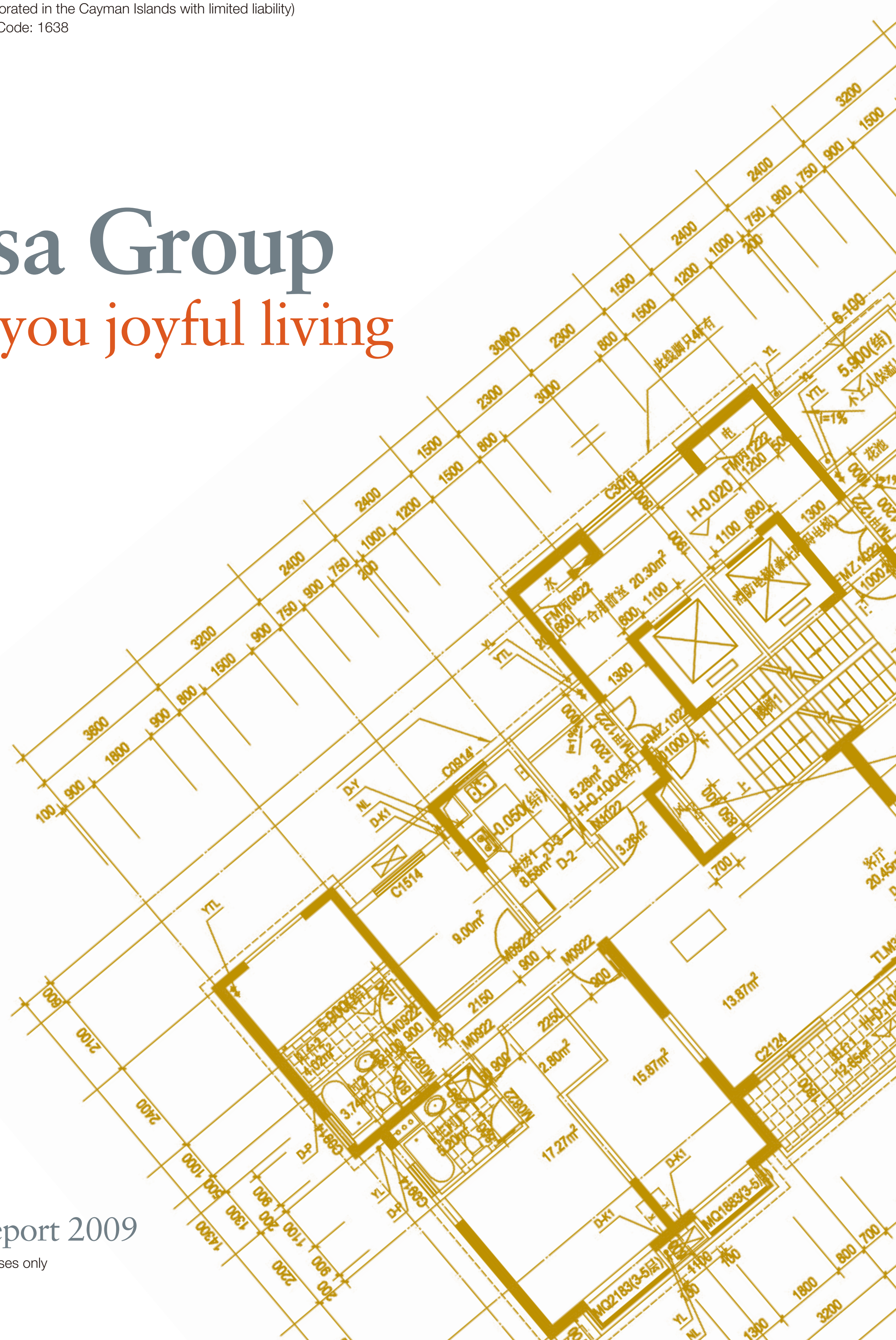
佳兆業集團控股有限公司*
KAISA GROUP HOLDINGS LTD.

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1638

Kaisa Group
bring you joyful living



Annual Report 2009

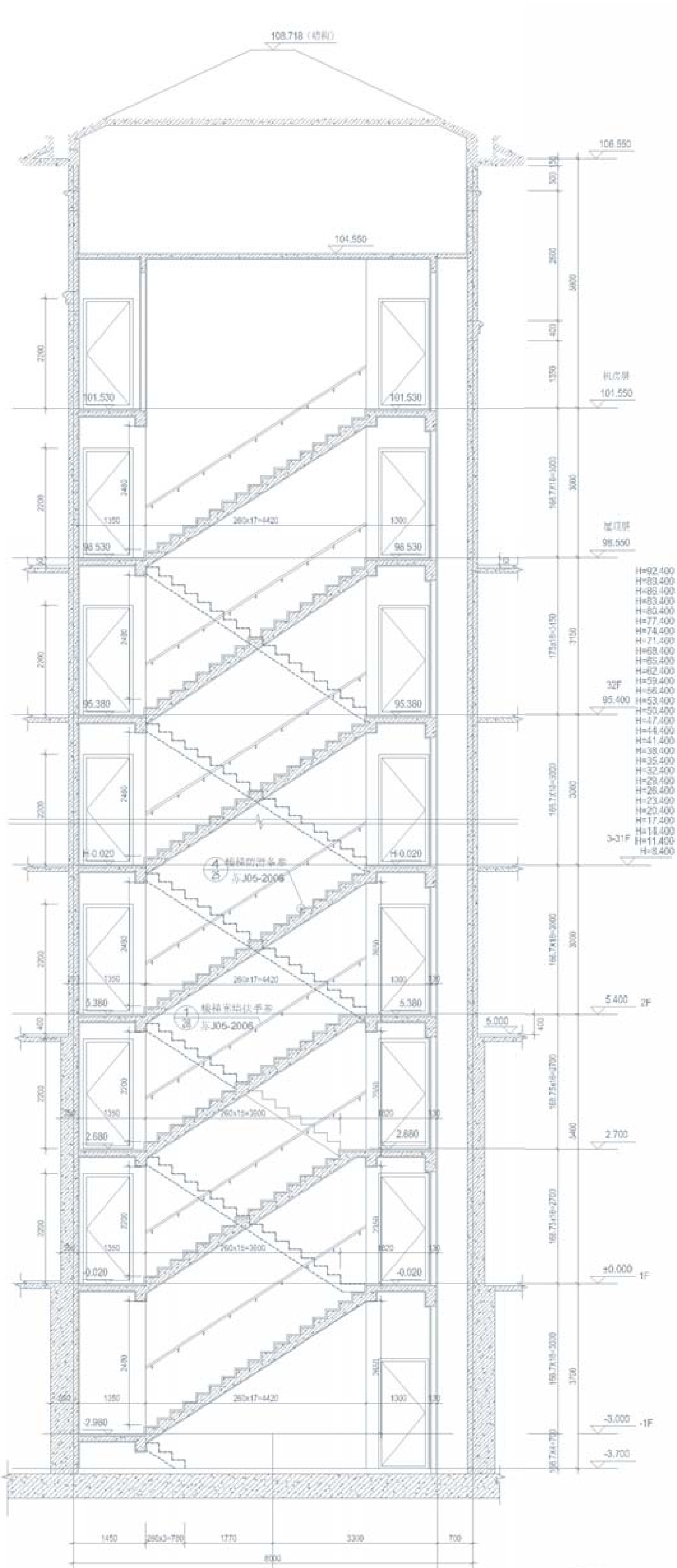
* For identification purposes only

Kaisa Group Holdings Ltd. (the "Company") and its subsidiaries (together referred as the "Group" or "Kaisa"), founded in 1999, is a large-scale integrated real estate company with its PRC headquarter located in Shenzhen. In 9 December 2009, the Group was listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 1638.HK).

The Group focuses on urban development and operation. Our real estate business involves the planning, development and operation of large-scale residential properties and integrated commercial properties. Our footprint covers Shenzhen, Guangzhou, Dongguan, Huizhou, Zhuhai and other cities in the Pearl River Delta, and has been extended to other major cities nationwide, such as Shanghai and Jiangyin in the Yangtze River Delta region, Chengdu in the Chengdu-Chongqing region, Changsha in the Central China region and Shenyang in the Pan – Bohai Rim region.

Group Overview

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



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Corporate Information

DIRECTORS

Executive Directors

Mr. KWOK Ying Shing *(chairman)*
Mr. KWOK Ying Chi
Mr. SUN Yuenan
Mr. TAM Lai Ling
Mr. YE Jiansheng
Mr. CHEN Gengxian
Ms. JIN Jane

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Mr. KWOK Ying Shing
Mr. CHEUNG Hung Kwong

COMPANY SECRETARY

Mr. CHEUNG Hung Kwong

COMPLIANCE ADVISER

Somerley Limited

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 BANKER

Bank of China, Shenzhen Branch

LEGAL ADVISERS

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

Sidley Austin

As to PRC law:

King & Wood

As to Cayman Islands law:

Conyers Dill & Pearman

AUDITOR

PricewaterhouseCoopers

STOCK CODE

HKEx: 1638.HK

WEBSITE

http://www.kaisagroup.com

Milestones

1999: Founded in Shenzhen

2000: Developed the first project - Woodland Height Phase 1

2001: Woodland Height named Top 10 Star Buildings in Shenzhen

2002: One of Top 10 Enterprises in the Real Estate Industry in Shenzhen

1999-2003
Development in home city Shenzhen

1999 Land Bank:
80,000 sq. m.

2003 Land Bank:
380,000 sq. m.

Projects completed in 1999-2003:
- Woodland Height Phase 1 (2001)
- Woodland Height Phase 2 (2001)
- Woodland Height Phase 3 (2002)
- Woodland Height Phase 4 (2002)
- Woodland Height Phase 5 (2003)

2004: Shenzhen Mocha Town received the Gold Award for Architecture and Design

2006: Top developer in terms of sold GFA and numbers sold of commercial properties and commercial residential houses

Expanded into Dongguan, Guangzhou, Zhuhai

Developed Guangzhou Jinmao and Shenzhen Kaisa Center, two distressed projects

2006-2007: Ranked No. 2 Qualified Real Estate Developer in Shenzhen

2004-2006
Expansion into the PRD region

2006 Land Bank:
1,500,000 sq. m.

Projects completed in 2004-2006:
- Wooldland Height Phase 6-8 (2005-2006)
- Mocha Town Phase 1-4 (2005-2006)
- Shenzhen Kaisa Center (2006)
- Shenzhen Lake View Place Phase 1 (2006)

2007: Brought in Internationally renowned investors through Pre-IPO financing

2009: Successful delivery of Jiangyin Lake View Place, the first project outside the PRD

Expanding into Chengdu-Chongqing region (Chengdu), Yangtze River Delta region (Shanghai, Jiangyin), Central China region (Changsha), Pan-Bohai Rim region (Shenyang)

2007-2008: Ranked No. 2 Qualified Real Estate Developer in Shenzhen

2007-2009:
- Top 10 Valuable Real Estate Brands in Southern China
- China Top 100 Real Estate Developers

2007-2009
Expansion across China

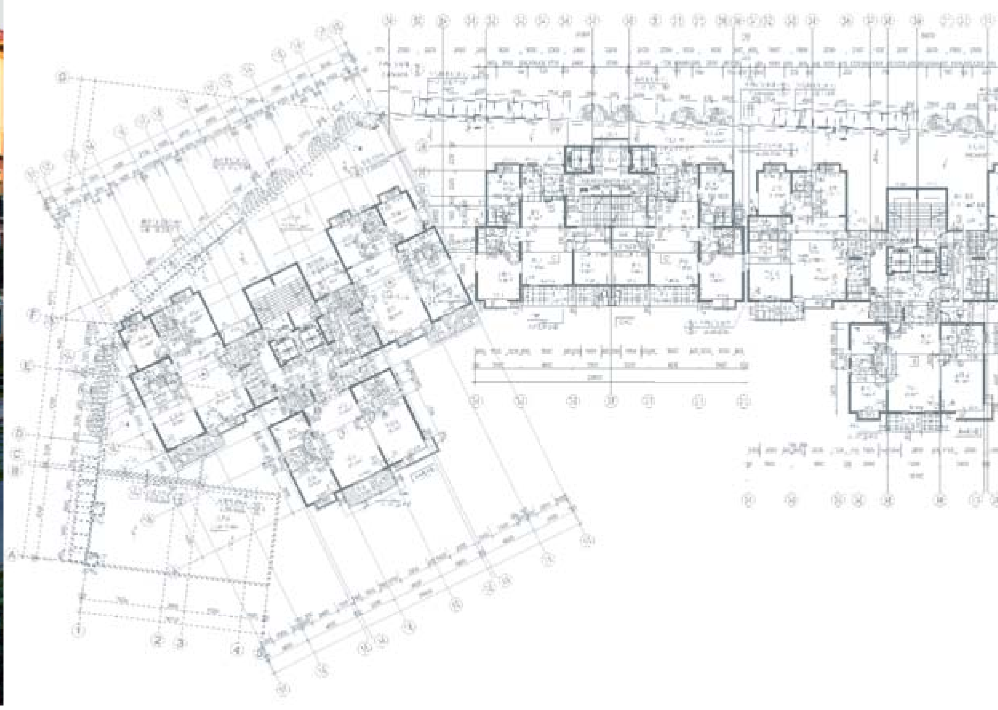
2009.12.9:
Listing on Hong Kong Stock Exchange (Code:1638.HK)

2009 Land Bank:
12,630,000 sq. m.

Projects completed in 2007-2009:
- Mocha Town Phase 5-7 (2007-2008)
- Mingcui Garden Phase 1-2 (2008-2009)
- Xiangcui Garden (2009)
- Shenzhen Lake View Place Phase 2-5 (2007-2008)
- Guangzhou Jinmao (2008)
- Dongguan Zhongyang Haomen (2009)
- Jiangyin Lake View Place (2009)

2007 Land Bank:
3,080,000 sq. m.

Quality Living



Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Kaisa Group Holdings Ltd. ("Kaisa" or the "Group"), I am pleased to present to you the first annual report of Kaisa and its subsidiaries (together referred to as the "Group") since its successful listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 December 2009 (the "Listing Date").

2009 marked a milestone for the history of development of Kaisa. In addition to the celebration of the 10th anniversary, with the support of our shareholders and the proven track record, the Group was successfully listed on the Main Board of the Stock Exchange. This demonstrates recognition of the Group's achievement by both the international capital market and Hong Kong investors, as well as their endorsement of the Group's business model, product positioning, management and execution capability, and prospects for future growth. Further, the Group was awarded "2009 Top 10 Valuable Real Estate Brand in Southern China Region" (2009年中國華南區域房地產品牌價值TOP10) for the third consecutive year. All these have brought Kaisa to a new glorious era in its course of development.

The joint efforts of the management and the staff delivered an outstanding results for the year. During the period under review, contracted sales areas amounted to approximately 688,100 sq. m. while contracted sales were in excess of RMB6.0 billion, representing a growth of 102% and 114% over the corresponding period of last year respectively. In 2009, the Group recorded a turnover of RMB4.67 billion, representing an increase of 50.2% as compared to that of last year. Profit attributable to equity holders amounted to RMB548 million, representing an increase of 9.4% as compared to that of last year and was 1.9% higher than the forecast figure of RMB538 million as published in the listing prospectus. Net debt to equity was 42.5% as at 31 December 2009, down from 184% as at 31 December 2008.

The Group has presence in 10 core cities in five economic zones in the PRC, namely the Pearl River Delta, Yangtze River Delta, Pan-Bohai Rim, Chengdu-Chongqing region and Central China region, paving the way for a nationwide expansion. With substantial experience gained in developing 33 projects, the Group is getting more competitive in business operation and brand building. The Group had a total land bank of more than 12.6 million sq. m., which is sufficient for the Group's development needs for the next five years. During the year under review, the Group continued to replenish land reserve at low cost while optimizing its land bank portfolio, and further consolidated its strategic presence in Yangtze River Delta and Pan-Bohai Rim through acquisition of plots of land in Jiangyin and Shenyang.

