	January 2011	Yes	2012 3rd quarter	100%
127,910	January 2011	Yes	2012 3rd quarter	100%
82,694	February 2011	Yes	2012 3rd quarter	100%
123,581	May 2011	Yes	2012 4th quarter	100%
63,897	August 2011	Yes	2013 3rd quarter	100%
99,752	October 2011	Not yet obtained	2014 2nd quarter	100%
113,260	September 2011	Not yet obtained	2013 2nd quarter	100%
103,795	December 2010	Yes	2012 4th quarter	100%
91,189	January 2011	Yes	2012 4th quarter	80%
79,140	March 2012	Not yet obtained	2013 3rd quarter	80%
383,112	April 2011	Yes	2013 3rd quarter	100%
9,246	November 2010	Yes	2012 3rd quarter	100%
80,966	April 2011	Yes	2012 4th quarter	100%
272,912	October 2011	Not yet obtained	2013 1st quarter	100%
153,268	March 2011	Not yet obtained	2013 2nd quarter	100%
90,414	March 2011	Yes	2012 4th quarter	100%
45,179	August 2011	Not yet obtained	2013 2nd quarter	100%
67,659	November 2011	Yes	2012 3rd quarter	100%
82,419	October 2010	Yes	2012 4th quarter	100%
80,207	April 2011	Yes	2012 4th quarter	100%
188,814	April 2011	Yes	2012 4th quarter	100%
108,857	March 2011	Yes	2013 1st quarter	100%
109,998	August 2011	Yes	2013 2nd quarter	100%
117,764	August 2011	Yes	2014 2nd quarter	100%
157,888	May 2012	Not yet obtained	2014 3rd quarter	100%
124,281	June 2012	Not yet obtained	2014 4th quarter	100%
117,209	July 2011	Yes	2013 1st quarter	100%
112,732	September 2011	Yes	2013 2nd quarter	100%
89,702	September 2011	Yes	2013 2nd quarter	100%

Project Portfolio (CONTINUED)

Project	City	Project Phase	Total GFA or estimated total GFA (sq.m.)
Nanchong Monarch Residence	Nanchong	3	113,395
Nanchong Kaisa Plaza	Nanchong	–	116,634
Shengyang Kaisa Center	Shengyang	–	292,331
Yingkou Dragon Bay	Yingkou	1	347,443
Yingkou Monarch Residence	Yingkou	1	233,745
Anshan Lake View Waldorf	Anshan	1	267,627
Benxi Lake View Place	Benxi	–	323,120
Panjin Kaisa Center	Panjin	1	170,717
Huludao Suizhong Kaisa Dongdaihe	Huludao	1	439,575
Changsha Lake View Place	Changsha	1	121,678
Changsha Lake View Place	Changsha	2	234,935
Changsha Lake View Place	Changsha	3	101,669
Zhuzhou Golden World	Zhuzhou	2	292,437
Jiangyin Gushan Mocha Town	Jiangyin	3	10,372
Jiangyin Gushan Mocha Town	Jiangyin	4	54,507
Jiangyin Kaisa Plaza	Jiangyin	1	112,131
Jiangyin Kaisa Plaza	Jiangyin	3	207,483
Jiangyin Zhouzhuang Golden World	Jiangyin	2	220,546
Jiangyin Changjing Lake View Waldorf	Jiangyin	1	55,349
Jiangyin Changjing Lake View Waldorf	Jiangyin	2	94,414
Changzhou Phoenix Lake No.1	Changzhou	1	100,494
Changzhou Phoenix Lake No.1	Changzhou	2	155,848
Taicang Lake View Waldorf	Taicang	2	81,897
Taicang Lake View Waldorf	Taicang	3	43,559
Hangzhou Jade Dragon Court	Hangzhou	–	98,041
Total			8,469,436

Project Portfolio (CONTINUED)

Saleable GFA or Estimated saleable GFA (sq,m.)	Commencement time	Status of pre-sale permit	Estimated completion time	Interest attributable to us
96,386	December 2011	Yes	2013 4th quarter	100%
116,395	July 2011	Yes	2012 4th quarter	100%
248,481	May 2012	Not yet obtained	2014 4th quarter	100%
295,327	July 2011	Yes	2012 3rd quarter	100%
198,683	June 2011	Yes	2012 4th quarter	100%
227,483	October 2011	Yes	2012 4th quarter	100%
274,652	September 2011	Yes	2013 2nd quarter	100%
122,338	March 2012	Yes	2013 4th quarter	100%
395,618	October 2011	Yes	2013 3rd quarter	100%
106,999	August 2009	Yes	2012 4th quarter	100%
199,695	January 2011	Yes	2013 2nd quarter	100%
86,419	November 2011	Not yet obtained	2013 4th quarter	100%
221,097	October 2011	Yes	2012 4th quarter	100%
10,078	August 2010	Yes	2012 3rd quarter	100%
45,367	February 2011	Yes	2012 4th quarter	100%
95,312	January 2011	Yes	2013 3rd quarter	100%
176,360	October 2011	Yes	2013 4th quarter	100%
187,464	May 2011	Yes	2012 4th quarter	100%
41,512	August 2011	Yes	2012 3rd quarter	100%
80,252	June 2012	Not yet obtained	2014 3rd quarter	100%
85,420	June 2011	Yes	2012 3rd quarter	100%
132,471	June 2011	Yes	2012 4th quarter	100%
77,461	April 2011	Yes	2012 3rd quarter	100%
35,513	April 2011	Yes	2012 4th quarter	100%
83,335	February 2012	Not yet obtained	2013 3rd quarter	100%

Project Portfolio (CONTINUED)

Properties Held for Future Development

The table below sets forth certain information of our property projects held for future development as at 30 June 2012.