In December 2009, the Group entered into a strategic alliance framework agreement with Sino Life Insurance Co., Ltd. to jointly explore investment opportunities in commercial properties over a period of five years. Such cooperation will take in the form of leasing, sales and purchase, trust financing, etc. This strategic alliance is the first and an important cooperation agreement of the Group after its listing, as well as a major strategic move for Sino Life Insurance Co., Ltd. following the promulgation of the amendment of the "Insurance Law of the People's Republic of China" (中華人民共和國保險法) on 1 October 2009, allowing PRC insurance companies making investment in the real estate sector. The formation of such alliance will enable the Group to expand its funding channels. It will not only enhance Kaisa's capability in acquiring high-quality projects, but the parties will also benefit from the synergies in the operation of commercial properties and in fund raising, contributing to the Group's long-term and healthy development.

Another important strategic alliance was also established subsequent to the year under review. In March 2010, the Group entered into a strategic alliance framework agreement with HNA Property Holdings (Group) Co., Ltd.to examine the feasibility on the joint development of high-quality property projects in the PRC, including, but not limited to, investment properties such as commercial properties, offices and resort developments, and residential properties such as high-end residential properties and serviced apartments. We will also explore the possibility of cooperation in the areas of financing and operation.

The volatility of the PRC property market in 2009 was beyond anyone's expectation. In respond to the overwhelming negative sentiment caused by the global financial crisis in the beginning of the year, the central government of PRC introduced an economic stimulus package, while implementing a loose monetary policy. In addition, the Government introduced supportive measures for the property sector, leading to a strong recovery of buyer's confidence in the second half of the year. On a nationwide scale, the trading volume and amount of commodity housing units even reached a record high during the year.

Following the rapid growth in 2009, a polarization phenomenon in the sector is emerging. Leading enterprises are gaining leverage in land acquisition and in funding. Subsequent to the strong recovery in the sector, developers are now facing the austerity measures — "Different treatments to support and suppress as appropriate", introduced by the Government at the end of 2009 to curb the speculative investment and the irrational surge in the property price. Nonetheless, the ultimate aim is to promote the healthy growth and development of the property sector of the PRC on a long term basis. At the same time, the Government proposes to expedite urbanization, putting particular focus on the development of small- and medium- sized cities and townships, bringing more business opportunities in the second- and third-tier cities. Along with strong economic growth, there is ample opportunities for the PRC property market.

With its sound vision, back in 2004, the Group realized that with the rapid growth in the Pear River Delta, the land resources would be scarce, and the local government would learn from the experience of Hong Kong on redevelopment to improve city planning and increase land supply. As such, the Group embarked on active participation in relevant redevelopment projects in 2004. Successes were gained on Woodland Height Phase 8 and replication of redevelopment projects like the now well-received Jincui Garden project was achieved. These years of practice and exploration allow the Group to enrich its experience and professionalism in the sector. As of 31 December 2009, the site area of redevelopment projects within the Pearl River Delta for which the Group had entered into contractual arrangements was approximately 4.2 million sq. m.

In 2009, the Group's focus on urban redevelopment was benefited under a series of favorable factors. On 25 August 2009, Guangdong provincial government promulgated the notice on "Opinions Regarding Promoting the Redevelopment of "Three Olds" and Facilitating Land Usage and Consolidation" (《關於推進[三舊]改造促進節約集約用地的若干意見》), followed by Shenzhen Government's introduction of "Urban Renewal Plan of Shenzhen" (《深圳市城市更新辦法》). The introduction of these two policies provides new impetus for the Group's redevelopment business in Guangdong Province, and Shenzhen in particular, as well as strong and powerful policy protections.

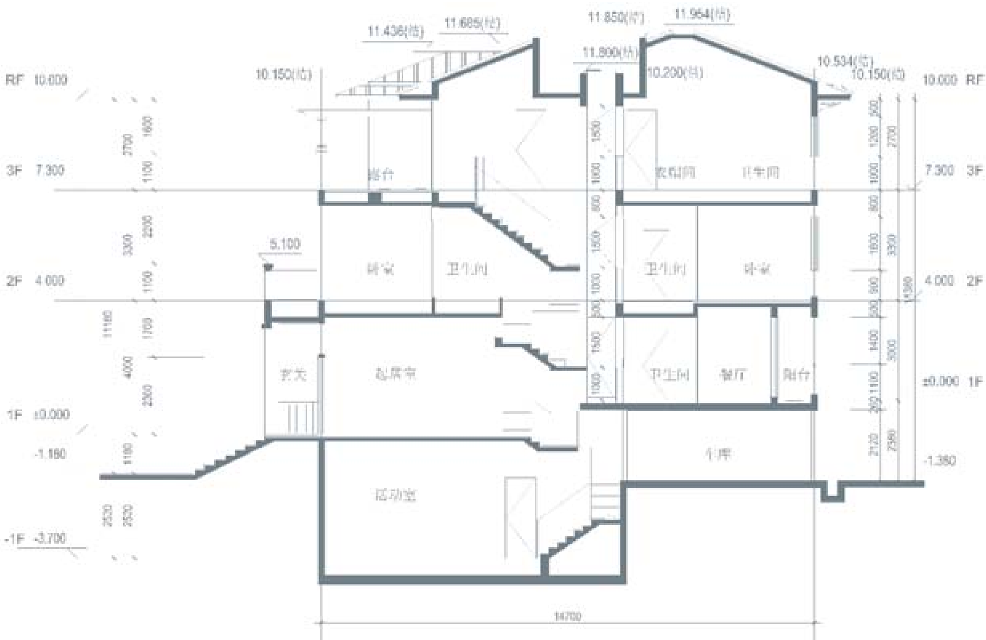
With a diversified property portfolio, quality land reserve and sound financials, the Group is well-positioned to capture the long-term growth of the property sector.

Being a pillar industry, the property sector plays a pivotal and unparallel role in the economic development of the PRC in this long-lasting urbanization process. We therefore are confident of the long-term development of the property market. As an up-and-coming player in the industry, Kaisa is now into its second decade of development. Poised to remain its strong momentum of highly-efficient operations and rapid growth, the Group is ready to move forward to grow on a more nationwide scale, aiming to become a leading national property developer.

Lastly, on behalf of the Board, I would like to take this opportunity to express gratitude to all shareholders, cornerstone investors and business partners for their trust and support over the past year. We also thank every member of our staff for their diligence and dedication in working towards the Group's fruitful results of operation. Upholding the spirit enshrined in our motto "Kaisa Group, bring you joyful living", we will keep up with our strenuous efforts and continue to be innovative to create fine living environment for our customers, and will strive to achieve the best returns to our shareholders.

KWOK Ying Shing
Chairman

Hong Kong, 18 March 2010



Fine Living...

Greater Shenzhen One-hour Living Circle

Management Discussion and Analysis

BUSINESS REVIEW

In 2009, under the economic stimulus package introduced by the State Government of the PRC, the overall economic development of the nation showed signs of stabilization while its property market gradually recovered its momentum. Following the Government's direction of "expanding domestic demand, adjusting economic structures and ensuring growth", local governments further introduced favorable policies. In response to the situation, the Group leveraged on the market trend and capitalized on the market opportunities to achieve satisfactory growth.

During the year, the Group recorded a turnover of RMB4,672.2 million, representing an increase of 50.2% as compared to that of last year. Profit attributable to equity holders amounted to RMB547.9 million, representing an increase of 9.4% as compared to that of last year. Basic earnings per share was RMB0.138 (2008: RMB0.128). The Board does not recommend the payment of final dividends for the year ended 31 December 2009.

During the year under review, the Group made significant breakthrough in its business development in the following areas:

Successful Listing on the Main Board of the Stock Exchange

On 9 December 2009, the Company was successfully listed on the Main Board of the Stock Exchange (Stock Code: 1638. HK), raising gross proceeds of HK$3,450 million. This demonstrates recognition of the Group's achievement by both the international capital market and Hong Kong investors, successfully establishing a global financing platform that forms a solid foundation for the Group's future business development.

Contracted Sales amounted to a record level of RMB6,020 million, and outstanding results are achieved in three major economic regions

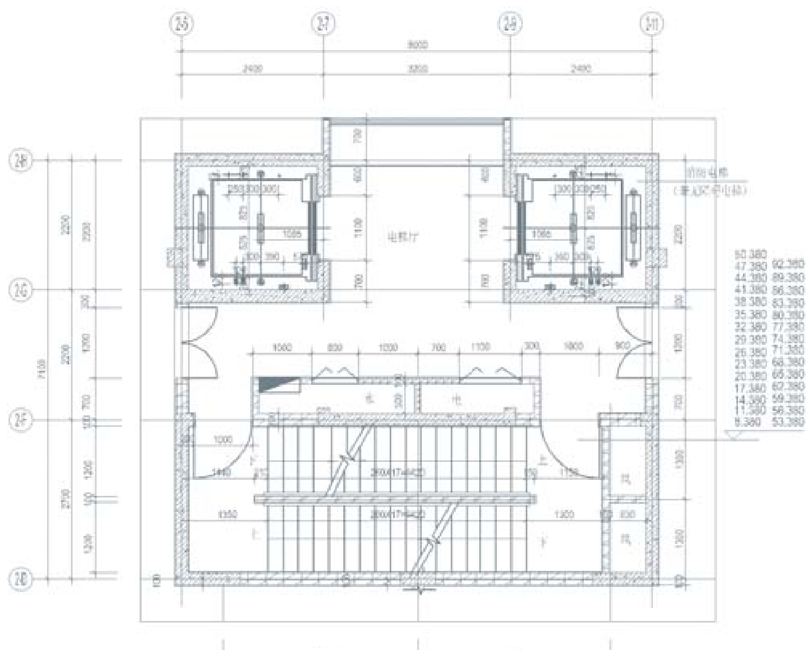
The Group has presence in 10 core cities within five regions in the PRC, namely the Pearl River Delta, Yangtze River Delta, Pan-Bohai Rim, Chengdu-Chongqing region and Central China region, paving the way for a nationwide expansion. In 2009, with the Government stimulus packages gradually taking effect and through our four times nationwide thematic marketing campaigns, the Group achieved a total contracted sales of RMB6,020 million, representing a significant increase of 114.0% as compared to that of last year. Such efforts effectively coped with unfavorable factors such as market volatility, leading to rapid sales growth of the Group's projects.

The Group's 2009 contracted sales by region are summarized as follows:

Region	Number of projects	Contracted sales area sq. m.	Contracted sales amount RMB million
Pearl River Delta	9	478,708	4,660
Yangtze River Delta	2	74,684	800
Chengdu-Chongqing Region	1	134,708	560
Total	**12**	**688,100**	**6,020**

Stepping-up Efforts in Brand Promotion, Enhancing Brand Recognition

During the year under review, the Group maintained its continual efforts on brand promotion and successfully gained various industry honors, including "2009 Top 10 Valuable Real Estate Brand in Southern China Region" (2009年中國華南區域房地產品牌價值TOP10), "2009 Top 100 China Real Estate Enterprises-Top 10 in Operational Efficiency"(2009年中國房地產百强企業運營效率TOP10) and "2009 Top 100 China Real Estate Enterprises" (2009年中國房地產百强), as well as the awards such as "2009 Best Employer Enterprise" (2009年度中國最佳雇主企業), "2009 China Advertisement Main Great Wall Award- Best Propagation Brand"(2009中國廣告主長城獎最具傳播力品牌), "2009 Annual Brand Award of China Property Conference"(2009中國地產年會年度品牌大獎), "National First-Rank Qualification Property Management Enterprise"(國家一級資質物業管理企業) in professional fields of the industry. Such recognitions have enhanced the Group's brand reputation, paving the way to become a nationwide brand.



Property Development

1. Projects Completed in 2009

The Group adopts a strict and prudent practice in project development and adjusts its pace of business expansion as and when appropriate. During the year, the gross floor area (GFA) of newly completed projects of the Group amounted to 423,000 sq. m.

2. Projects under Development

For the year ended 31 December 2009, the GFA of projects under development of the Group was approximately 1,350,000 sq. m.

3. Property Management

The Group also provided property management service to its own property development and managed a total floor area of approximately 2.6 million sq. m. In total, the Group provided property management service to 17,708 units. The goal of the Group in respect of property management is "Creating Value through Service".

Kaisa Property Management (Shenzhen) Co., Ltd., the Group's major operating entity for property management, was conferred First-Rank Qualification Property Management Enterprise by the PRC Ministry of Construction on 31 December 2009. Building on this national recognition, our property management company will keep on upgrading its management standard and service quality, and delivering professionalism in its service. Through providing satisfactory and high quality service to our customers, we will be able to further enhance brand and corporate images.

4. Investment Properties and Hotel Business

The Group adopts a diversified business strategy, characterized by the increase in investment in investment properties, in order to achieve a diversified business portfolio which will generate steady and reliable income, and enlarge the overall income base of the Group.

During the year, the Group's Boxi Commercial Center (柏西商都) located at the core area of Tianhe District in Guangzhou commenced operations. Located in the CBD of Guangzhou, the total GFA of the project is approximately 38,202 sq. m. and its operation is managed by the Group. The positioning of the project is high-end integrated development with financial services, entertainment, catering and department store.

During the year, the Group acquired Keyu Golden Bay Resort, a resort hotel located in Dapeng, Shenzhen. The hotel is adjacent to the well-known resort area called Jinshawan Bay. The hotel occupies a site area of 34,728 sq. m. and a GFA of 17,901 sq. m. This acquisition marked the Group's entrance into hotel operations.

Land Bank

It remains an ongoing effort of the Group to actively expand its land reserve for maintaining its competitive edge featuring low costs of land and for further consolidating its leading position in the Pearl River Delta. Further, the Group will also strive to increase its investments in Yangtze River Delta and pursue opportunities in the Pan-Bohai Rim region. As of 31 December 2009, the Group had a total land bank of approximately 12.6 million sq. m., which is sufficient for the Group's development needs for the next five years.

During the year, two plots of commercial and residential land in Jiangyin, with an area of 55,206 sq. m. and a total GFA of 79,382 sq. m., were added to the Group's portfolio, exemplifying the Group's strategy of expanding its presence in Yangtze River Delta economic region. The Group also successfully acquired the trophy project of "Shenyang Qingnian Avenue" with a site area of 21,422 sq. m. and a total GFA of 214,220 sq. m.. This did not only highlight the establishment of the Group's presence in the Pan-Bohai Rim, but also marked the Group's strategic move on a nationwide scale.

Details of the Group's new land bank acquired during the year are as follows:

Region	Project	Site Area sq. m.	GFA sq. m.
Pearl River Delta	Dongguan Yantian	16,186	40,465
Pearl River Delta	Guangzhou Jiangnan Boulevard	8,579	53,809
Pan-Bohai Rim	Shenyang Qingnian Avenue	21,422	214,220
Yangtze River Delta	Jiangyin Gushan	55,206	79,382
Yangtze River Delta	Jiangyin Zhongbu Garden	158,240	465,990
	Total	**259,633**	**853,866**

After the year under review, the Group successfully completed its acquisition of Boji Project through exercise of the option in the sales and purchase agreement. Boji Project is located in Banxuexiang Area of Longgang District in Shenzhen, occupies a site area of approximately 321,800 sq. m. and is currently held for industrial use. It is intended that the permitted use of the project will be renewed and re-zoned for commercial-and-residential use pursuant to the "Urban Renewal Plan of Shenzhen" (深圳市城市更新辦法) implemented on 1 December 2009. The project is included in the first batch of units under the Renewal Units Scheme published by Shenzhen Planning and Land Resources Committee (深圳市規劃和國土資源委員會) on 5 March 2010.

The Group also entered into sale and purchase agreements to increase its shareholding of Fenglong Group Co., Ltd. in Futian District in Shenzhen to 100%. Occupying a site area of 14,111 sq. m. with a total GFA of 142,000 sq. m., Fenglong Centre is expected to comprise a block of high-rise office building with large dining area and retail space. With a closer cooperation between Hong Kong and Shenzhen and the upcoming construction of the Hong Kong-Shenzhen Express Railway, the Group is optimistic about the prospects of commercial properties in Shenzhen, and the project will enable the Group to further consolidate its leading position in the commercial property market in Shenzhen.

Outlook

The year 2010 is a milestone and a watershed for the Company's development, representing the end of the first decade of operations and the start of the second. Despite uncertainty in the international economy, the PRC government's stimulus measures to drive domestic demand are set to keep the momentum of sustainable economic growth of the nation, reassuring our belief that there is still ample room for extending the scale and profitability of the Group.

On the basis of the above analysis, the management of the Group will focus on the following areas in 2010:

Adhering to the Strategy on Redevelopment Projects and Securing Land Reserves in Core Regions, and Expanding Land Reserve

With its sound vision, the Group embarked on active participation in redevelopment projects in 2004 to acquire quality land resources by means of contractual arrangements. Successes were gained on Woodland Height Phase 8 and Jincui Garden projects in Shenzhen. These years of practice and exploration allow the Group to enrich its experience and professionalism in the sector and to build up its ample land bank.

The launch of policies in Guangdong Province and Shenzhen Municipality at the end of 2009 injected new energy to such redevelopment business of the Group in Guangdong Province in general, and Shenzhen in particular, providing the Group with strong and powerful policy protections. Pursuant to the first batch of bills of the Shenzhen City Redevelopment Unit Scheme – Implementation Planning 2010 (《2010年深圳市城市更新單元規劃制定計劃》) published by Shenzhen Planning and Land Resources Management Committee, Boji Industrial Area, Golden Bay Resort and Village Projects V, VI, VII and VIII in Heng Gang

An Liang Keyu (寶吉工業區、金沙灣大酒店以及橫崗安良五、六、七、八村項目), which are all under the Group's project list, are included within the scope of redevelopment plan.

As for Yangtze River Delta, the Group will continue to extend its presence in second-tier cities with high growth potential. In Pan Bohai Rim, Chengdu-Chongqing and Central China regions, the Group will look for development opportunities in capital cities of the respective provinces.

Strengthening the Group's Brand Name

The Group will continue to strengthen its brand reputation and step up its efforts in marketing, with focus on enhancing standardization of its sales service and improving quality of its after-sale service through better property management to further raise the brand recognition of the Group.

Accelerating Integration of Business Mode, Strengthening Commercial Operation and Expanding the Diversity of Income Source

The Group will integrate its existing commercial operation businesses to make such operations run with brand recognition and professionalism, and will proactively develop new commercial projects in first-tier cities in the PRC in pursuit of a diversified development strategies.

Strengthening Internal Operational Efficiency and Further Improve Profitability

By strengthening internal management, the Group will be able to raise its operational efficiency and further consolidate standardization of its products, implement further cost control measures and recruit professionals of high-calibre to cope with market changes and industry consolidation, and to cater for the Group's needs on strategic expansion.

Maintaining Prudent Operation, Establishing a Platform of International Financing, Sound Financial Management and Capability on Resisting Risk

The Group has always been putting emphasis on cash flow management to maintain a reasonable level of cash, striking a sensible balance between scale-oriented development and effectiveness-oriented development. The listing in Hong Kong represents a good means for the Group to diversify funding channels while enhancing the Group's reputation in the international capital market. The Group will continue to adhere to the strategy of being cash-oriented and will maintain a sound level of liquidity. By matching product rollout plans and sales progress, the Group will be able to control its stocks at an appropriate level thus raising its capability of resisting market risks.

Looking forward, the Group will closely adhere to its core values and put the Company's core competitiveness into full play. It will keep on delivering better value of construction, better living experience and services, endeavoring to implement the Company's core values of fine living, enriching life, holding an important position in the real estate industry in the PRC, and contributing to social development.

FINANCIAL REVIEW

Revenue

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

The revenue increased by RMB1,561.8 million, or 50.2% to approximately RMB4,672.2 million in 2009 from approximately RMB3,110.4 million in 2008, primarily attributable to the increase in sales of properties in 2009. In 2009, the revenue generated from property development, property investment and property management are approximately RMB4,513.3 million, RMB100.4 million and RMB58.5 million, respectively.

Sales of properties

Our revenue from sales of properties increased by RMB1,565.9 million, or 53.1%, to RMB4,513.3 million in 2009 from RMB2,947.4 million in 2008. This increase was primarily attributable to an increase in the total delivered GFA from approximately 303,218 sq. m. in 2008 to approximately 494,632 sq. m. in 2009, partially offset by a decrease in the average selling price per sq. m. from approximately RMB9,720 in 2008 to approximately RMB9,124 in 2009 which is in turn explained by the delivery of the project Guangzhou Jinmao in 2008, which is located in a prime location within Guangzhou's CBD and consists of a premium grade office building and retail space and with a higher average selling price. The properties that contributed substantially to our revenue in 2009 were Xiangrui Garden, Mingcui Garden Phases 1–2, Jiangyin Lake View Place Phase 1, Shenzhen Lake View Place Phases 4–5 and Zhongyang Haomen Phase 1.

Rental income

Our rental income increased by RMB47.9 million, or 91.3%, to RMB100.4 million in 2009 from RMB52.5 million in 2008. This increase was primarily attributable to the increased retail space in Guangzhou Jinmao that was leased out in 2009.

Property management services

Our revenue from property management fees increased by RMB18.2 million, or 45.2%, to RMB58.5 million in 2009 from RMB40.3 million in 2008. This increase was primarily attributable to the additional property management fees derived from our property services for the commercial properties in Guangzhou Jinmao and the residential units delivered in 2009.

Gross profit

Our gross profit increased by RMB453.0 million, or 52.5%, to RMB1,320.1 million in 2009 from RMB867.1 million in 2008. Our gross profit margin increased to 28.3% from 27.9% in 2008.

Other gains/(losses), net

We had other net gains of RMB37.2 million in 2009, as compared to other net losses of RMB116.2 million in 2008. The other gains in 2009 primarily comprised RMB32.2 million generated from compensation from termination of proposed development projects and investment return from a primary land development contract. The other net losses in 2008 were primarily due to (i) the impairment losses of RMB58.0 million and RMB155.0 million in Mingcui Garden Phase 1 and Lijing Harbor Phase 1 respectively, mainly because our pre-sales and sales of properties in these two projects had been adversely affected by the global economic slowdown in 2008, partially offset by (ii) the foreign exchange gains of RMB95.2 million in 2008, primarily derived from the proceeds from the Loan denominated in U.S. dollar that the Company borrowed in the second half of 2007.

Selling and marketing costs

Our selling and marketing costs increased by RMB11.7 million, or 7.7%, to RMB163.5 million in 2009 from RMB151.8 million in 2008. The increase in selling and marketing costs was primarily due to an increase in our advertising and other promotional costs, which were incurred in connection with our pre-sale activities for relatively larger number of our projects in 2009, as compared to 2008.

Administrative expenses

Our administrative expenses increased by RMB84.4 million, or 50.9%, to RMB250.1 million in 2009 from RMB165.7 million in 2008. This increase was primarily attributable to an increase in amortized costs of land use rights due to our increased land acquisition activities, an increase in operating rental expenses for our increased rented office premises in various regions and an increase in staff costs resulting from our business expansion.

Change in fair value of investment properties

The increase in fair value of our investment properties was RMB302.6 million in 2008 and RMB289.8 million in 2009. The increase in fair value of our investment properties in 2008 was primarily attributable to the addition of commercial properties in Guangzhou Jinmao into our investment property portfolio. The increase in fair value of our investment properties in 2009 was primarily attributable to the appreciated fair value of our investment properties in Guangzhou Jinmao and addition of commercial properties in Woodland Height Phase 4 into our investment property portfolio.

Change in fair value of financial derivatives

We had a fair value loss of RMB85.3 million of financial derivatives in 2009, compared to a fair value gain of RMB27.2 million of financial derivatives in 2008. In September 2007, we entered into a credit agreement, pursuant to which a number of financial institutions agreed to make available to us the Loan. In connection with the Loan, we issued warrants pursuant to the underlying warrant instruments on 9 December 2009. The fair value of financial derivatives reflected the fair value of the financial derivatives issued under the Loan and warrant instruments.

Finance costs, net

Our net finance costs increased by RMB84.4 million, or approximately 76.4%, to RMB194.8 million in 2009 from RMB110.4 million in 2008. The increase was primarily attributable to increases in the number of projects and average debt amounts in 2009 in relation to our increased bank borrowings used in financing our property development activities.

Income tax expenses

Our income tax expenses increased by RMB253.7 million, or approximately 167.2%, to RMB405.5 million in 2009 from RMB151.8 million in 2008. Our effective income tax rate increased to 42.5% in 2009 from 23.3% in 2008. The increase was primarily attributable to (i) the reduced foreign exchange gain of RMB1.4 million in 2009 in contrast to RMB95.2 million in 2008, which were exempted from payment of income tax under the relevant Cayman Islands laws; and (ii) an increase in LAT in 2009 primarily as a result of our increased gross profit and increased number of projects that are subject to LAT.

Profit for the year

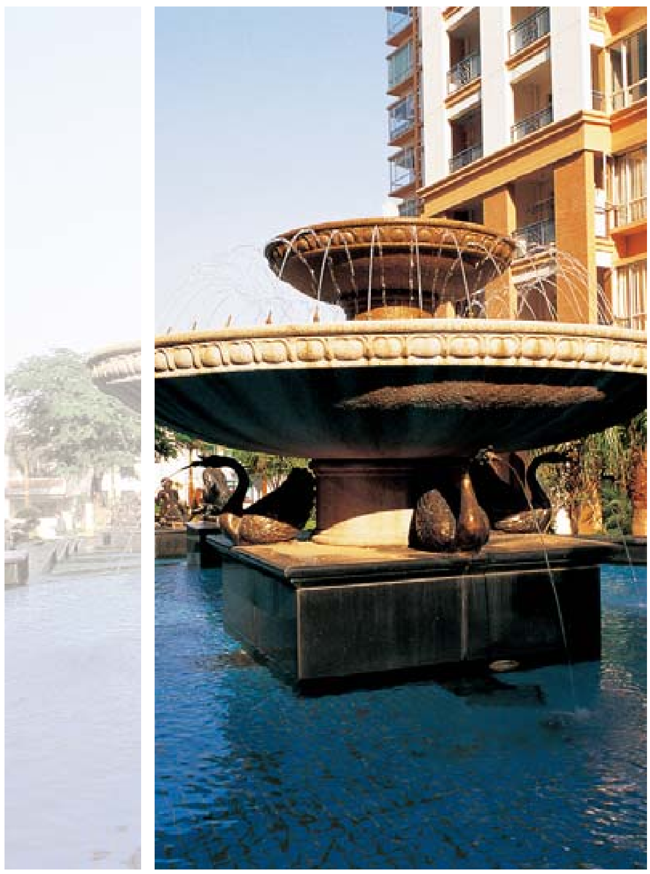
As a result of the factors described above, our profit for the year increased by RMB46.9 million, or 9.4%, to RMB547.9 million in 2009 from RMB500.9 million in 2008. Our net profit margin was 11.7% in 2009 and 16.1% in 2008. Our net profit (excluding change in fair value on investment properties, change in fair value of financial derivatives and the corresponding deferred taxes) in 2008 and 2009 was RMB253.3 million and RMB414.5 million, respectively, resulting in corresponding net profit margin (excluding change in fair value on investment properties, change in fair value of financial derivatives and the relevant deferred taxes) of 8.1% and 8.9% for years ended 31 December 2008 and 2009, respectively.

Liquidity, financial and capital resources

Cash position

As at 31 December 2009, the carrying amount of the Group's cash and bank deposits was approximately RMB3,727.4 million (31 December 2008: RMB785.1 million), representing an increase of 374.8% as compared to that as at 31 December 2008.

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. Such guarantee deposits will be released after pre-sold properties are completed or their property ownership certificates are issued, whichever is the earlier. Additionally, as at 31 December 2009, certain of the Group's cash was deposited in certain banks respectively as guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties. The aggregate of the above guarantee deposits amounted to RMB383.0 million as at 31 December 2009.



Borrowings and charges on the Group's assets

The Group had an aggregated borrowings as at 31 December 2009 of approximately RMB6,546.6 million, of which approximately RMB3,733.7 million will be repayable within 1 year, approximately RMB2,203.9 million will be repayable between 2 and 5 years and approximately RMB609.0 million will be repayable over 5 years.

As at 31 December 2009, the Group's bank loans of approximately RMB3,588.9 million were secured by plant and equipment, land use rights, investment properties and properties under development of the Group with total carrying values of approximately RMB5,664.4 million.

The carrying amounts of all the Group's bank loans are denominated in RMB except for the Loan with a balance of US$100 million as at 31 December 2009 which was denominated in U.S. dollars. The Loan is secured by jointly and severally guarantees given from certain subsidiary companies of the Group and the pledge of their shares.

The Group's domestic bank loans carried a floating interest rate at base lending rate of the People's Bank of China ("PBOC"). Our interest rate risk is mainly from the floating interest rate of loans. We cannot ascertain the influence upon our business or China's property industry. However, the increase in interest rates might exert pressure on the Group's financing cost.

Gearing

As at 31 December 2009, the Group's net debts (total borrowings net of cash and cash equivalent and restricted cash) over equity was 42.5% (31 December 2008: 184.2%). As at 31 December 2009, the Group's net current assets increased by 64.4% to RMB7,857.6 million from 2008, and the current ratio increased from 1.68 times as at 31 December 2008 to 1.95 times as at 31 December 2009.

Foreign Currency risks

The Group's property development projects are all located in the PRC and most of the related transactions are settled in RMB. The Company and certain of the Group's intermediate holding companies operate in Hong Kong which have recognized assets and liabilities in currencies other than RMB. As at 31 December 2009, the Group had a significant amount of Hong Kong dollars, which was generated from the IPO, and the Loan with a balance of US$100 million which was denominated in U.S. dollars. As the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government, the Hong Kong dollars have not yet been converted into RMB for the Group's property development projects as at 31 December 2009.

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

Financial Guarantees

As at 31 December 2009, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by domestic banks to our customers amounting to approximately RMB2,391.9 million (2008: approximately RMB1,629.0 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, and we would be entitled to assume legal title to and possession of the related property. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgaged property.

Material Acquisitions and Disposals of Assets

For the year ended 31 December 2009, the Group did not have any material acquisitions and disposals of assets.

Use of proceeds from the Global Offering

The Company's shares were listed on the Stock Exchange on 9 December 2009, and the Group has raised net proceeds of approximately HK$3,209.5 million from the Global Offering. As at 31 December 2009, the Company had applied approximately HK$556.7 million for repayment of the Loan, approximately HK$502.5 million for development of existing and future projects which is in compliance with the intended use of proceeds as disclosed in the Company's prospectus dated 26 November 2009 (the "Prospectus"). As at 31 December 2009, a balance of approximately HK$2,150.3 million remained as bank deposits.

Employees and Remuneration Policy

As at 31 December 2009, the Group has employed a total of 2,678 employees. The total staff costs incurred were approximately RMB120.3 million during the year ended 31 December 2009. The remuneration of employees was based on their performance, skills, knowledge, experience and market trend. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. In addition to basic salaries, employees may be offered with discretionary bonus and cash awards based on individual performance.