Project	Location	Project phase	Estimated total GFA (sq.m.)	Estimated completion time ⁽¹⁾
Shenzhen Kaisa Global Center	Shenzhen	–	142,000	2016
Shenzhen Kaisa City Plaza	Shenzhen	1-4	1,283,430	2013
Guangzhou Tianhe Project	Guangzhou	–	45,534	2014
Foshan Shunde Kaisa Golden World	Foshan	4	156,042	2014
Dongguan Dongjiang Haomen	Dongguan	3	57,195	2013
Dongguan Le Grand Bleu	Dongguan	1-5	525,934	2014
Dongguan Oasis Town	Dongguan	–	120,531	2014
Huizhou Jincheng Heights	Huizhou	1-2	267,995	2014
Huizhou Kaisa Center	Huizhou	3	178,712	2015
Huizhou Yuan Zhou Project	Huizhou	–	61,200	2014
Huizhou Tonghu Project	Huizhou	1-4	731,487	2014
Huizhou Riverbank New Town	Huizhou	4-10	3,862,625	2014
Zhuhai Lake View Waldorf Garden	Zhuhai	2-3	370,115	2014
Zhuhai Golden World	Zhuhai	3-4	96,784	2013
Nanchong Monarch Residence	Nanchong	4	109,087	2014
Yingkou Dragon Bay	Yingkou	2-3	1,061,213	2014
Yingkou Monarch Residence	Yingkou	2-3	639,400	2013
Anshan Lake View Waldorf	Anshan	2-3	1,091,624	2013
Anshan Monarch Residence	Anshan	1-3	926,868	2014
Anshan Yaguang Project	Anshan	–	76,200	2013
Benxi Lake View Place	Benxi	–	33,704	2014

Project Portfolio (CONTINUED)

Project	Location	Project phase	Estimated total GFA (sq.m.)	Estimated completion time ⁽¹⁾
Panjin Kaisa Center	Panjin	2	209,375	2013
Huludao Suizhong Kaisa Dongdaihe	Huludao	1-2	725,718	2014
Weifang Kaisa Golden World	Weifang	1-4	246,704	2013
Liaoyang Gongchangling Project	Liaoyang	–	256,975	2014
Changsha Lake View Place	Changsha	3-4	1,039,829	2013
Changsha Kaisa Times Square	Changsha	–	87,079	2013
Zhuzhou Golden World	Zhuzhou	3	137,146	2013
Wuhan Golden World	Wuhan	1-3	505,576	2014
Shanghai Jiading Project	Shanghai	–	58,268	2014
Shanghai Fengxian Project	Shanghai	–	84,381	2013
Total			15,188,731	

Notes:

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

Disclosure of Interests

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 six months ended 30 June 2012, none of the options was exercised or cancelled, and 1,550,000 options were lapsed. As at 30 June 2012, a total of 33,900,000 options were exercisable. The summary below sets out the details of options granted pursuant to the Pre-IPO Share Option Scheme:

Grantee	Balance as of 1 January 2012	Grant during the six months ended 30 June 2012	Exercised during the six months ended 30 June 2012	Lapsed during the six months ended 30 June 2012	Balance as of 30 June 2012
SUN Yuenan	3,000,000	–	–	–	3,000,000
TAM Lai Ling	–	–	–	–	–
HUANG Chuanqi (Note 2)	–	–	–	–	–
CHEN Gengxian	2,850,000	–	–	–	2,850,000
HAN Zhenjie	1,750,000	–	–	–	1,750,000
JIN Zhigang (Note 3)	1,900,000	–	–	–	1,900,000
Ji Jiaming (Note 3)	–	–	–	–	–
ZHANG Yizhao	500,000	–	–	–	500,000
RAO Yong	500,000	–	–	–	500,000
FOK Hei Yu	750,000	–	–	–	750,000
Other employees (Note 4)	24,200,000	–	–	(1,550,000)	22,650,000
Total	35,450,000	–	–	(1,550,000)	33,900,000

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) Dr. HUANG Chuanqi resigned as an executive Director with effect from 8 February 2012.
- (3) Mr. JIN Zhigang and Mr. Ji Jiaming were appointed as executive Directors with effect from 8 February 2012 and 5 June 2012, respectively.
- (4) Certain members of the senior management and employees of the Company resigned during the six months ended 30 June 2012.

Disclosure of Interests (CONTINUED)

(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 30 June 2012, a total of 531,540,000 options were granted under the Share Option Scheme. For the six months ended 30 June 2012, no options were exercised or cancelled, and a total of 12,530,000 options lapsed. The number of options available for issue under the Share Option Scheme was 12,090,000 as at 30 June 2012. A total of 326,790,000 options were granted during the six months ended 30 June 2012 and 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.

(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.

Disclosure of Interests (CONTINUED)

(8) Remaining life of the Share Option Scheme

The Share Option Scheme will remain valid until 9 December 2019 after which no further options may 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 sets out the details of options granted as at 30 June 2012 pursuant to the Share Option Scheme:

Grantee	Balance as of 1 January 2012	Grant during the six months ended 30 June 2012	Exercised during the six months ended 30 June 2012	Lapsed during the six months ended 30 June 2012	Balance as of 30 June 2012
SUN Yuenan	10,000,000	10,020,000	–	–	20,020,000
TAM Lai Ling	40,000,000	15,030,000	–	–	55,030,000
HUANG Chuanqi (Note)	10,000,000	980,000	–	–	10,980,000
CHEN Gengxian	10,000,000	10,020,000	–	–	20,020,000
HAN Zhenjie	3,000,000	4,510,000	–	–	7,510,000
JIN Zhigang	4,500,000	10,020,000	–	–	14,520,000
JI Jiaming	–	10,020,000	–	–	10,020,000
ZHANG Yizhao	500,000	500,000	–	–	1,000,000
RAO Yong	500,000	500,000	–	–	1,000,000
FOK Hei Yu	750,000	500,000	–	–	1,250,000
Other employees	94,400,000	264,690,000	–	(12,530,000)	346,560,000
Total	173,650,000	326,790,000	–	(12,530,000)	487,910,000

Note:

Dr. HUANG Chuanqi resigned as an executive Director with effect from 8 February 2012. 10,980,000 options were granted to him during the six months ended 30 June 2012 in his capacity as a consultant to the Company.

As at 30 June 2012, a total of 53,070,000 options were exercisable.