The Company adopted a pre-IPO share option scheme on 22 November 2009 under which the Company granted options to eligible employees, executives or officers of the Group to subscribe for the shares of the Company (the "Pre-IPO Share Option Scheme"). As at 31 December 2009, no options had been exercised or cancelled under the Pre-IPO Share Option Scheme. The Company also conditionally adopted a share option scheme on 22 November 2009 pursuant to which the Company may grant options to the eligible participants to subscribe for the shares of the Company (the "Share Option Scheme"). As at 31 December 2009, no options had been granted under the Share Option Scheme. For further information of the Pre-IPO Share Option Scheme and the Share Option Scheme, please refer to the Prospectus.

Audit Committee

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

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

Project Portfolio — Summary

The Pearl River Delta region — Shenzhen, Guangzhou, Dongguan, Huizhou , Zhuhai

Shenzhen Woodland Height, MochaTown, Shenzhen Kaisa Center, Shenzhen Lake View Place, Xiangrui Garden, Mingcui Garden, Jincui Garden, Shangpin Garden, Li Langlu, Fenglong Center, Nan'Ao Kangbao, Guangzhou Jinmao, Guangzhou Kaisa Plaza, Guangzhou Jiangnan Boulevard, Dongguan Zhongyang Haomen, Dongjiang Haomen, Dijingwan, Yantian, Huizhou Jincheng Heights, Huizhou Kaisa Center, Yuan Zhou, Tonghu, Boluo, Zhuhai Wanzai

The Yangtze River Delta region — Shanghai, Jiangyin

Shanghai Shanhuwan Garden

Jiangyin Lake View Place, Jiangyin Zongbu Garden, Jiangyin Gushan

The Central China region — Changsha

Changsha Lake View Place

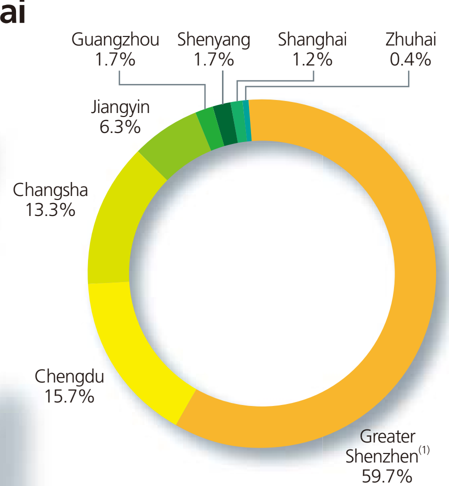
The Chengdu-Chongqing region — Chengdu

Chengdu Lijing Harbor, Shuangliu, Chengdu Shangmao Garden

Pan-Bohai Rim — Shenyang

Shenyang Qingnian Avenue

We have accumulated substantial experience in developing 33 projects. The map below shows the geographical coverage of our projects as at 31 December 2009.



(1) Includes Shenzhen, Dongguan and Huizhou

Total GFA of approximately 12.6 million sq. m.

SELECTED PROPERTY PROJECT INFORMATION — AS OF 31 DECEMBER 2009

No.	Project	Address	Location	Type
The Pearl River Delta region				
1	Woodland Height	Junction of Shenhui Road and Lilang Road, Buji Town, Longgang District, Shenzhen,	Shenzhen	Residential
2	Mocha Town	Busha Road, Longgang District,	Shenzhen	Residential
3	Shenzhen Kaisa Center	East of Shangbu South Road and North of Nanyuan Road, Futian District,	Shenzhen	Residential
4	Shenzhen Lake View Place	Junction of Xincheng Road and Pingxi Road, Longang District,	Shenzhen	Residential
5	Xiangrui Garden	North of Beihuan Highway, Nanshan District,	Shenzhen	Residential
6	Mingcui Garden	Pinghu Street, Longgang District,	Shenzhen	Residential
7	Jincui Garden Project	Cuizhu Road, Luohu District,	Shenzhen	Residential
8	Shangpin Garden	Bantian Street, Longgang District,	Shenzhen	Residential
9	Li Langlu	Lilang Road, Buji Town, Longgang District,	Shenzhen	Residential
10	Fenglong Center	Shen Avenue, Futian District,	Shenzhen	Commercial
11	Nan'Ao Kangbao	Dongyong Village (close to Dongchong Beach), Nan'ao Town, Longgang District,	Shenzhen	Residential
12	Guangzhou Jinmao	No. 191 Tiyu West Road, Tianhe District,	Guangzhou	Commercial
13	Guangzhou Kaisa Plaza	Lot No. B2-3 Zhujiang New Town, Tianhe District,	Guangzhou	Commercial
14	Guangzhou Jiangnan Boulevard	No.99 Jiang Nan Avenue Central, Haizhu District,	Guangzhou	Residential
15	Zhongyang Haomen	Wangwuzhou Village, Shilong Town	Dongguan	Residential
16	Dongjiang Haomen	South side of Dongjiang Avenue, Yangwu Village and Qishi Village, Qishi Town,	Dongguan	Residential
17	Yantian	Fengshen Avenue, Fenggang Town,	Dongguan	Residential
18	Dijingwan	Besides Government Square, Xincheng District, Shilong Town,	Dongguan	Residential
19	Jincheng Heights	Gutang' ao Miaozaikeng,	Huizhou	Residential
20	Huizhou Kaisa Center	No. 18 Sub-district, Jianghei,	Huizhou	Commercial
21	Yuan Zhou	Tanjiao Section, Liangwu Gaotou Village, Yuanzhou Town, Boluo County,	Huizhou	Residential
22	Tonghu	Guangdong Shuiku, Tonghu Town,	Huizhou	Residential
23	Boluo	Jiangnan Section, Cuimei Garden Village Committee, Hengkeng, Luoyang Town, Boluo County,	Huizhou	Residential
24	Wanzai	Shangsha Street, Wanzai District,	Zhuhai	Residential
The Chengdu-Chongqing region				
25	Shuangliu	Erjiangsi Village, Huayang Town, Shuangliu County,	Chengdu	Residential
26	Lijing Harbor	Group 1 and 2, Ban Huafeng Village, Yongquan Street, Wenjiang District,	Chengdu	Residential
27	Chengdu Shangmao Garden	Yingchunqiao, Dongsheng Sub-district Office, Shuangliu County,	Chengdu	Commercial
The Pan — Bohai Rim region				
28	Shenyang Qingnian Avenue	East of Jing Avenue, Shen River District, Shenyang City, Liaoning Province	Shenyang	Commercial
The Central China region				
29	Changsha Lake View Place	Tiaoma County Jinping Village	Changsha	Residential
The Yangtse River Delta region				
30	Jiangyin Lake View Place	South of Xinhua Road, West of Dongwaihuan Road and North of Renmin Road East	Jiangyin	Residential
31	Jiangyin Gushan	South of Golden Gushan Garden and west of Xinfu Avenue, Gushan Town, Jiangyin City	Jiangyin	Residential
32	Jiangyin Zongbu Garden	East of Lake View Place, South of Mingxian Road, West of Dongwai Huang Road and North of Renmin Dong Road, Chengjiang Village, Jiangyin, Jiangsu Province,	Jiangyin	Residential
33	Shanghai Shanhuwan Garden	26/16 Qiu, No. 1 Street, Fengxin Town, Fengxian District,	Shanghai	Residential
	Total(1)			

Notes:

(1) Inclusive of projects for which the Group has not yet obtained the land use rights certificates, but has entered into land grant contracts or obtained confirmation from the relevant land and resources bureau that the Group has been selected as the winner of the public listing-for-sale process.

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

Project phase	Site area (sq. m.)	Total GFA (sq. m.)	Total GFA: Completed properties (sq. m.)	Total GFA: Under development (sq. m.)	Total GFA: For future development (sq. m.)	Interest attributable to us
1–8	160,514	580,135	580,135	—	—	100%
1–7	185,724	735,299	735,299	—	—	100%
—	5,966	98,241	98,241	—	—	100%
1–5	182,064	388,626	388,626	—	—	100%
—	57,984	143,796	143,796	—	—	100%
1–4	102,375	391,139	290,428	89,181	11,530	100%
—	9,066	104,285	—	104,285	—	100%
—	45,829	230,923	—	230,923	—	100%
—	69,941	104,910	—	—	104,910	100%
—	14,411	142,000	—	—	142,000	49%
—	73,305	44,000	—	—	44,000	100%
—	12,788	149,736	149,736	—	—	100%
—	7,106	117,575	—	117,575	—	100%
—	7,707	53,809	—	—	53,809	100%
1–4	70,938	387,876	135,925	108,368	143,583	100%
1–3	86,324	262,060	—	64,351	197,709	100%
—	54,548	136,370	—	—	136,370	80%
—	43,884	122,118	—	122,118	—	100%
1–2	89,998	267,995	—	—	267,995	100%
1–3	69,044	539,686	—	104,644	435,042	100%
—	20,400	61,200	—	—	61,200[2]	100%
1–4	731,487	731,487	—	—	731,487[2]	100%
1–10	1,663,969	4,326,319	—	—	4,326,319	100%
—	21,123	52,808	—	—	52,808	100%
1–3	182,666	767,197	—	—	767,197	100%
1–6	150,071	716,465	—	205,819	510,646	100%
1–2	133,269	493,095	—	—	493,095	100%
1–3	21,422	214,220	—	—	214,220	100%
1–6	673,536	1,685,702	—	80,055	1,605,647	100%
1–3	225,530	338,295	107,986	63,788	166,521	100%
—	55,206	79,382	—	—	79,382	100%
1–3	158,240	465,990	—	—	465,990	100%
1–4	104,796	155,152	—	60,642	94,510	100%
	5,491,231	**15,087,891**	**2,630,173**	**1,351,749**	**11,105,969**	

PROPERTIES UNDER DEVELOPMENT

The table below sets forth certain information of our property projects or project phases under development as of 31 December 2009. We have obtained land use rights certificates and construction works commencement permits for all of our properties under development.

Project	Location	Project phase	Total GFA or estimated total GFA (sq. m.)
Mingcui Garden	Shenzhen	3	89,181
Jincui Garden Project	Shenzhen	–	104,285
Shangpin Garden	Shenzhen	–	230,923
Guangzhou Kaisa Plaza[(1)]	Guangzhou	–	117,575
Dijingwan	Dongguan	–	122,118
Zhongyang Haomen	Dongguan	3	108,369
Dongjiang Haomen	Dongguan	1	64,351
Huizhou Kaisa Center	Huizhou	1	104,644
Shanghai Shanhuwan Garden	Shanghai	1	32,472
Shanghai Shanhuwan Garden	Shanghai	3	28,170
Jiangyin Lake View Place	Jiangyin	2	63,788
Changsha Lake View Place	Changsha	1	80,055
Lijing Harbor	Chengdu	1	205,819
			1,351,749

Note:

(1) With respect to Guangzhou Kaisa Plaza, on 3 November 2009, we and an independent third party entered into a memorandum of understanding in relation to a possible disposal of our 100% equity interest in Guangzhou Jiasui Zhiye Co., Ltd., the project company for development of this project. The possible disposal will be subject to further negotiation and execution of the sale and purchase agreement.

saleable GFA or estimated saleable GFA (sq. m.)	Commencement time	Status of pre-sale permit	Estimated completion time	Interests attributable to us
69,226	February 2009	Not yet obtained	2011 3rd quarter	100%
46,037	September 2008	YES	2010 4th quarter	100%
155,231	June 2008	YES	2010 4th quarter	100%
105,750	July 2008	Not yet obtained	2010 4th quarter	100%
112,143	April 2008	YES	2010 1st quarter	100%
89,174	August 2009	Not yet obtained	2011 4th quarter	100%
58,507	January 2009	Not yet obtained	2011 3rd quarter	100%
74,872	August 2009	Not yet obtained	2011 3rd quarter	100%
32,472	February 2009	YES	2010 3rd quarter	100%
22,280	December 2009	Not yet obtained	2011 1st quarter	100%
2,567	July 2009	Not yet obtained	2011 2nd quarter	100%
75,508	September 2009	Not yet obtained	2010 4th quarter	100%
198,907	August 2008	YES	2010 4th quarter	100%
1,092,673				

PROPERTIES HELD FOR FUTURE DEVELOPMENT

The table below sets forth certain information of our property projects held for future development as of 31 December 2009.

Project	Location	Project phase	Estimated total GFA (sq. m.)	Estimated completion time[1]
Mingcui Garden	Shenzhen	4	11,530	2012
Li Langlu	Shenzhen	–	104,910	2013
Fenglong Center[2]	Shenzhen	–	142,000	2014
Nan'Ao Kangbao	Shenzhen	–	44,000	2011
Zhongyang Haomen	Dongguan	4	143,583	2012
Dongjiang Haomen	Dongguan	2-3	197,709	2012
Yantian[2]	Dongguan	–	136,370	2011
Yuan Zhou	Huizhou	–	61,200	2012
Jincheng Heights	Huizhou	1-2	267,995	2011
Huizhou Kaisa Center	Huizhou	2-3	435,042	2012
Tonghu	Huizhou	1-4	731,487	2013
Boluo[2]	Huizhou	1-10	4,326,319	2011
Wanzai	Zhuhai	–	52,808	2013
Guangzhou Jiangnan Boulevard[2]	Guangzhou	–	53,809	2012
Shuangliu	Chengdu	1-4	767,197	2011
Lijing Harbor	Chengdu	2-6	510,646	2011
Chengdu Shangmao Garden	Chengdu	1-2	493,095	2012
Changsha Lake View Place	Changsha	2-6	1,605,647	2011
Shanghai Shanhuwan Garden	Shanghai	2, 4	94,510	2011
Shenyang Qingnian Avenue[2]	Shenyang	1-4	214,220	2013
Jiangyin Lake View Place	Jiangyin	3	166,521	2011
Jiangyin Gushan[2]	Jiangyin	–	79,382	2012
Jiangyin Zongbu Garden[2]	Jiangyin	1-3	465,990	2012
Total			**11,105,969**	

Notes:

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

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

PROPERTY HELD FOR INVESTMENT — AS OF 31 DECEMBER 2009

Project	Location	Project phase	Type	total GFA (sq. m.)	completion time
Woodland Height	Junction of Shenhui Road and Lilang Road, Buji Town, Longgang District, Shenzhen, Guangdong Province, PRC	4/6	Commercial	8,632	October 2002
Shenzhen Kaisa Center	North of Nanyuan Road, Futian District, Shenzhen, Guangdong Province, PRC	–	Commercial	19,556	August 2006
Guangzhou Jinmao	No. 191 Tiyu West Road, Tianhe District, Guangzhou, Guangdong Province, PRC	–	Commercial and Car park	44,958	May 2008

Project Portfolio — Key Properties

THE PEARL RIVER DELTA REGION — SHENZHEN

Xiangrui Garden

Xiangrui Garden is located in Nanshan District, Shenzhen. This project occupies an aggregate site area of approximately 57,984 sq. m. with a total GFA of approximately 143,796 sq. m. Xiangrui Garden is an integrated residential complex which comprises three low-rise and eight high-rise apartment buildings and townhouses with ancillary facilities.