Disclosure of Interests (CONTINUED)

Directors' and Chief Executive's Interests in Securities

As at 30 June 2012, 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 (the "Model Code") as set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

Name of Director	Capacity	Family interest (Note 1)	Underlying Shares (under equity derivatives of the Company) (Note 2)	Total	Approximate percentage of the issued share capital of the Company (Note 3) (%)
KWOK Ying Shing	Settlor/Beneficiary of the Kwok Family Trust	3,062,318,701	–	3,062,318,701	62.43
KWOK Ying Chi	Settlor/Beneficiary of the Kwok Family Trust	3,062,318,701	–	3,062,318,701	62.43
SUN Yuenan	Personal	–	23,020,000	23,020,000	0.47
TAM Lai Ling	Personal	–	55,030,000	55,030,000	1.12
CHEN Gengxian	Personal	–	22,870,000	22,870,000	0.47
HAN Zhenjie	Personal	–	9,260,000	9,260,000	0.19
JIN Zhigang	Personal	–	16,420,000	16,420,000	0.33
Ji Jiaming	Personal	–	10,020,000	10,020,000	0.20
ZHANG Yizhao	Personal	–	1,500,000	1,500,000	0.03
RAO Yong	Personal	–	1,500,000	1,500,000	0.03
FOK Hei Yu	Personal	–	2,000,000	2,000,000	0.04

Disclosure of Interests (CONTINUED)

Note:

- (1) These interests refer to the Shares that are beneficially owned through the Kwok Family Trust, a trust established for the benefit of the Kwok family. See "Substantial Shareholders".
- (2) These shares refer to the Shares underlying options that have been granted under the Pre-IPO Share Option Scheme and/or the Share Option Scheme.
- (3) As at 30 June 2012, the number of Shares in issue was 4,905,390,000.

(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.

Disclosure of Interests (CONTINUED)

(iii) Long positions in the Senior Notes

Name of Director	Capacity	As at 1 January 2012	Purchased during the six months ended 30 June 2012	Disposed during the six months ended 30 June 2012	As at 30 June 2012	Approximate percentage of the issued debentures (%)
KWOK Ying Shing (Note 1)	Interest in controlled corporation	USD3,800,000	–	(USD3,800,000)	–	–
KWOK Ying Chi (Note 1)	Interest in controlled corporation	USD3,800,000	–	(USD3,800,000)	–	–

Note:

1. Before the disposal, Mr. KWOK Ying Shing and Mr. KWOK Ying Chi, both of whom are Directors, held the debentures through Fulbright Securities Limited.

Save as disclosed above, as at 30 June 2012, none of the Directors knew of any person (not being a Director or chief executives of the Company) who 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 six months ended 30 June 2012.

Disclosure of Interests (CONTINUED)

Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at 30 June 2012, 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 30 June 2012, so far as the Directors are aware, persons other than the directors or chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of substantial shareholder	Capacity	Type of interests	Number of shares (Note 1)	Approximate percentage of the issued share capital of the Company (%)
Da Chang	Beneficial owner	Corporation	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	1,026,984,622 (L) (Note 2, 16 & 18)	20.93 (L)
Chang Yu	Interest in a controlled corporation	Corporation	3,062,318,701 (L) (Note 2, 16 & 18)	62.43 (L)
Good Health	Interest in a controlled corporation	Corporation	3,058,198,701 (L) (Note 2, 3, 16 & 18)	62.35 (L)
Credit Suisse Trust Limited	Interest in a controlled corporation	Corporation	3,058,198,701 (L) (Note 4, 16 & 18)	62.35 (L)
Kwok Chun Wai	Settlor/Beneficiary of the Kwok Family Trust	Family Trust	3,062,318,701 (L) (Note 4, 16 & 18)	62.43 (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)

Disclosure of Interests (CONTINUED)

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 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)

Notes:

- 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.
- 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.
- 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.

Disclosure of Interests (CONTINUED)

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.
18. During June 2012, Mr. KWOK Chun Wai indirectly purchased 41,200,000 Shares (the "Purchase") through Credit Suisse Trust Limited and the intermediate holding companies, namely, Da Zheng and Chang Yu. The Purchase did not constitute any relevant event pursuant to which any mandatory notification to the Stock Exchange is required under the SFO. However, Mr. KWOK Chun Wai, Da Zheng and Chang Yu made the voluntary filings with the Stock Exchange in respect of the Purchase, while Credit Suisse Trust Limited and its nominee, Good Health, did not make any voluntary filing.

Independent Auditor's Review Report



羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF KAISA GROUP HOLDINGS LTD.

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 36 to 66, which comprises the condensed consolidated balance sheet of Kaisa Group Holdings Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2012 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 21 August 2012

Condensed Consolidated Balance Sheet – Unaudited

	Note	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	162,260	148,725
Investment properties	6	7,167,600	6,375,100
Land use rights	6	25,392	20,603
Investment in an associate		298,771	298,979
Deferred income tax assets		180,399	105,601
		7,834,422	6,949,008
Current assets			
Properties under development		27,248,724	22,159,585
Completed properties held for sale		1,166,117	1,342,662
Debtors, deposits and other receivables	7	4,071,751	3,697,460
Prepayments for proposed development projects		3,686,763	2,915,684
Prepaid taxes		173,293	153,891
Restricted cash		422,910	541,030
Cash and cash equivalents		3,457,250	3,945,389
		40,226,808	34,755,701
Total assets		48,061,230	41,704,709
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	8	432,210	432,210
Share premium	8	3,816,563	3,816,563
Reserves	9	8,386,564	7,692,893
		12,635,337	11,941,666
Non-controlling interests		32,961	7,786
Total equity		12,668,298	11,949,452

Condensed Consolidated Balance Sheet – Unaudited (CONTINUED)

	Note	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	10	12,077,698	11,577,305
Deferred income tax liabilities		1,187,110	1,079,415
Financial derivatives	10(e)	110,381	–
		13,375,189	12,656,720
Current liabilities			
Advance proceeds received from customers		13,339,417	7,241,863
Accrued construction costs		4,537,178	5,274,097
Income tax payable		899,822	989,100
Borrowings	10	1,102,817	2,067,186
Other payables	11	1,881,924	1,522,814
Amounts due to non-controlling interests of subsidiaries		256,585	3,477
		22,017,743	17,098,537
Total liabilities		35,392,932	29,755,257
Total equity and liabilities		48,061,230	41,704,709
Net current assets		18,209,065	17,657,164
Total assets less current liabilities		26,043,487	24,606,172

The notes on pages 41 to 66 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income – Unaudited

	Note	Unaudited Six months ended 30 June	
		2012 RMB'000	2011 RMB'000
Revenue	5	2,300,172	3,707,543
Cost of sales	12	(1,191,586)	(2,468,238)
Gross profit		1,108,586	1,239,305
Other gains – net		17,408	33,137
Selling and marketing costs	12	(232,008)	(115,229)
Administrative expenses	12	(282,740)	(229,793)
Change in fair value of investment properties	6	423,874	467,456
Change in fair value of financial derivatives	10(e)	3,798	–
Operating profit		1,038,918	1,394,876
Share of result from an associate		(208)	(144)
Finance (costs)/income – net	13	(24,570)	7,936
Profit before income tax		1,014,140	1,402,668
Income tax expenses	14	(340,509)	(485,398)
Profit and total comprehensive income for the period		673,631	917,270
Profit attributable to:			
Equity holders of the Company		674,815	917,434
Non-controlling interests		(1,184)	(164)
		673,631	917,270
		RMB	RMB
Earnings per share for profit attributable to equity holders of the Company for the period (expressed in RMB per share)	15		
– Basic		0.138	0.187
– Diluted		0.137	0.176

The notes on pages 41 to 66 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity – Unaudited

	Unaudited					
	Capital and reserves attributable to equity holders of the Company					
	Share capital	Share premium	Reserves	Total	Non-controlling interests	Total equity
RMB'000 (note 8)	RMB'000 (note 8)	RMB'000 (note 9)	RMB'000	RMB'000	RMB'000	
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	–	–	917,434	917,434	(164)	917,270
Transactions with owners in their capacity as owners:						
Share-based payments (note 12)	–	–	33,652	33,652	–	33,652
Capital injection by non-controlling interests	–	–	–	–	26	26
Partial disposal of a subsidiary (note 19(c))	–	–	–	–	4,500	4,500
Balances as at 30 June 2011	432,150	3,815,214	6,692,179	10,939,543	9,298	10,948,841
Balance as at 1 January 2012	432,210	3,816,563	7,692,893	11,941,666	7,786	11,949,452
Total comprehensive income	–	–	674,815	674,815	(1,184)	673,631
Transactions with owners in their capacity as owners:						
Share-based payments (note 12)	–	–	18,856	18,856	–	18,856
Acquisition of non-controlling interests (note 19(a))	–	–	–	–	(26)	(26)
Capital injection by non-controlling interests	–	–	–	–	7,900	7,900
Acquisition of subsidiaries (note 19(b))	–	–	–	–	18,485	18,485
Balances as at 30 June 2012	432,210	3,816,563	8,386,564	12,635,337	32,961	12,668,298

The notes on pages 41 to 66 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows – Unaudited

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	205,117	(4,245,606)
Net cash used in investing activities	(262,805)	(1,074,115)
Net cash (used in)/generated from financing activities	(431,462)	4,934,481
Net decrease in cash and cash equivalents	(489,150)	(385,240)
Cash and cash equivalents at beginning of period	3,945,389	4,339,600
Exchange adjustments	1,011	(5,064)
Cash and cash equivalents at end of period	3,457,250	3,949,296

The notes on pages 41 to 66 are an integral part of these condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 General Information

Kaisa Group Holdings Ltd. (the “Company”) was incorporated in the Cayman Islands on 2 August 2007 as an exempted company with limited liability under the Companies Law (2009 Revision) (as consolidated and revised from time to time) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. During the period, 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 (“Hong Kong Stock Exchange”).

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information was approved by the Board of Directors of the Company for issue on 21 August 2012.

This condensed consolidated interim financial information has not been audited.

2 Basis of Preparation and Accounting Policies

This condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Effect of adopting amendments to standards and interpretations

The following amendments to standards and interpretations are also mandatory for the Group’s financial year beginning on 1 January 2012. The adoption of these amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets

2 Basis of Preparation and Accounting Policies (Continued)

(b) New standards, amendments to standards and interpretation that have been issued but are not effective

The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning on 1 January 2012 and have not been early adopted by the Group:

		Effective for the accounting period beginning on or after
HKAS 1 (Amendment)	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 1 (Amendment)	Government Loans	1 January 2013
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	Disclosures of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine	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.

3 Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011, with the exception of changes in estimates that are required in determining the provision for income taxes.

4 Financial Risk Management

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 condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

There have been no changes in the risk management department since year end or in any risk management policies.

5 Revenue and Segment Information

The chief operating decision-maker has been identified as the executive 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 change in fair value of financial derivatives, finance costs/income – net 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 People's Republic of China (the "PRC"), which is considered as one geographical location in an economic environment with similar risk and returns.