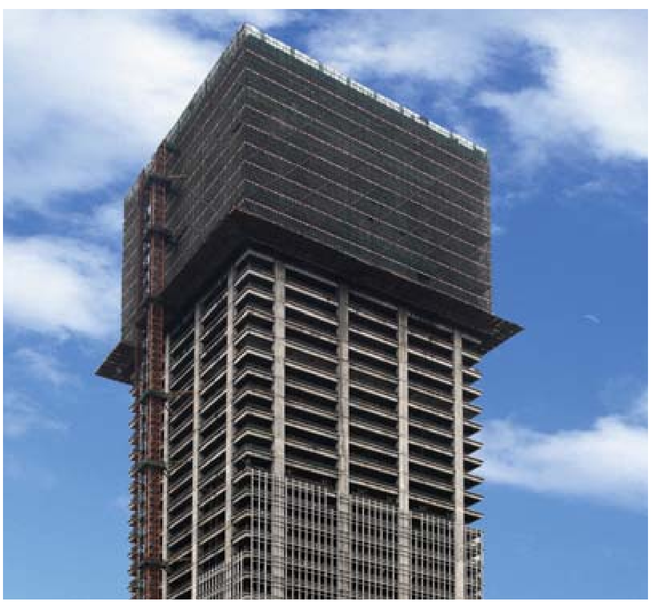
Shangpin Garden

Shangpin Garden is located in Longgang District, Shenzhen. This project occupies an aggregate site area of approximately 45,829 sq. m. with a total GFA of approximately 230,923 sq. m. Shangpin Garden is expected to be an integrated residential project which comprises primarily high-rise apartment buildings with retail space. It will also include one kindergarten.

THE PEARL RIVER DELTA REGION — GUANGZHOU

Guangzhou Jinmao

Guangzhou Jinmao is located in a prime location within Guangzhou's CBD in Tianhe District. It is close to a subway stop for the No. 1 and No. 3 subway lines and the Guangzhou Eastern Train Station. This project occupies an aggregate site area of approximately 12,788 sq. m. with a total GFA of approximately 149,736 sq. m. Guangzhou Jinmao is a commercial project which comprises primarily one 51-floor twin office building with a mall.



Guangzhou Kaisa Plaza

Guangzhou Kaisa Plaza is located in Guangzhou's CBD in Tianhe District, Guangzhou. This project occupies an aggregate site area of approximately 7,106 sq. m. with a total GFA of approximately 117,575 sq. m. Guangzhou Kaisa Plaza is expected to be a commercial project which comprises primarily one high-rise office building with a mall. On 3 November 2009, we and an independent third party entered into a memorandum of understanding in relation to a possible disposal of our 100% equity interest in Guangzhou Jiasui Zhiye Co., Ltd., the project company for development of this project. The possible disposal will be subject to the further negotiation and execution of the sale and purchase agreement.

THE PEARL RIVER DELTA REGION — DONGGUAN

Dijingwan

Dijingwan is located in Shilong Town, Dongguan. This project occupies an aggregate site area of approximately 43,884 sq. m. with an estimated total GFA of approximately 122,118 sq. m.

THE PEARL RIVER DELTA REGION — HUIZHOU

Huizhou Kaisa Center

Huizhou Kaisa Center is located in Jiangbei District, Huizhou. It is close to the Huizhou Municipal Government building. This project occupies an aggregate site area of approximately 69,044 sq. m. with a total GFA of approximately 539,686 sq. m. Huizhou Kaisa Center is expected to be a residential commercial integrated project which comprises primarily high-rise apartment buildings and complementary commercial properties. The project is divided into three phases.

Boluo

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

THE YANGTZE RIVER DELTA REGION — JIANGYIN

Jiangyin Lake View Place

Jiangyin Lake View Place is located in the city of Jiangyin, Jiangsu Province. This project occupies an aggregate site area of approximately 225,530 sq. m. with a total GFA of approximately 338,295 sq. m. Jiangyin Lake View Place is expected to be a residential project which comprises primarily high-rise apartment buildings and townhouses. The project is divided into three phases.

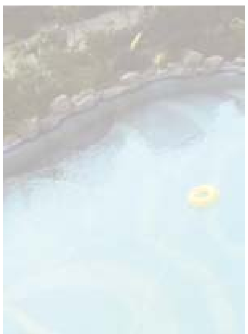
Jiangyin Zongbu Garden

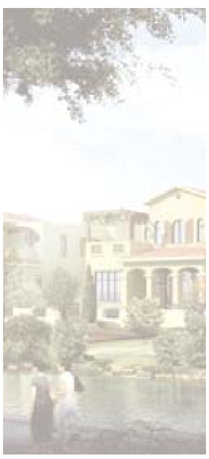
Jiangyin Zongbu Garden is located in the city of Jiangyin, Jiangsu Province. This project occupies an aggregate site area of approximately 158,240 sq. m. with a total GFA of approximately 465,990 sq. m. Jiangyin Zongbu Garden is expected to be a residential-commercial complex which comprises apartment buildings, office buildings, commercial properties and a hotel. This project is expected to be divided into three phases.

THE YANGTZE RIVER DELTA REGION — SHANGHAI

Shanghai Shanhuwan Garden

Shanghai Shanhuwan Garden is located in Fengxian District, Shanghai. This project occupies an aggregate site area of approximately 104,796 sq. m. with a total GFA of approximately 155,152 sq. m. Shanghai Shanhuwan Garden is expected to be a residential project which comprises primarily high-rise apartment buildings and townhouses. The project is expected to be divided into four phases.





THE CENTRAL CHINA REGION — CHANGSHA

Changsha Lake View Place

Changsha Lake View Place is located in Changsha Town in the city of Changsha. This project occupies an aggregate site area of approximately 673,536 sq. m. with a total GFA of approximately 1,685,702 sq. m. Changsha Lake View Place is expected to be a residential project which comprises low-rise and high-rise apartment buildings, townhouses and stack townhouses. This project is divided into six phases.

THE CHENGDU-CHONGQING REGION — CHENGDU

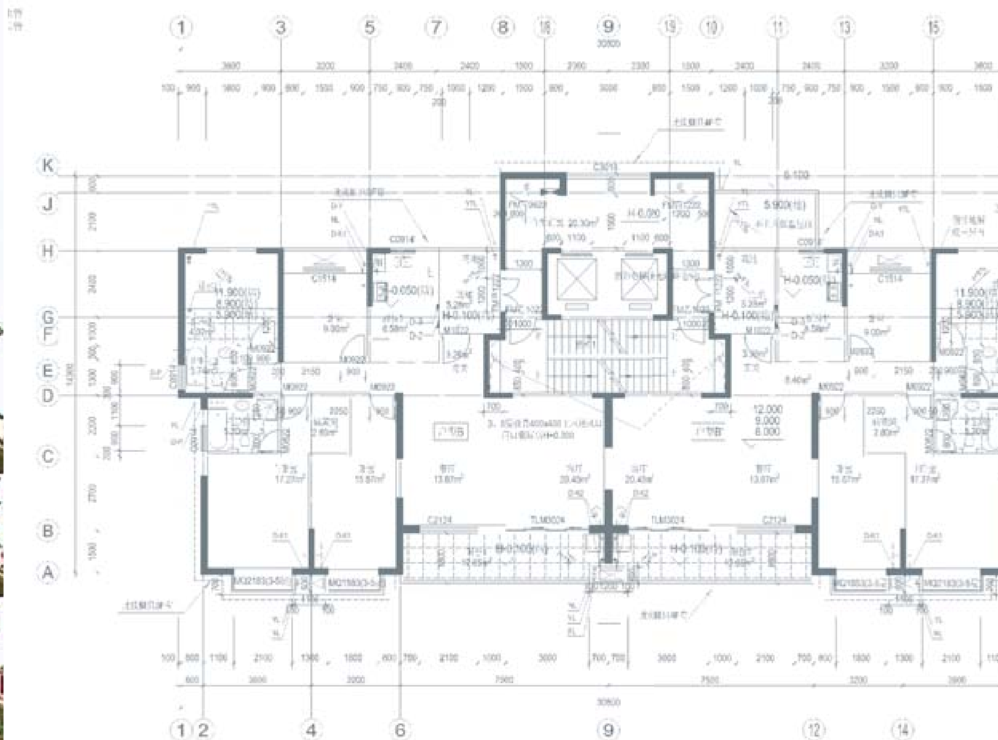
Chengdu Lijing Harbor

Lijing Harbor is located in Wenjiang District, Chengdu. This project occupies an aggregate site area of approximately 150,071 sq. m. with a total GFA of approximately 716,465 sq. m. Lijing Harbor is expected to be a residential project which comprises primarily apartment buildings. It will also include one clubhouse and one kindergarten. This project is expected to be divided into six phases.

PAN-BOHAI RIM — SHENYANG

Shenyang Qingnian Avenue

Qingnian Avenue is located on Jinlang Commercial Circle (金廊商圈) in Shenhe District of Shenyang. This project occupies an aggregate site area of approximately 21,422 sq. m. with a total GFA of approximately 214,220 sq. m. Qingnian Avenue is expected to be a residential-commercial project which comprises apartment building, office building and commercial properties.



Directors and Senior Management

EXECUTIVE DIRECTORS

KWOK Ying Shing (郭英成)

Mr. Kwok, aged 45, is our Chairman and was appointed a Director on August 8, 2007 and re-designated as Executive Director on November 17, 2009. He is one of the founders of our Group and has been the Chairman and a Director of our Group since its inception in 1999. Mr. Kwok is primarily responsible for overall strategy, investment planning and human resource strategy of our Group. Mr. Kwok has extensive experience in real estate development and investment management. In 1999, Mr. Kwok formulated our vision of developing large-scale residential properties in suburban areas with access to public transport and other urban facilities in select cities in China. Since then, he has led us in the development and completion of various projects, including Woodland Height, Mocha Town and Lake View Place. In 2003, through Mr. Kwok's direction, we adopted a new development model of acquiring and renovating distressed and uncompleted properties. With this additional development model, we renovated and brought to market Kaisa Center, once a distressed and partially completed property in Shenzhen. He is the brother of Mr. Kwok Ying Chi and Mr. Kwok Chun Wai.

KWOK Ying Chi (郭英智)

Mr. Kwok, aged 43, is our Vice Chairman and was appointed a Director on August 8, 2007 and re-designated as Executive Director on November 17, 2009. He has been a Vice Chairman and a Director of our Group since its inception in 1999. Mr. Kwok is primarily responsible for overall project planning. Since 1999, Mr. Kwok has been in charge of project planning and management for our property developments. Mr. Kwok has led the implementation of our business expansion strategy, through which we established our presence in ten cities in China. He is the brother of Mr. Kwok Ying Shing and Mr. Kwok Chun Wai.

SUN Yuenan (孫越南)

Mr. Sun, aged 46, is our Vice Chairman and was appointed as an Executive Director on November 17, 2009. He was appointed as our Vice Chairman in September 2009 and our Executive Director in November 2009. Mr. Sun is primarily responsible for investment management and commercial real estate management. Mr. Sun joined us in July 2001 as chief administrative director of Shenzhen Kaisa Property and has held various positions within our Group, including senior vice president of our Group, deputy general manager of Shenzhen Kaisa Property and general manager of Guangzhou Jinmao Property. Mr. Sun has extensive regulatory and business administration experience in the real estate industry. From 1993 to 2001, Mr. Sun served in various positions, including deputy chief of administrative office, deputy chief of legal division and deputy chief of personnel division, in Hengyang Municipal Bureau of Land Resources, which oversaw land resources in the city of Hengyang, Hunan Province. Mr. Sun received a bachelor's degree in law from the Correspondence Institute of the Academy of the Central Committee of the Communist Party of China in December 2001.

EXECUTIVE DIRECTORS *(Continued)*

TAM Lai Ling (譚禮寧)

Mr. Tam, aged 46, is our Vice Chairman and was appointed as an Executive Director in 8 March 2010. Mr. Tam is primarily responsible for formulation of the investment and financing strategies of the Group. He was an executive director and the chief financial officer of one of the leading property developers in the People's Republic of China prior to joining the Group. From December 2007 to November 2008, Mr. Tam was an executive director of SPG Land (Holdings) Limited where he was responsible for the corporate finance activities and investor relations of the company. From April 2005 to November 2007, Mr. Tam was the deputy managing director and the chief financial officer of Hopson Development Holdings Ltd., where he was responsible for formulating financing strategy of the group, as well as the execution of these financing plans. Mr. Tam also served as an independent non-executive director of Tsingtao Brewery Company Limited. From March 1998 to April 2005, Mr. Tam worked for ICEA Capital Limited. He was appointed as its managing director (investment banking division) in May 2002. During his employment with ICEA Capital Limited, Mr. Tam executed a wide variety of corporate finance transactions, including mergers and acquisitions, debt and equity financings. Prior to that, Mr. Tam also worked for major international investment banks in the area of corporate finance, and a multi-national oil company in the area of business development. Mr. Tam received his bachelor's degree of science from the University College London, University of London, and a Ph.D. from the University of Cambridge. He is also a holder of Chartered Financial Analyst.

YE Jiansheng (葉劍生)

Mr. Ye, aged 35, is our Executive Director and our President. He was appointed as our Executive Director on November 17, 2009 and our President in September 2009. Mr. Ye is primarily responsible for the overall management of our daily operations. Mr. Ye joined us in October 2006 as deputy director of finance of Shenzhen Kaisa Property and served as vice president from October 2007 to September 2009. Prior to joining us, Mr. Ye was deputy general manager of finance in Shenzhen Feishang Business Development Co., Ltd. (深圳市飛尚實業發展有限公司), an investment holding company engaged in long-term investment in metal and transportation industries. From 2004 to 2005, he was director of finance in Tianjin Hopson Zhujiang Real Estate Development Co., Ltd. (天津合生珠江房地產開發有限公司), a regional company of Hopson Development Holdings Limited, which is listed on the Stock Exchange (HK Stock Code: 0754). Mr. Ye also worked in Guangdong Development Bank, Shenzhen branch (廣東發展銀行股份有限公司深圳分行) for more than seven years. Mr. Ye graduated with a bachelor's degree in international trade from Sun Yat-Sen University in Guangzhou in 1996 and later received a master's degree in finance from Southwestern University of Finance and Economics, China in 2002 and an MBA degree from Hong Kong University of Science and Technology in 2004.

CHEN Gengxian (陳耿賢)

Mr. Chen, aged 38, is our Executive Director and Vice President. He was appointed as an Executive Director of our Group on November 17, 2009, and has been our Vice President since January 2009. Mr. Chen is primarily responsible for cost control, procurement and engineering. Mr. Chen has more than 10 years of real estate industry experience. He joined us in June 1999 and has held various positions within our Group, including deputy general manager, executive director and chairman of Shenzhen Kaisa Property. Mr. Chen completed the part-time program of administrative management in Northeastern Normal University, China in February 2007.

EXECUTIVE DIRECTORS *(Continued)*

JIN Jane (金潔, previously known as 金亞紅)

Ms. Jin, aged 46, is our Executive Director. She joined us and was appointed as our Executive Director on November 17, 2009. Ms. Jin is primarily responsible for matters relating to investment, acquisition and offshore corporate restructuring. Ms. Jin holds the professional designation of Canadian Investment Manager. Ms. Jin has 18 years of extensive experience in the financial industry including banking, finance and securities. Ms. Jin retired as director of investment banking at Credit Suisse (Hong Kong) Limited in February 2009. Previously, she held various positions in Credit Suisse (Hong Kong) Limited, Deutsche Bank, Tai Fook Securities Group, Canadian Imperial Bank of Commerce and Royal Bank of Canada. She also worked in the Foreign Investment Department at MOFCOM for four years. Ms. Jin graduated with a bachelor's degree in economics from University of International Business and Economics, China in 1984.