Turnover consists of the following:

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Sales of properties		
– Completed properties held for sale	1,465,052	3,585,034
– Properties under development	690,000	–
Rental income	87,277	66,286
Property management services	57,843	56,223
	2,300,172	3,707,543

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

5 Revenue and Segment Information (Continued)

The segment information provided to the Board of Directors for the reportable segments for the period ended 30 June 2012 is as follows:

	Unaudited				Total RMB'000
	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Others RMB'000	
Revenue	2,155,052	87,277	57,843	–	2,300,172
Segment results before change in fair value of investment properties and financial derivatives	603,006	3,119	2,095	3,026	611,246
Change in fair value of investment properties (note 6)	–	423,874	–	–	423,874
Change in fair value of financial derivatives (note 10(e))	–	3,798	–	–	3,798
Segment results	603,006	430,791	2,095	3,026	1,038,918
Share of result from an associate	(208)	–	–	–	(208)
Finance costs – net (note 13)					(24,570)
Profit before income tax					1,014,140
Income tax expenses (note 14)					(340,509)
Profit for the period					673,631
Other information:					
Depreciation (note 6)	11,365	2,430	1,474	2,691	17,960
Amortisation (note 6)	404	–	–	–	404

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

5 Revenue and Segment Information (Continued)

The segment information provided to the Board of Directors for the reportable segments for the period ended 30 June 2011 is as follows:

	Unaudited				Total RMB'000
	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Others RMB'000	
Revenue	3,585,034	66,286	56,223	–	3,707,543
Segment results before change in fair value of investment properties	889,970	18,659	7,989	10,802	927,420
Change in fair value of investment properties (note 6)	–	467,456	–	–	467,456
Segment results	889,970	486,115	7,989	10,802	1,394,876
Share of result from an associate	(144)	–	–	–	(144)
Finance income – net (note 13)					7,936
Profit before income tax					1,402,668
Income tax expenses (note 14)					(485,398)
Profit for the period					917,270
Other information:					
Depreciation (note 6)	9,798	1,489	369	1,989	13,645
Amortisation (note 6)	417	–	–	–	417

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

5 Revenue and Segment Information (Continued)

The segment assets and liabilities as at 30 June 2012 are as follows:

	Unaudited					Total RMB'000
	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Others RMB'000	Elimination RMB'000	
Segment assets	75,089,626	9,188,625	1,294,577	50,147,072	(88,311,133)	47,408,767
Investment in an associate	298,771	-	-	-	-	298,771
Unallocated						353,692
Total assets						48,061,230
Segment liabilities	50,616,423	4,206,124	397,883	35,223,184	(70,318,129)	20,125,485
Unallocated						15,267,447
Total liabilities						35,392,932
Other information:						
Capital expenditure (note 6)	8,841	241,790	938	4,137	-	255,706

The segment assets and liabilities as at 31 December 2011 are as follows:

	Audited					Total RMB'000
	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Others RMB'000	Elimination 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 (note 6)	31,174	488,828	11,634	15,612	-	547,248

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

5 Revenue and Segment Information (Continued)

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, financial derivatives, other payables and amounts due to non-controlling interests of subsidiaries. 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.

6 Property and Equipment, Investment Properties and Land Use Rights

	Unaudited		
	Property and equipment RMB'000	Investment properties RMB'000 (note)	Land use rights RMB'000
Six months ended 30 June 2012			
Opening net book amount at 1 January 2012	148,725	6,375,100	20,603
Transfer from investment properties to property and equipment and land use rights	12,743	(17,936)	5,193
Transfer from completed properties held for sale	-	150,000	-
Additions	19,144	236,562	-
Amortisation (note 12)	-	-	(404)
Depreciation (note 12)	(17,960)	-	-
Disposals	(392)	-	-
Increase in fair value	-	423,874	-
Closing net book amount at 30 June 2012	162,260	7,167,600	25,392

6 Property and Equipment, Investment Properties and Land Use Rights (Continued)

	Unaudited		
	Property and equipment RMB'000	Investment properties RMB'000 (note)	Land use rights RMB'000
Six months ended 30 June 2011			
Opening net book amount at 1 January 2011	106,140	5,484,000	18,379
Transfer from completed properties held for sale	7,681	–	3,064
Additions	28,147	140,944	–
Acquisition of subsidiaries	51	–	–
Amortisation (note 12)	–	–	(417)
Depreciation (note 12)	(13,645)	–	–
Disposals	(13,874)	–	(3,264)
Increase in fair value	–	467,456	–
Closing net book amount at 30 June 2011	114,500	6,092,400	17,762

Note:

The Group obtains independent valuations from Savills Valuation and Professional Services Limited, for its investment properties at least semi-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 Condensed Consolidated Interim Financial Information (CONTINUED)

7 Debtors, Deposits and Other Receivables

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Trade receivables (note a)	870,547	842,679
Other receivables	249,155	258,897
Other deposits	202,812	189,731
Prepayments	81,037	90,533
Deposits for land acquisition (note b)	2,154,384	2,121,917
Prepaid other taxes	513,816	193,703
	4,071,751	3,697,460

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:

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Not yet due (note i)	517,727	375,900
Within 90 days (note ii)	301,989	466,779
90-180 days (note ii)	2,341	-
180-270 days (note ii)	48,490	-
	870,547	842,679

Notes:

- (i) The balance of RMB317,727,000 (31 December 2011: RMB375,900,000) and RMB200,000,000 (31 December 2011: Nil) represented receivables from sales of commercial properties and properties under development to independent third parties expected to be settled before the end of 2012 and 2013 respectively.
- (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. These relate to a number of independent customers for whom there is no recent history of default.
- (b) Deposits for land acquisition 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 30 June 2012 and 31 December 2011, there is no provision made for trade and other receivables and no trade and other receivables were impaired.

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

8 Share Capital and Share Premium

	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
Issued and fully paid:					
As at 1 January 2011 and 30 June 2011	4,904,670,000	490,467	432,150	3,815,214	4,247,364
As at 1 January 2012 and 30 June 2012	4,905,390,000	490,539	432,210	3,816,563	4,248,773

9 Reserves

	Unaudited							Total RMB'000
	Merger reserve (note a) RMB'000	Exchange Reserve RMB'000	Statutory reserves (note b) RMB'000	Share option reserve (note c) RMB'000	Capital reserve RMB'000	Conversion option reserve (note 10(c)) RMB'000	Retained earnings RMB'000	
Balance at 1 January 2011	382	24,835	314,405	78,994	(394,475)	220,824	5,496,128	5,741,093
Profit for the period	-	-	-	-	-	-	917,434	917,434
Share-based payments	-	-	-	33,652	-	-	-	33,652
Balance at 30 June 2011	382	24,835	314,405	112,646	(394,475)	220,824	6,413,562	6,692,179
Balance at 1 January 2012	382	24,835	461,590	129,840	(394,475)	220,824	7,249,897	7,692,893
Profit for the period	-	-	-	-	-	-	674,815	674,815
Share-based payments	-	-	-	18,856	-	-	-	18,856
Balance at 30 June 2012	382	24,835	461,590	148,696	(394,475)	220,824	7,924,712	8,386,564

- (a) The merger reserve of the Group represents the difference between the nominal value of the share capital and share premium of 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 group reorganisation qualifies as common control combinations and has been accounted for using merger accounting.

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

9 Reserves (Continued)

(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.

(c) Share option reserve represents value of employee services in respect of share options granted under the Pre-IPO Share Option Scheme and Share Option Scheme (note 20).

10 Borrowings

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings – secured (note a, f)	2,841,150	3,132,251
Bank borrowings – unsecured (note a)	1,249,819	1,188,949
Senior Notes (note b)	4,031,911	3,994,995
Convertible Bonds (note c)	1,300,038	1,277,876
Senior Secured Guaranteed Bonds (note d)	1,997,186	1,983,234
Exchangeable Term Loan (note e)	657,594	–
	12,077,698	11,577,305
Borrowings included in current liabilities:		
Bank borrowings – secured (note a, f)	946,700	1,903,950
Bank borrowings – unsecured (note a)	156,117	163,236
	1,102,817	2,067,186
Total borrowings	13,180,515	13,644,491

10 Borrowings (Continued)

Notes:

- (a) Movements in bank borrowings are analysed as follows:

	Unaudited	
	2012 RMB'000	2011 RMB'000
Six months ended 30 June		
Opening amount as at 1 January	6,388,386	4,369,993
Additions	972,000	2,725,946
Repayments	(2,170,350)	(1,477,850)
Exchange difference	3,750	(16,366)
Closing amount as at 30 June	5,193,786	5,601,723

- (b) 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 the 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.

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

10 Borrowings (Continued)

Notes: (Continued)

(b) Senior Notes (Continued)

Movements in Senior Notes are analysed as follows:

	Unaudited	
	2012	2011
	RMB'000	RMB'000
Six months ended 30 June		
Carrying amount as at 1 January	3,994,995	2,320,552
Additions	–	1,780,785
Accrued interest (note 13)	297,113	171,091
Coupon payment	(275,313)	(154,809)
Exchange difference	15,116	(55,160)
Closing amount as at 30 June	4,031,911	4,062,459

(c) Convertible Bonds

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

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

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

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

The 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 9).

10 Borrowings (Continued)

Notes: (Continued)

(c) Convertible Bonds (Continued)

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

	RMB'000
Face value of the Convertible Bonds on issue	1,500,000
Less: Equity component	(220,824)
Transaction costs	(47,209)
Liability component on initial recognition	1,231,967

	Unaudited	
	2012	2011
	RMB'000	RMB'000
Six months ended 30 June		
Carrying amount as at 1 January	1,277,876	1,236,827
Accrued interest (note 13)	83,162	80,040
Coupon payment	(61,000)	(60,671)
Carrying amount as at 30 June	1,300,038	1,256,196

As at 30 June 2012 and 31 December 2011, there was no conversion or redemption of the Convertible Bonds.

(d) Senior Secured Guaranteed Bonds

On 15 March 2011, the Company issued RMB denominated US\$ settled 8.5% Senior Secured Guaranteed 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 Securities Trading Limited.

The Senior Secured Guaranteed Bonds 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.

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

10 Borrowings (Continued)

Notes: (Continued)

(d) Senior Secured Guaranteed Bonds (Continued)

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

	RMB'000
Nominal value	2,000,000
Less: transaction costs	(88,263)
Net proceeds	1,911,737

	Unaudited	
	2012	2011
	RMB'000	RMB'000
Six months ended 30 June		
Carrying amount as at 1 January/issue date	1,983,234	1,911,737
Accrued interest (note 13)	99,896	58,093
Coupon payment	(85,944)	–
Carrying amount as at 30 June	1,997,186	1,969,830

(e) Exchangeable Term Loan

On 23 May 2012, the Company entered into a US\$120,000,000 (equivalent to approximately RMB758,988,000) term loan with conversion options with an independent third party (the “Exchangeable Term Loan”). The maturity date of the Exchangeable Term Loan is 27 months after the drawdown date, which is 24 August 2014.

The net proceeds received from the Exchangeable Term Loan have been split between a financial derivative component and a liability component as follows:

- (i) The financial derivative component represents the fair value of conversion feature of the Exchangeable Term Loan as at issuance date, which is determined using the binomial model. The agreement allows the lender to have the option to convert the outstanding loan into equity interests of certain subsidiaries of the Company on 24 May 2014, three months before the maturity date of the Exchangeable Term Loan.

The financial derivative is classified as a financial liability at fair value through profit or loss and subsequently carried at fair value.

10 Borrowings (Continued)

Notes: (Continued)

(e) Exchangeable Term Loan (Continued)

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

The interest charged for the period is calculated by applying an effective interest rate of approximately 22.5% per annum to the liability component since the loan was issued. Interest of 13.5% per annum is payable semiannually in accordance to the agreement.

The value of the liability component of approximately RMB642,632,000 and the financial derivative component of approximately RMB114,357,000, net of transaction cost of US\$316,000 (equivalent to approximately RMB1,999,000), were determined at issuance of the Exchangeable Term Loan.

The Exchangeable Term Loan is guaranteed by the Group's subsidiaries incorporated outside of the PRC jointly and severally.

The Exchangeable Term Loan recognised in the condensed consolidated balance sheet is calculated as follows:

	RMB'000	
Face value of the Exchangeable Term Loan on issue		758,988
Less: Financial derivative component		(114,357)
Transaction costs		(1,999)
		<u>642,632</u>
Liability component on initial recognition		<u>642,632</u>
	Unaudited	
	Liability	Derivative
	Component	Component
	RMB'000	RMB'000
Six months ended 30 June		
Carrying amount as at issue date	642,632	114,357
Accrued interest (note 13)	14,284	–
Change in fair value	–	(3,798)
Exchange difference	678	(178)
	<u>657,594</u>	<u>110,381</u>
Carrying amount as at 30 Jun 2012		

As at 30 June 2012, there was no conversion or redemption of the Exchangeable Term Loan.