INDEPENDENT NON-EXECUTIVE DIRECTORS

ZHANG Yizhao (張儀昭)

Mr. Zhang, aged 39, is an Independent Non-Executive Director of our Company. He was appointed as our Independent Non-Executive Director on November 17, 2009. Mr. Zhang is currently the chief financial officer of Universal Travel Group (NYSE: UTA) and an independent non-executive director of China Green Agriculture Inc. (NYSE Amex: CGA), China Education Alliance, Inc. (NYSE Amex: CEU) and China Carbon Graphite Group (OTC BB: CHGI) respectively. Mr. Zhang has over 13 years of experience in accounting and internal control, corporate finance, and portfolio management. Previously, Mr. Zhang held senior positions in Energroups Holdings Corporation (OTC BB: ENHD), Shengtai Pharmaceutical Inc. (OTC BB: SGTI), Chinawe Asset Management Corporation (OTC BB: CHWE), China Natural Resources Incorporation (NASDAQ CM: CHNR) and Kasen International Holdings Limited (HK Stock Code: 0496). Mr. Zhang also had experiences in portfolio management and asset trading in Guangdong South Financial Services Corporation from 1993 to 1999. He is a certified public accountant of the state of Delaware, U.S.A., and a member of the American Institute of Certified Accountants (AICPA). Mr. Zhang graduated with a bachelor's degree in economics from Fudan University, Shanghai in 1992 and received an MBA degree with financial analysis and accounting concentrations from the State University of New York at Buffalo, U.S.A. in 2003.

RAO Yong (饒永)

Mr. Rao, aged 51, is an Independent Non-Executive Director of our Company. He was appointed as our Independent Non-Executive Director on November 17, 2009. Mr. Rao is currently a director of Shenzhen Pengcheng Certified Public Accountants Co. Ltd. He is a member of the Chinese Institute of Certified Public Accountants (CICPA) and a certified public valuer in China. Mr. Rao has over 25 years of experience in accounting and auditing. Mr. Rao was a director of the Audit Bureau of Shenzhen City from 1991 to 1997 and a head of the Audit Bureau of Wuzhou City, Guangxi Province from 1987 to 1990. Mr. Rao has also been a director of The Chinese Institute of Certified Public Accountants since 1996, a director of the Shenzhen Institute of Certified Public Accountants since 1996 and its president since 2005, a forensic accounting expert of Shenzhen City since 2002 and the deputy secretary-general of the Asset Evaluation Association of Shenzhen City since 1997. Mr. Rao received a diploma in accounting from Guangxi College of Finance and Economics, China in July 1980.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

FOK Hei Yu (霍羲禹)

Mr. Fok, aged 39, is an Independent Non-Executive Director of our Company. He was appointed as our Independent Non-Executive Director on November 17, 2009. Mr. Fok is currently an executive director of Ferrier Hodgson, an international financial and restructuring advisory firm, and has been working in Ferrier Hodgson since 1997. He is a member of the Hong Kong Institute of Certified Public Accountants, the Australian Society of Certified Practising Accountants and the Hong Kong Institute of Directors. Mr. Fok graduated from Australian National University with a bachelor's degree in commerce in 1995.

SENIOR MANAGEMENT'S PROFILE

HAN Zhenjie (韓振捷), Mr. Han, aged 42, has been Vice President of our Group since February 2007. Mr. Han is primarily responsible for our business operations in the Yangtze River Delta region. He rejoined us in January 2007 as deputy general manager of Shenzhen Kaisa Property. Mr. Han has been a PRC registered First Class Architect since 2000. Mr. Han has over 10 years of experience in architecture. From 2005 to 2006, he served as vice president of design in Fantasia Group (China) Co., Ltd. (花樣年集團(中國)有限公司), a property development company. From 2002 to 2005, he served in our Group and held various positions, including chief architect, manager of design department, project manager of the Mocha Town project and director of design. From 2000 to 2002, Mr. Han served as deputy general manager and deputy chief architect in Shenzhen Huaxin Architects Engineers & Consultants International Co., Ltd. (深圳華新國際建築工程設計顧問有限公司). From 1997 to 2000, he served in Citymark Aecom Co., Ltd., Shenzhen, (城脈建築設計(深圳)有限公司) as manager in the construction division responsible for construction drawing and design. Mr. Han graduated with a bachelor's degree in engineering from Tsinghua University, China in 1991.

WU Xuejun (吳學軍), Mr. Wu, aged 40, was appointed as Vice President of our Group in August 2009. He is primarily responsible for our human resource, administration and property management. From September 1998 to July 2009, Mr. Wu served in Shenzhen Telling Telecom Development Co., Ltd. (深圳天音通信發展有限公司), a mobile telecom product distributor, and held various positions, including manager of human resource department, director of human resource department and assistant president. Previously, Mr. Wu served as a human resource officer in Seagate Technology (Shenzhen) Co., Ltd. (希捷科技(深圳)有限責任公司) for two years. Mr. Wu graduated with a bachelor's degree in mechanical engineering from Central South University of Technology (now known as Central South University), China in 1991.

ZHANG Ji (張驥), Mr. Zhang, aged 37, was appointed as Vice President of our Group in September 2009. He is primarily responsible for our capital management, internal auditing and compliance. Mr. Zhang joined us in June 2009 as assistant to the president. Prior to joining us, Mr. Zhang was deputy general manager in Horoy Holdings Limited (鴻榮源集團有限公司), a real estate company, from June 2007 to June 2009. He served as director of finance in Shenzhen Feishang Business Development Co., Ltd. (深圳市飛尚實業發展有限公司), an investment holding company engaged in long-term investment in metal and transportation industries, from June 2005 to May 2007. From July 2000 to June 2005, Mr. Zhang was director of finance in Shenzhen Hongkai (Group) Co. Ltd. (深圳市鴻基(集團)有限公司), a real estate company. From January 1998 to June 2000, he worked in an international accounting firm in Shenzhen. Mr. Zhang graduated with a bachelor's degree in accounting from Xi'an Highway University, China in 1993.

SENIOR MANAGEMENT'S PROFILE *(Continued)*

CHEUNG, Hung Kwong (張鴻光), Mr. Cheung, aged 42, was appointed as chief financial officer of our Group in October 2009 and has been company secretary and a joint authorized representative of our Company since November 2009. Mr. Cheung is primarily responsible for our corporate finance, accounting and investor relations. Mr. Cheung joined us in July 2008 as finance director. He has been a member of the American Institute of Certified Public Accountants (AICPA) since August 1996 and a chartered financial analyst qualified by the CFA Institute in the U.S. since September 2000. Mr. Cheung has over 15 years of experience in auditing, finance, accounting and merger and acquisition activities. From March 2003 to March 2008, Mr. Cheung served in Boto International Holdings Limited (寶途集團國際有限公司), a festival product manufacturing company, and held various positions, including financial controller, chief financial officer and consultant. From 1994 to 2003, he worked for PricewaterhouseCoopers. Mr. Cheung graduated from University of Hong Kong with a bachelor's degree (with honors) in physics and mathematics in 1990 and obtained a master's degree (with distinction) in quantum fields and fundamental forces from Imperial College of Science, Technology and Medicine, University of London in 1992.

Save as disclosed above, there is no other information relating to our Directors and our senior management members that needs to be disclosed pursuant to the requirements under Rule 13.51(2) of the Listing Rules.

COMPANY SECRETARY

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

Corporate Social Responsibility

Corporate Citizenship is one of the core values of the Group. In the past year, the Group has committed itself to performing its corporate social responsibilities by promoting events catering to the needs of all stakeholders including its staff members, property owners, the community, under-privileged groups and non-government organizations. We believe that by promoting charitable social events in which various corporate and individual citizens can participate, more needy people will benefit.

The development of the Group would not have been possible without the support of the rest of the community. Along with its ongoing corporate development, Kaisa will continue to become a responsible corporate citizen by performing its corporate social responsibilities in a fuller scale and working towards its corporate missions namely bringing joyful living to the community.

I. COMMUNITY CULTURE AND SERVICES

- **Advocating "Green" Concept in Support of Environmental Protection**

  Endowed with a strong sense of social responsibility, the property companies under the Group are active advocates of "green" concept of environmental protection and have promoted environmental awareness to property owners in the community in many occasions. During 2009, property owners have been arranged to participate in tree planting activities for advocating the green concepts of protecting trees and plants. Recycle bins for collecting trash such as used and abandoned batteries are made available in various communities to draw environmental awareness of property owners. Meanwhile, more than 30,000 environmental-friendly shopping bags were given away free-of-charge to property owners.

- **Creating an Atmosphere of Civilized and Harmonious Communities**

  To create an atmosphere entailing health, happiness, civilization and harmony, a series of activities revolving around the service-based theme of "Heartfelt Service, Heartfelt Touch" were organized during 2009. It included approximately 160 counts of social and cultural events such as "愛心鄰里節"(Caring for the Neighborhood Festival) and"孝心登山節"(Caring and Hiking Festival); external performance shows acted by property owners; and resident benefits such as all-year free-of-charge medical diagnosis and free-of-charge repairing of electrical appliances. These aimed at creating a harmonious atmosphere within the community and giving property owners joyful living in their community.

II. COMMUNITY EVENTS AND CHARITABLE DONATIONS

- **Launching Project Caring by Medical Workers in Shenzhen**

  In October 2009, the Group donated RMB2 million to Shenzhen Caring Office for establishing "Kaisa Medical Workers Caring Foundation", kicking off a series of activities for medical workers who are contributors to saving lives and curing illnesses. Such activities have exemplified our core values of caring for life and health, and contributed our bit towards a more harmonious doctor-patient relationship, a better social atmosphere for caring about medical workers, and the creation of a harmonious society.

- **Supporting the Formation of Police System in Shenzhen**

  As a beneficiary of good social environment and economic conditions, Kaisa promotes the relationship between police and the general public and law abiding society and public safety. In April 2009, the Shenzhen property company under Kaisa Group donated RMB1 million to Shenzhen Police Foundation, for supporting policemen who have contributed themselves to the public safety endeavours in Shenzhen, especially those who have specific difficulties or those elderly who have retired from the police service. In December 2009, RMB0.4 million was further donated to the training school of Shenzhen Police Bureau, in support of the school's endeavours in public safety education and police training.

- **Enriching Cultural Life in Local Regions**

  The Dongguan property company under the Group cares about the cultural life and formation of spiritual civilization of local people in Shilong region. In May 2009, it contributed RMB0.12 million for organizing a dragon-boat competition named "Shilong Trophy" in joint efforts with Shilong Township Government in Dongguan. In December 2009, it organized the amateur badminton competition named Shilong "Kaisa Trophy" 2009 in joint efforts with Shilong Township Group Committee in Dongguan. Such events are aimed to promote the development of sporting activities in the local regions, in advocate of our core values of stressing sports and caring for health.

Corporate Governance Report

The board of directors (the "Board") of the Company is pleased to present this Corporate Governance Report for the year ended 31 December 2009.

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

Since the listing of the shares of the Company on the Main Board of the Stock Exchange on 9 December 2009, save as disclosed below, the Company has complied with provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

(A) THE BOARD OF DIRECTORS

Board Composition

As of 31 December 2009, our Board consists of nine Directors including Mr. KWOK Ying Shing (chairman), Mr. KWOK Ying Chi (vice chairman), Mr. SUN Yuenan (vice chairman), Mr. YE Jiansheng (President), Mr. CHEN Gengxian and Ms. JIN Jane as the Executive Directors and Mr. ZHANG Yizhao, Mr. RAO Yong and Mr. FOK Hei Yu as the Independent Non-Executive Directors. The overall management of the Company's operation is vested in the Board. Mr. KWOK Ying Shing is the brother of Mr. KWOK Ying Chi.

Since the Listing Date and up to 31 December 2009, the Board has at all times met the requirements of rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three Independent Non-Executive Directors with at least one Independent Non-Executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Directors' Responsibilities

The Board takes the responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitor the performance of the senior executives. The Directors have to make decisions objectively in the interests of the Company. As of 31 December 2009, the Board comprises nine Directors, including six Executive Directors and three Independent Non-Executive Directors. Their names and biographical details are set in the section entitled "Directors and Senior Management" in this annual report.

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

Delegation by the Board

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

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the period from the Listing Date and up to 31 December 2009.

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

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

Directors' Responsibilities for Financial Statements

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

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

Chairman and President

Under provision A.2.1 of the Code, the roles of the chairman and the President should be separate and should not be performed by the same individual. Since the Listing Date and up to 31 December 2009, in order to reinforce their respective independence, accountability and responsibility, the roles of the chairman and the President have been performed by Mr. KWOK Ying Shing and Mr. YE Jiansheng respectively.

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

Independent Non-Executive Directors

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

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

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

For the year ended 31 December 2009, all Independent Non-Executive Directors of the Company had confirmed their independence to the Company in accordance with rule 3.13 of the Listing Rules. The Company considers that all Independent Non-Executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Board Meetings

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

The Company was listed on 9 December 2009 and no board meeting was convened by the Company during the period from the Listing Date to 31 December 2009. The Company will adopt the practice of holding board meetings regularly for at least four times a year at approximately quarterly intervals. At least 14 days' notices will be given for a regular board meeting to give all Directors an opportunity to attend. For all other board meetings, reasonable notice will be given.

Two board meetings were convened for the period from 1 January 2009 to 8 December 2009 and the attendance of individual Directors at the board meetings is set out below:

	Number of meetings attended/held
Executive Directors	
Mr. KWOK Ying Shing (chairman)	2/2
Mr. KWOK Ying Chi (vice chairman)	2/2
Mr. SUN Yuenan (vice chairman)	1/2
Mr. YE Jiansheng (president)	1/2
Mr. CHEN Gengxian	1/2
Ms. JIN Jane	1/2
Independent Non-Executive Directors	
Mr. ZHANG Yizhao	1/2
Mr. RAO Yong	1/2
Mr. FOK Hei Yu	1/2

Pursuant to code provision A.1.1 of the Code, the Board should meet regularly and board meetings should be held at least four times a year. Since the Listing Date, it is considered that the Directors are well acknowledged to the business and the operation of the Group by the participation in the initial public offer campaign.

All Directors are provided with relevant materials relating to the matters in issue in advance before the meetings and have the opportunity to include matters in the agenda for board meetings. They can separately get access to the senior executives and the company secretary at all time and may seek independent professional advice at the Company's expense. Pursuant to code provisions A.1.5 and A1.6 of the Code, minutes of board meetings and meetings of board committees are kept by the company secretary of the meeting and such minutes are open for inspection at any reasonable time on reasonable notice by any Director. Minutes of board meetings and meetings of board committees record in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by the Directors or dissenting views expressed. Draft and final versions of minutes of board meetings were sent to all the Directors for their comment and record respectively, in both cases within a reasonable time after the board meeting was held.

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

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

Appointment, Re-election and Removal of Directors

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

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

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

Board Committees

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

Nomination Committee

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

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

The Nomination Committee comprises Mr. KWOK Ying Shing as the chairman, Mr. ZHANG Yizhao, Mr. RAO Yong and Mr. FOK Hei Yu as members. During the year ended 31 December 2009, no meeting has been convened by the Nomination Committee because the Company was just listed on 9 December 2009 and most of the present Directors were appointed in November 2009. The Nomination Committee considers that it is not necessary to review the size and composition of the Board and identify any new board member for the period from the Listing Date to 31 December 2009. From 2010 onward, the Nomination Committee will conduct meeting at least once a year.

Audit Committee

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

The Audit Committee consists of three members, all of whom are Independent Non-Executive Directors. The Audit Committee comprises Mr. RAO Yong as chairman, Mr. ZHANG Yizhao and Mr. FOK Hei Yu as members. As the Company just listed on 9 December 2009, no meeting was held by the Audit Committee for the year ended 31 December 2009. A meeting of the Audit Committee was held on 17 March 2010 to review the Group's 2009 results. The Committee has recommended to the Board the re-appointment of PricewaterhouseCoopers as the Company's external auditor for the financial year ending 31 December 2010 at the forthcoming Annual General Meeting ("AGM"). From 2010 onward, the Audit Committee will conduct meeting at least twice a year.