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

10 Borrowings (Continued)

Notes: (Continued)

(f) The Group's bank borrowings of RMB3,787,850,000 (31 December 2011: RMB5,036,201,000) were jointly secured by property and equipment, land use rights, investment properties, properties under development, completed properties held for sale and cash of the Group.

(g) Bank borrowings are guaranteed by:

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Group companies		
– Secured	3,146,100	4,119,950
– Unsecured	1,405,936	1,352,185
	4,552,036	5,472,135

11 Other Payables

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Other payables and accruals	1,177,478	878,312
Note payables	243,238	209,707
Consideration payables related to purchase of subsidiaries	350,913	298,913
Consideration payable related to purchase of an associate	6,000	6,000
Other taxes payables	104,295	129,882
	1,881,924	1,522,814

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

12 Expenses by Nature

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

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Auditor's remuneration	1,200	1,000
Advertising and other promotional costs	148,506	86,200
Agency fee	22,134	8,114
Business taxes (note)	99,807	201,805
Cost of completed properties sold	1,036,404	2,216,417
Donations	2,610	9,319
Legal and professional fees	20,985	14,528
Depreciation (note 6)	17,960	13,645
Amortisation of land use rights (note 6)	404	417
Staff costs including directors' emoluments:		
– salaries, wages and staff benefits costs	147,446	87,531
– share option expenses	18,856	33,652
Office expenses	37,241	28,111
Operating lease rental	13,198	10,242
Others	139,583	102,279
	1,706,334	2,813,260

Note:

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

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

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

13 Finance Income and Costs

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Finance income		
Interest income on bank deposits	10,819	6,322
Finance costs		
Interest expense:		
– Bank borrowings	(311,160)	(187,124)
– Senior Notes (note 10(b))	(297,113)	(171,091)
– Convertible Bonds (note 10(c))	(83,162)	(80,040)
– Senior Secured Guaranteed Bonds (note 10(d))	(99,896)	(58,093)
– Exchangeable Term Loan (note 10(e))	(14,284)	–
Total interest expense	(805,615)	(496,348)
Less: interest capitalised	788,583	447,944
	(17,032)	(48,404)
Net exchange (losses)/gains	(18,357)	50,018
Finance (costs)/income, net	(24,570)	7,936

14 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.

Hong Kong profits tax

No Hong Kong profits tax was provided for the six months ended 30 June 2012 and 2011 as the Group has no assessable profits arising in or derived from Hong Kong for the periods.

PRC enterprise income tax

PRC enterprise income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2011: 24% and 25%).

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% (2011: 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 condensed consolidated statement of comprehensive income as income tax.

	Unaudited Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Current income tax		
– PRC enterprise income tax	275,396	262,862
– PRC land appreciation tax	32,216	104,642
Deferred income tax	32,897	117,894
	340,509	485,398

15 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 period.

	Unaudited Six months ended 30 June	
	2012	2011
Profit attributable to equity holders (RMB'000)	674,815	917,434
Weighted average number of ordinary shares in issue	4,905,390,000	4,904,670,000
Basic earnings per share (RMB)	0.138	0.187

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of RMB674,815,000 (2011: RMB917,434,000) and the weighted average of 4,905,390,000 (2011: 4,904,670,000) shares in issue during the period.

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 period ended 30 June 2012, the Company has the Convertible Bonds (2011: 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 done to determine the number of shares that could have been acquired at fair value (determined as the average periodic market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise in full of the share options.

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

15 Earnings Per Share (Continued)

	Unaudited	
	Six months ended 30 June	
	2012	2011
Profit attributable to equity holders (RMB'000)	674,815	917,434
Adjustment for finance cost on Convertible Bonds	83,162	60,030
	757,977	977,464
Profit used to determine diluted earnings per shares (RMB'000)	757,977	977,464
Weighted average number of ordinary shares in issue	4,905,390,000	4,904,670,000
Adjustment for the Convertible Bonds	620,000,000	620,000,000
Adjustment for share options	–	42,631,022
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	5,525,390,000	5,567,301,022
Diluted earnings per share (RMB)	0.137	0.176

16 Dividend

No dividend has been paid or declared by the Company for the six months ended 30 June 2012 and 2011.

17 Financial Guarantees Contracts

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

	Unaudited	Audited
	30 June	31 December
	2012	2011
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the property units	5,229,495	3,679,268

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.

18 Commitments

Commitments for property development expenditures

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Contracted but not provided for	19,832,645	18,395,255

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

19 Acquisitions and Disposal of Subsidiaries

(a) Acquisition of non-controlling interests

Prior to the acquisition, the Group held 60% equity interest in Bakai Investments Limited. On 13 January 2012, the Group acquired the remaining 40% equity interests of Bakai Investments Limited with a cash consideration of US\$4,000 (equivalent to approximately RMB26,000).

There are no difference between the purchase consideration paid and the acquired 40% of net assets value of Bakai Investments Limited.

(b) Acquisitions of subsidiaries

During the period ended 30 June 2012, the Group acquired 60% of the equity interest of a subsidiary incorporated in the PRC at a total consideration of approximately RMB142,200,000. This company did not operate any business prior to the acquisition and only held a piece of land. Therefore, the Group considered this would be an acquisition of assets in substance and consideration would be attributable to the carrying value of the land.

During the period ended 30 June 2011 the Group acquired 100% of the equity interest of several subsidiaries at a total consideration of approximately RMB1,355,160,000. These companies did not operate any business prior to the acquisitions and only held a piece of land or a property under development. Therefore, the Group considered these would be acquisitions of assets in substance and as a result the difference between the cash consideration and the net assets acquired would be recognised as adjustments to the carrying value of the lands and properties under development.

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

(c) Disposal of interest in subsidiaries without loss of control

During the period ended 30 June 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.

20 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.

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

	Unaudited			
	2012		2011	
	Weighted average exercise price in HK\$ per share	Number	Weighted average exercise price in HK\$ per share	Number
At 1 January	3.105	35,450,000	3.105	39,800,000
Forfeited during the period	3.105	(1,550,000)	3.105	(3,250,000)
At 30 June	3.105	33,900,000	3.105	36,550,000

20 Share Option (Continued)

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

As at 30 June 2012, 33,900,000 (30 June 2011: 24,123,000) outstanding options granted under Pre-IPO Share Option Scheme were exercisable (note).

Note: Terms of share options at the condensed consolidated balance sheet date were as follows:

Exercise period	Exercise price per share (HK\$)	Number of share options As at	
		30 June 2012	30 June 2011
19/3/2010–9/12/2012	3.105	11,187,000	12,061,500
11/3/2011–9/12/2012	3.105	11,187,000	12,061,500
20/3/2012–9/12/2012	3.105	11,526,000	12,427,000
		33,900,000	36,550,000

No share options were granted or granted for adjustment, lapsed or cancelled during the period (2011: 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 Condensed Consolidated Interim Financial Information (CONTINUED)

20 Share Option (Continued)

(b) Share Option Scheme (Continued)

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

	Unaudited			
	2012		2011	
	Weighted average exercise price in HK\$ per share	Number	Weighted average exercise price in HK\$ per share	Number
At 1 January	2.159	173,650,000	2.144	191,450,000
Granted during the period (Note)	1.500	326,790,000	–	–
Forfeited during the period	1.831	(12,530,000)	2.000	(7,900,000)
At 30 June	1.726	487,910,000	2.151	183,550,000

As at 30 June 2012, 53,070,000 (30 June 2011: 16,500,000) outstanding options granted under the Share Option Scheme were exercisable (note).

Note: Terms of share options at the condensed consolidated balance sheet date were as follows:

Exercise period	Exercise price Per share (HK\$)	Number of share options	
		30 June 2012	30 June 2011
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	28,070,000	31,710,000
23/7/2012–22/7/2020	2.000	28,070,000	31,710,000
23/7/2013–22/7/2020	2.000	28,070,000	31,710,000
23/7/2014–22/7/2020	2.000	28,070,000	31,710,000
23/7/2015–22/7/2020	2.000	28,070,000	31,710,000
6/6/2013–5/6/2022	1.500	64,512,000	–
6/6/2014–5/6/2022	1.500	64,512,000	–
6/6/2015–5/6/2022	1.500	64,512,000	–
6/6/2016–5/6/2022	1.500	64,512,000	–
6/6/2017–5/6/2022	1.500	64,512,000	–
		487,910,000	183,550,000

Notes to the Condensed Consolidated Interim Financial Information (CONTINUED)

20 Share Option (Continued)

(b) Share Option Scheme (Continued)

The Company offered to grant directors and employees (the "June 2012 Grant") of 326,790,000 shares respectively of HK\$0.10 each in the capital of the Company on 6 June 2012. The valuation was based on a Binomial Model with the following data and assumptions:

	June 2012 Grant
Fair value under binomial model	HK\$161,971,000
Closing share price at grant date	HK\$1.39
Exercise price	HK\$1.50
Annual risk free interest rate	1.04%
Expected option life	10 years
Expected dividend yield	nil

The volatility of the share price of the Company was determined based on the movement of the share price during the previous years. The volatility rate was 44% per annum.

21 Related Party Transactions

(a) Name and relationship with related parties

Controlling shareholders

Mr. Kwok Chun Wai and Mr. Kwok Ying Shing

(b) Purchasing of services

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Rental expenses	767	661

Note: This represents payment of rental expenses for various office premises to controlling shareholders Mr. Kwok Chun Wai and Mr. Kwok Ying Shing. The rental expenses paid during the period was determined at prevailing market rate of respective office premises.

(c) Key management compensation

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Salaries and other short-term employee benefits	12,302	11,879
Retirement scheme contributions	102	168
Share option benefits	8,776	19,580
	21,180	31,627

Other Information

Corporate Governance

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high standard of corporate governance. For the six months ended 30 June 2012, the Board is of the view that, for the period from 1 January 2012 to 31 March 2012, the Company has complied with the code provisions on the Code on Corporate Governance Practices (the "Old Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and for the period from 1 April 2012 till 30 June 2012, the Company has complied with the code provisions included in the amendments made to the Old Code which took effect since 1 April 2012 (the "New Code"), save for the deviations which are explained below.

Code A.6.7

All of the Company's independent non-executive Directors were unable to attend the Company's annual general meeting which was held on 23 May 2012 ("2011 AGM") due to other prior business engagements.

Code E.1.2

Neither Mr. Kwok Ying Shing nor any of the independent non-executive Director attended the 2011 AGM as they had other prior business engagements.

Changes of board composition and updated information regarding the Directors

Dr. HUANG Chuanqi resigned as an executive Director with effect from 8 February 2012.

Mr. JIN Zhigang and Mr. JI Jiaming were appointed as an executive Director with effect from 8 February 2012 and 5 June 2012, respectively.

Save as disclosed above, there was no change to any of the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules.

Audit Committee

The Audit Committee assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The members of the Audit Committee are all of the Independent Non-Executive Directors, namely Mr. Rao Yong, Mr. Zhang Yizhao and Mr. Fok Hei Yu. Mr. Rao Yong is the Chairman of the Audit Committee.

Review of Interim Results

The Audit Committee has reviewed the Group's unaudited consolidated interim results for the six months ended 30 June 2012. In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim results for the six months ended 30 June 2012 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.



Other Information (CONTINUED)

Model Code for Securities Transactions

The Company has adopted the Model Code as the code for dealing in securities of the Company by the Directors. Specific confirmation has been obtained from all Directors to confirm compliance with the required standard set out in the Model Code for six months ended 30 June 2012. No incident of non-compliance was noted by the Company to date. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code for six months ended 30 June 2012.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listing securities.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2012 (2011: Nil).