Remuneration Committee

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

As the Company was just listed on 9 December 2009, no meeting was convened by the Remuneration Committee. From 2010 onward, the Remuneration Committee will conduct meeting at least once a year.

The remuneration policy of the Group and details of the remmuneration of the Directors are set out in the section headed "Report of the Directors" and note 26 to the financial statements.

(B) FINANCIAL REPORTING AND INTERNAL CONTROL

Financial Reporting

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

The working scope and reporting responsibilities of PricewaterhouseCoopers, the Company's external auditor, are set out on page 69 of the "Independent Auditor's Report" in this annual report.

External Auditors' Remuneration

PricewaterhouseCoopers has been appointed as the Group's external auditor since 2007.

During the year under review, the fee payable to PricewaterhouseCoopers in respect of its audit services and non-audit services provided to the Company were RMB3.5 million and RMB1.8 million respectively.

Internal Control

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

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

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

(C) COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

As at 31 December 2009, the Company had a diversified shareholding structure and had maintained sufficient public float as required under the Listing Rules.

Report of the Directors

The board of directors (the "Board") presents their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2009.

CORPORATE REORGANISATION AND INITIAL PUBLIC OFFERING

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (as amended, supplemented or otherwise modified from time to time) on 2 August 2007.

Pursuant to a reorganisation to rationalize the structure of the Group in preparation for the public listing of the Company's shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Group. Details of reorganisation are set out in the Company's Prospectus dated 26 November 2009.

The shares of the Company were listed on the Stock Exchange on 9 December 2009, through the issuance of 1,000,000,000 shares at the offer price of HK$3.45 per share in the Global Offering.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 74 in this annual report.

DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2009.

PROPERTY AND EQUIPMENT

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

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 16 to the consolidated financial statements.

LOAN WITH DETACHABLE WARRANTS

Details of movements of the loan with detachable warrants (the "Loan") during the year of the Company are set out in note 19 to the consolidated financial statements.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2009.

RESERVES

Details of movements in reserves during the year are set out in the section "Consolidated Statement of Changes in Equity" of the consolidated financial statements.

ISSUE OF WARRANTS

In connection with the Loan, the Company issued the Tranche A and Tranche B warrants to the original warrantholders pursuant to the warrant instruments dated 12 September 2007 (as amended and restated on 27 October 2009). The Tranche A and Tranche B warrants were issued to the original warrantholders in return for their participation in the Loan.

The Tranche A warrants confer upon holders thereof the right to subscribe 33,349,997 warrant shares, representing approximately 0.667% of the enlarged issued share capital of our Company upon completion of the Company's Initial Public Offering. The Tranche A warrants were exercisable at a price of RMB0.10 per share and were fully exercised on 9 December 2009.

The Tranche B warrants confer upon holders thereof the right to subscribe 54,522,511 warrant shares, representing approximately 1.09% of the enlarged issued share capital of our Company based on the offer price of HK$3.45 per share of the Company's Initial Public Offering. The Tranche B warrants were exercisable for nil consideration and were fully exercised on 9 December 2009.

CHARITABLE DONATIONS

The charitable donations made by the Group during the year amounted to RMB3.7 million (2008: RMB2.8 million).

DIRECTORS

During the year ended 31 December 2009 and up to the date of this report, the Directors were as follows:

	Date of Appointment
Executive Directors	
Mr. KWOK Ying Shing	8 August 2007
Mr. KWOK Ying Chi	8 August 2007
Mr. SUN Yuenan	17 November 2009
Mr. TAM Lai Ling	8 March 2010
Mr. YE Jiansheng	17 November 2009
Mr. CHEN Gengxian	17 November 2009
Ms. JIN Jane	17 November 2009
Independent Non-Executive Directors	
Mr. ZHANG Yizhao	17 November 2009
Mr. RAO Yong	17 November 2009
Mr. FOK Hei Yu	17 November 2009

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

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2009, the interests and short positions of Directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Interests in the Company:

Name of Director	**Capacity**	**Family interests** (Note 2)	**Underlying Shares (under equity derivatives of the Company)** (Note 3)	**Total**	**Approximate percentage of the issued share capital of the Company** (%)
KWOK Ying Shing	Settlor/Beneficiary of the Kwok Family Trust	3,442,672,192(L) 150,000,000(S)	–	3,442,672,192(L) 150,000,000(S)	68.85(L) 3.00(S)
KWOK Ying Chi	Settlor/Beneficiary of the Kwok Family Trust	3,442,672,192(L) 150,000,000(S)	–	3,442,672,192(L) 150,000,000(S)	68.85(L) 3.00(S)
SUN Yuenan	Personal	–	3,000,000(L)	3,000,000(L)	0.06
YE Jiansheng	Personal	–	2,900,000(L)	2,900,000(L)	0.06
CHEN Gengxian	Personal	–	2,850,000(L)	2,850,000(L)	0.06
JIN Jane	Personal	–	1,750,000(L)	1,750,000(L)	0.04
ZHANG Yizhao	Personal	–	500,000(L)	500,000(L)	0.01
RAO Yong	Personal	–	500,000(L)	500,000(L)	0.01
FOK Hei Yu	Personal	–	750,000(L)	750,000(L)	0.02

Note:

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

(2) The entire issued share capital of each of Da Chang 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.

(3) These are the share options granted by the Company under the Pre-IPO Share Option Scheme. Details of the Company's Pre-IPO Share Option Scheme are set out in note 36 to the consolidated financial statements.

(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
	Chang Yu	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
	Chang Yu	Settlor/Beneficiary of the Kwok Family Trust	1,000	100

Note:

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 Investments Limited, 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.

Save as disclosed above, none of the Directors knows of any person (not being a director or chief executive of the Company) had or was deemed to have any interests or short positions in the shares of the Company, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register which were required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. None of Directors or their spouse or children under the age of 18, had been granted any right to subscribe for the equity or debt securities of the Company or any of its associated corporations, or had exercised any such right during the period from 9 December 2009, the date on which trading of the shares of the Company commenced on the Stock Exchange, up to 31 December 2009.

Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at 31 December 2009, the following shareholders, other than those disclosed in the section headed "Directors' and Chief Executive's interests in securities", had notified the Company of its interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

As at 31 December 2009, 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	1,136,081,824 (L) *(Note 2)*	22.72 (L)
Da Feng	Beneficial owner	Corporation	1,170,508,544 (L) 150,000,000 (S) *(Note 2)*	23.41(L) 3.00 (S)
Da Zheng	Beneficial owner	Corporation	1,136,081,824 (L) *(Note 2)*	22.72 (L)
Chang Yu	Interest in a controlled corporation	Corporation	3,442,672,192 (L) 150,000,000(S) *(Note 2)*	68.85(L) 3.00(S)

Name of substantial shareholder	Capacity	Type of interests	Number of Shares *(Note 1)*	Approximate percentage of the issued Share Capital of the Company (%)
Good Health	Interest in a controlled corporation	Corporation	3,442,672,192(L) 150,000,000(S) *(Notes 2&3)*	68.85(L) 3.00(S)
Seletar Limited Investments Pte Ltd.	Interest in a controlled corporation	Corporation	3,442,672,192 (L) 150,000,000(S) *(Note 3)*	68.85(L) 3.00(S)
Serangoon Limited	Interest in a controlled corporation	Corporation	3,442,672,192 (L) 150,000,000(S) *(Note 3)*	68.85(L) 3.00(S)
Credit Suisse Trust Limited	Interest in a controlled corporation	Corporation	3,442,672,192 (L) 150,000,000(S) *(Note 4)*	68.85(L) 3.00(S)
KWOK Chun Wai	Settlor/Beneficiary of the Kwok Family Trust	Family Trust	3,442,672,192 (L) 150,000,000(S) *(Note 4)*	68.85(L) 3.00(S)
KWOK Ying Shing	Settlor/Beneficiary of the Kwok Family Trust	Family Trust	3,442,672,192 (L) 150,000,000(S) *(Note 4)*	68.85(L) 3.00(S)
KWOK Ying Chi	Settlor/Beneficiary of the Kwok Family Trust	Family Trust	3,442,672,192 (L) 150,000,000(S) *(Note 4)*	68.85(L) 3.00(S)
TC Group Cayman Investment Holdings, L.P.	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 5, 6, 7 & 23)*	75.83(L) 14.31(S)
TCG Holdings Cayman II, LP.	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 5, 6, 7 & 23)*	75.83(L) 14.31(S)
Temasek Holdings (Private) Limited	Interest in a controlled corporation	Corporation	3,941,570,651(L) 715,688,491(S) *(Notes 5, 6, 7 & 23)*	75.83(L) 14.31(S)
Credit Suisse Group AG	Interest in a controlled corporation	Corporation	302,299,741(L) 150,000,000(S) *(Note 8)*	6.05(L) 3.00(S)
Credit Suisse (Hong Kong) Limited	Interest in a controlled corporation	Corporation	300,000,000(L) 150,000,000(S) *(Note 8)*	6.00(L) 3.00(S)

Name of substantial shareholder	Capacity	Type of interests	Number of Shares *(Note 1)*	Approximate percentage of the issued Share Capital of the Company (%)
Credit Suisse (International) Holding AG	Interest in a controlled corporation	Corporation	300,000,000(L) 150,000,000(S) *(Note 8)*	6.00(L) 3.00(S)
Credit Suisse AG	Interest in a controlled corporation	Corporation	4,107,726,245(L) 865,688,491(S) *(Notes 8 & 23)*	82.15(L) 17.31(S)
CAGP Ltd	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 6, 9, 10 & 23)*	75.83(L) 14.31(S)
CAGP General Partner, L.P.	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 9, 10 & 23)*	75.83(L) 14.31(S)
CAGP III Co-Investment, L.P.	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 9, 10 & 23)*	75.83(L) 14.31(S)
Carlyle Asia Growth Partners III L.P	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 9, 10 & 23)*	75.83(L) 14.31(S)
Carlyle Asia Real Estate GP, L.P.	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 12, 13 & 23)*	75.83(L) 14.31(S)
Carlyle Asia Real Estate II GP. L.P.	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 11, 12 & 23)*	75.83(L) 14.31(S)
Carlyle Asia Real Estate II, Ltd	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 11 & 23)*	75.83(L) 14.31(S)
Carlyle Asia Real Estate Partners, L.P.	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 12 & 23)*	75.83(L) 14.31(S)

Name of substantial shareholder	Capacity	Type of interests	Number of Shares *(Note 1)*	Approximate percentage of the issued Share Capital of the Company (%)
Carlyle Asia Real Estate, Ltd.	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 12 & 23)*	75.83(L) 14.31(S)
Carlyle Offshore Partners II, Ltd.	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 13 & 23)*	75.83(L) 14.31(S)
Credit Suisse (USA) Inc.	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 14 & 23)*	75.83(L) 14.31(S)
Credit Suisse Holdings (USA), Inc.	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 14 & 23)*	75.83(L) 14.31(S)
Credit Suisse Private Equity, Inc.	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 14 & 23)*	75.83(L) 14.31(S)
Diversified Asian Strategies Fund	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 15 & 23)*	75.83(L) 14.31(S)
DLJ Real Estate Capital IV. Inc.	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 16 & 23)*	75.83(L) 14.31(S)
DLJ Real Estate Capital IV, L.P.	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 16 & 23)*	75.83(L) 14.31(S)
DLJ Real Estate Capital Partners IV, L.P.	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 16 & 23)*	75.83(L) 14.31(S)
Forum Asia Realty Income II, L.P	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 17 & 23)*	75.83(L) 14.31(S)

Name of substantial shareholder	Capacity	Type of interests	Number of Shares *(Note 1)*	Approximate percentage of the issued Share Capital of the Company (%)
Longhill Holding Company Ltd.	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 18 & 23)*	75.83(L) 14.31(S)
PMA Capital Management Limited	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 19 & 23)*	75.83(L) 14.31(S)
PMA Credit Opportunities Fund	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 19 & 23)*	75.83(L) 14.31(S)
PMA Focus Fund	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 20 & 23)*	75.83(L) 14.31(S)
PMA Temple Fund	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 21 & 23)*	75.83(L) 14.31(S)
RECP IV Kaisa, LLC	Interest in a controlled corporation	Corporation	3,791,570,851(L) 715,688,491(S) *(Notes 16, 22 & 23)*	75.83(L) 14.31(S)

Notes:

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

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

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

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

5. Temasek Holdings (Private) Limited which is wholly owned by TCG Holdings Cayman II, LP. which is in turn wholly-owned by TC Group Cayman Investment Holdings, L.P..

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

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

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

9. Carlyle Asia Growth Partners III L.P. is an exempted limited partnership formed under the laws of the Cayman Islands, acting by its general partner CAGP General Partner, L.P., an exempted limited partnership formed under the laws of the Cayman Islands which acts itself by its general partner CAGP, Ltd., an exempted company incorporated under the laws of the Cayman Islands, and an investment fund.

10. CAGP III Co-Investment, L.P. is an exempted limited partnership and an investment fund formed under the laws of the Cayman Islands, acting by its general partner CAGP General Partner, L.P., an exempted limited partnership formed under the laws of the Cayman Islands which acts itself by its general partner CAGP, Ltd., an exempted company incorporated under the laws of the Cayman Islands, and an investment fund.

11. 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..

12. 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.

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

14. 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.

15. Diversified Asian Strategies Fund, an exempted limited liability company incorporated in the Cayman Islands, is an investment company wholly owned by PMA Capital Management Limited which in turn wholly owned by PMA Credit Opportunities Fund.

16. 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.

17. Forum Asian Realty Income II, L.P., an exempted limited partnership formed under the laws of the Cayman Islands, acting by its general partner Forum Asian Realty Income II GP Limited, an exempted limited liability company incorporated under the laws of the Cayman Islands.

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

19. PMA Credit Opportunities Fund, an exempted limited liability company incorporated in the Cayman Islands, is an investment company wholly owned by PMA Capital Management Limited.

20. PMA Focus Fund, an exempted limited liability company incorporated in the Cayman Islands, is an investment company and wholly owned by PMA Capital Management Limited.

21. PMA Temple Fund, an exempted limited liability company incorporated in the Cayman Islands, is an investment company and wholly owned by PMA Capital Management Limited.

22. RECP IV Kaisa, LLC, a limited liability company organized under the laws of the State of Delaware, the United States of America, is controlled by DLJ Real Estate Capital Partners IV, L.P..

23. Part of these interests are also derived from an agreement where section 317 and section 318 of the SFO are applicable.

Save as disclosed above, the Company has not been notified by any person for any interest or a short position in the shares or underlying shares of the Company which would be required to be kept by the Company in its register pursuant to section 336 of the SFO.

Arrangements to Purchase Shares or Debentures

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

Directors' Interests in Contracts of Significance

Other than as disclosed in note 37 to the consolidated financial statements, no contract of significance to which the Company, its holding company or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2009.

Connected Transactions and Continuing Connected Transactions

Details of the Group's related parties transactions and continuing connected transactions for the year ended 31 December 2009 are set out in notes 37 and 37(d) respectively to the consolidated financial statements, which are in compliance with the requirements of the Listing Rules.

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

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

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

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

Remuneration Policy

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

Details of the remuneration of the Directors are set out in note 26 to the consolidated financial statements, having regard to the Company's operating results, individual performance of the Directors and comparable market statistics. The Company has adopted share option schemes as an incentive to Directors and eligible employees, details of the share option schemes are set out in note 36 to the consolidated financial statements.

Major Customers and Suppliers

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

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

Purchases	
– the largest supplier	23%
– five largest suppliers in aggregate	52%

At no time during the year ended 31 December 2009 a Director, an associate of a Director or a shareholder of the Company (who to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in any of the Group's five largest suppliers or customers.

Pre-Emptive Rights

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

Sufficiency of Public Float

The Company has maintained the public float as required by the Listing Rules since the date of listing and up to 31 December 2009.

Corporate Governance

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

Auditor

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

Professional Tax Advice Recommended

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

On behalf of the Board

KWOK Ying Shing
Chairman

Hong Kong, 18 March 2010

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

We have audited the consolidated financial statements of Kaisa Group Holdings Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 71 to 137, which comprise the consolidated and company balance sheets as at 31 December 2009, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 March 2010

Consolidated Balance Sheet

As at 31 December 2009

	Note	**2009** **RMB'000**	2008 RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	**91,731**	76,692
Investment properties	7	**1,578,600**	1,278,400
Land use rights	8	**22,634**	23,248
Deferred income tax assets	20	**119,559**	91,122
		1,812,524	1,469,462
Current assets			
Land use rights	8	**4,388,463**	4,816,003
Properties under development	10	**3,250,938**	2,375,017
Completed properties held for sale	11	**749,713**	1,279,655
Debtors, deposits and other receivables	12	**2,526,713**	1,318,719
Prepayments for proposed development projects	13	**1,383,871**	1,144,409
Prepaid taxes		**142,571**	108,821
Restricted cash	14	**382,966**	105,836
Cash and cash equivalents	15	**3,344,453**	679,271
		16,169,688	11,827,731
Total assets		**17,982,212**	13,297,193
EQUITY			
Equity holders			
Share capital	16	**440,550**	1
Share premium	16	**4,024,775**	1,490,772
Reserves	17	**2,203,702**	1,651,180
		6,669,027	3,141,953
Minority interests		**(40,494)**	(40,480)
Total equity		**6,628,533**	3,101,473

	Note	2009 RMB'000	2008 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	18	**2,812,890**	2,991,925
Deferred income tax liabilities	20	**228,701**	156,239
		3,041,591	3,148,164
Current liabilities			
Advanced proceeds received from customers		**2,266,075**	1,155,926
Accrued construction costs		**1,119,549**	1,144,981
Income tax payable		**404,906**	277,969
Borrowings	18	**3,048,988**	2,200,000
Loan with detachable warrants	19(c)	**684,736**	1,305,546
Financial derivatives	19(c)	**–**	80,522
Other payables	21	**750,357**	880,776
Amount due to minority shareholder of a subsidiary		**37,477**	–
Amount due to a related party	37(c)	**–**	1,836
		8,312,088	7,047,556
Total liabilities		**11,353,679**	10,195,720
Total equity and liabilities		**17,982,212**	13,297,193
Net current assets		**7,857,600**	4,780,175
Total assets less current liabilities		**9,670,124**	6,249,637

The notes on pages 77 to 137 are an integral part of these financial statements.

The financial statements on pages 77 to 137 were approved by the Board of Directors on 18 March 2010 and were signed on its behalf.

Kwok Ying Shing	**YE Jiansheng**
Director	*Director*

Balance Sheet

As at 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Subsidiaries	9	**4,658**	7
Current assets			
Prepaid interest for loan with detachable warrants	12	**15,022**	20,455
Due from a subsidiary	9(b)	**3,213,228**	2,504,659
Cash and cash equivalents	15	**1,955,112**	–
		5,183,362	2,525,114
Total assets		**5,188,020**	2,525,121
EQUITY			
Share capital	16	**440,550**	1
Share premium	16	**4,024,775**	1,490,772
Reserves	17	**11,768**	(353,017)
Total equity		**4,477,093**	1,137,756
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	20	**–**	1,297
Current liabilities			
Loan with detachable warrants	19(c)	**684,736**	1,305,546
Financial derivatives	19(c)	**–**	80,522
Other payables	21	**26,191**	–
		710,927	1,386,068
Total liabilities		**710,927**	1,387,365
Total equity and liabilities		**5,188,020**	2,525,121
Net current assets		**4,472,435**	1,139,046
Total assets less current liabilities		**4,477,093**	1,139,053

The notes on pages 77 to 137 are an integral part of these financial statements.

The financial statements on pages 77 to 137 were approved by the Board of Directors on 18 March 2010 and were signed on its behalf.

Kwok Ying Shing
Director

YE Jiansheng
Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Note	**2009 RMB'000**	2008 RMB'000
Revenue	5	**4,672,156**	3,110,446
Cost of sales	23	**(3,352,040)**	(2,243,354)
Gross profit		**1,320,116**	867,092
Other gains/(losses), net	22	**37,201**	(116,216)
Selling and marketing costs	23	**(163,543)**	(151,821)
Administrative expenses	23	**(250,105)**	(165,721)
Change in fair value of investment properties	7	**289,847**	302,557
Change in fair value of financial derivatives	19(c)	**(85,339)**	27,221
Operating profit		**1,148,177**	763,112
Finance income	24	**9,958**	7,243
Finance costs	24	**(204,740)**	(117,642)
Finance costs – net		**(194,782)**	(110,399)
Profit before income tax		**953,395**	652,713
Income tax expenses	27	**(405,538)**	(151,800)
Profit for the year and total comprehensive income for the year		**547,857**	500,913
Profit attributable to:			
Equity holders of the Company		**547,871**	500,921
Minority interests		**(14)**	(8)
		547,857	500,913
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
Basic and diluted earnings per share	28	**0.138**	0.128

The notes on pages 77 to 137 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Capital and reserves attributable to equity holders of the Company					
	Share capital RMB'000 (note 16)	Share premium RMB'000 (note 16)	Reserves RMB'000 (note 17)	Total RMB'000	Minority interests RMB'000	Total RMB'000
Balance as at 1 January 2008	1	1,490,772	1,150,259	2,641,032	(31,925)	2,609,107
Profit for the year	–	–	500,921	500,921	(8)	500,913
Disposal of a subsidiary	–	–	–	–	(10,547)	(10,547)
Capital contribution from minority shareholders (note 35)	–	–	–	–	2,000	2,000
Balances as at 31 December 2008	1	1,490,772	1,651,180	3,141,953	(40,480)	3,101,473
Balance as at 1 January 2009	**1**	**1,490,772**	**1,651,180**	**3,141,953**	**(40,480)**	**3,101,473**
Profit for the year	**–**	**–**	**547,871**	**547,871**	**(14)**	**547,857**
Issue of shares in connection with the initial public offering (the "IPO") (note 16(b))	**88,110**	**2,951,686**	**–**	**3,039,796**	**–**	**3,039,796**
Capitalisation of share premium (note 16(c))	**344,697**	**(344,697)**	**–**	**–**	**–**	**–**
Issue of shares to warrant holders (note 16(d))	**7,742**	**(4,407)**	**–**	**3,335**	**–**	**3,335**
Transfer from financial derivatives (note 19(c))	**–**	**165,727**	**–**	**165,727**	**–**	**165,727**
Share issue expense	**–**	**(234,306)**	**–**	**(234,306)**	**–**	**(234,306)**
Share-based payments (note 9)	**–**	**–**	**4,651**	**4,651**	**–**	**4,651**
Balances as at 31 December 2009	**440,550**	**4,024,775**	**2,203,702**	**6,669,027**	**(40,494)**	**6,628,533**

The notes on pages 77 to 137 are an integral part of these financial statements.

Consolidated Statement Cash Flows

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	29	**1,036,847**	(1,309,277)
Income tax paid		**(268,326)**	(175,151)
Interest paid		**(490,923)**	(502,500)
Net cash generated from/(used in) operating activities		**277,598**	(1,986,928)
Cash flows from investing activities			
Purchase of property and equipment	6	**(25,284)**	(44,693)
Acquisition of subsidiaries, net of cash acquired	33	**(259,891)**	(824,655)
Payment for purchase consideration of subsidiaries		**(170,365)**	(68,287)
Proceeds from disposal of property and equipment	29	**1,623**	364
Interest received	24	**9,958**	7,243
Net cash used in investing activities		**(443,959)**	(930,028)
Cash flows from financing activities			
Proceeds from borrowings		**3,622,224**	3,914,000
Repayments of borrowings		**(2,952,271)**	(1,932,600)
Capital injection from minority shareholders	35	**–**	2,000
Repayment of loan with detachable warrants	19(c)	**(682,876)**	–
Proceeds from issuing shares in connection with the IPO	16(b)	**3,039,796**	–
Proceeds from issuing shares to warrant holders	16(d)	**3,335**	–
Share issue expense		**(234,306)**	–
Decrease in amount due to a related party		**(1,836)**	(1,174)
Increase in amount due to minority shareholder of a subsidiary		**37,477**	–
Net cash generated from financing activities		**2,831,543**	1,982,226
Net increase/(decrease) in cash and cash equivalents		**2,665,182**	(934,730)
Cash and cash equivalents at beginning of year		**679,271**	1,624,780
Exchange adjustments		**–**	(10,779)
Cash and cash equivalents at end of year	15	**3,344,453**	679,271

The notes on pages 77 to 137 are an integral part of these financial statements.

1. GENERAL INFORMATION

Kaisa Group Holdings Ltd. (the "Company") was incorporated in the Cayman Islands on 2 August 2007 as an exempted company with limited liability under the Companies Law (2009 Revision) (as consolidated and revised from time to time) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is at Suite 2001, 20th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The Company is engaged in investment holding and the subsidiaries of the Company are principally engaged in the property development, property investment, property management and project consultancy businesses.

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

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

These consolidated financial statements are presented in thousand units of Renmibi ("RMB") thousand Yuan, unless otherwise stated and were approved by the Board of Directors of the Company for issue on 18 March 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

The Group has adopted a number of new or revised standards and interpretations which are relevant to the Group's operations and are mandatory for the financial year ended 31 December 2009.

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

(a) Basis of preparation *(Continued)*

Major new or revised standards affecting the Group include:

HKAS 1 (Revised), "Presentation of financial statements". The revised standard has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. In particular, the Group presents all items of income and expense recognised in the year in the consolidated statement of comprehensive income showing components of profit or loss and showing components of other comprehensive income. HKAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. HKFRS 8 does not affect the Group's reportable segments.

"Improvements to HKFRSs" (issued in October 2008). The improvements include 35 amendments across 20 different standards that largely clarify the required accounting treatment where previous practice had varied, and have resulted in a number of changes in the Group's accounting policies.

The following new standards, amendments to standards and interpretations have been issued that are relevant to the Group and are mandatory for accounting periods beginning on or after 1 January 2010 or later periods and which the Group has not early adopted.

- HKAS 27 (Revised), "Consolidated and Separate Financial Statements" (effective for annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balances. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1 January 2010.

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

(a) Basis of preparation *(Continued)*

- HKFRS 3 (Revised), "Business Combination" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are "capable of being conducted" rather than "are conducted and managed." It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1 January 2010.

- HKFRS 5 (Amendment), "Non-current assets held for sale and discontinued operations" (and consequential amendment to HKFRS 1, "First-time adoption") (effective for annual periods beginning on or after 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRSs. The Group will apply the HKFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.

- There are a number of minor amendments to HKFRS 7, "Financial instruments: Disclosures", HKAS 8, "Accounting policies, changes in accounting estimates and errors", HKAS 10, "Events after the balance sheet date", HKAS 18, "Revenue" and HKAS 34, "Interim financial reporting" which are not addressed above. These amendments are unlikely to have an impact on the Group's financial statements and have therefore not been analysed in detail.

- In May 2009, the HKICPA published certain improvements to the HKFRS which will be effective for period beginning on or after 1 January 2010. These improvements have not been early adopted by the Group. Amendments have been made to the following standards according to the improvements:

HKAS 1 (Amendment)	Presentation of financial statements
HKAS 7 (Amendment)	Cash flow statements
HKAS 17 (Amendment)	Leases
HKAS 18 (Amendment)	Revenue
HKAS 36 (Amendment)	Impairment of assets
HKAS 38 (Amendment)	Intangible assets
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement
HKFRS 2 (Amendment)	Scope of HKFRS 2 and revised HKFRS 3
HKFRS 5 (Amendment)	Disclosures of non-current assets (or disposal groups) classified as held for sales or discontinued operations

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

(a) Basis of preparation *(Continued)*

HKFRS 8 (Amendment)	Disclosure of information about segment assets
HK(IFRIC) 9 (Amendment)	Reassessment of embedded derivatives
HK(IFRIC) 16 (Amendment)	Hedges of a net investment in a foreign operation
HK(IFRIC)-Int 16 (Amendment)	Hedges of a net investment in a foreign operation

The Group is in the process of making an assessment on the impact of these new/revised standards, amendments and interpretations to existing standards and does not anticipate that the adoption will result in any material impact on the Group's results of operations and financial position.

(b) Consolidation

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

(i) Subsidiaries

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

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

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

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

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

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

(b) Consolidation *(Continued)*

(ii) Transactions with minority interests

The Group applies a policy of treating transactions with minority interest as transactions with parties external to the Group. Disposals to minority interest result in gains and losses for the Group and are recorded in the statement of comprehensive income. Purchases from minority interest result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss.

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

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

(d) Foreign currency translation *(Continued)*

(iii) Group companies

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

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

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

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

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

(e) Property and equipment

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

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

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

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

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

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

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

(e) Property and equipment *(Continued)*

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

(f) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies of the Group, is classified as investment property.

Investment property comprises land and buildings held under operating leases.

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

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at fair value. Fair value is based on valuation carried out by professional valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active continues to be measured at fair value. Where fair value of investment property under construction is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

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

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

Changes in fair values of investment property are recognised in the statement of comprehensive income. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

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

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

(f) Investment properties *(Continued)*

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

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

(g) Impairment of investments in subsidiaries and non-financial assets

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

(h) Financial assets

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

Loans and receivables

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

(i) Properties under development

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

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

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

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

(j) Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

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

(k) Goodwill

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

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

(l) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that it will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the statement of comprehensive income.

(m) Cash and cash equivalents

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

Restricted cash are not included in cash and cash equivalents.

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

(n) Trade and other payables

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

(o) Borrowings

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

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

(p) Loan with detachable warrants

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

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

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

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

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

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

(q) Borrowing costs

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

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

(r) Current and deferred income tax

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

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

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

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

(s) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefits

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

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

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

(s) Employee benefits *(Continued)*

(ii) Retirement benefits *(Continued)*

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

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

(iii) Termination benefits

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

(iv) Share-based payments

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

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

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

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

(t) Provisions and contingent liabilities

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

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

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

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

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

(u) Revenue recognition

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

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

(i) Sales of properties

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

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

(u) Revenue recognition *(Continued)*

(ii) Rental income

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

(iii) Project consultancy services

Project consultancy services income is recognised in the accounting period in which the service is rendered.

(iv) Property management

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

(v) Interest income

Interest income is recognised using the effective interest method.

(v) Leases

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

(i) The Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor), including up-front prepayment made for the land use rights, are charged to the statement of comprehensive income or capitalised in the properties under development on a straight-line basis over the period of the lease.

(ii) The Group is the lessor

Assets leased out under operating leases are included in investment properties in the balance sheet.

(w) Land use rights

The Group made upfront payments to obtain land use rights on which properties will be developed. The upfront payments of the land use rights are recorded as assets and amortised over the lease periods. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development. The amortisation during the period before the commencement and after the completion of the construction of the properties is expensed in the statement of comprehensive income. The unamortised upfront payments are recognised as cost of sales when the relevant properties are sold.

(x) Dividend distribution

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

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

(y) Financial guarantee liabilities

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

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

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

3. FINANCIAL RISK MANAGEMENT

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

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

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

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

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factor

(i) Market risk

(1) Foreign currency exchange risk

The Group

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

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

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

As at 31 December 2009, if RMB had strengthened/weakened by 5% against HKD and USD, with all other variables held constant, the Group's post-tax profit for the year would have been approximately RMB69,449,000 lower/higher (2008: RMB65,023,000 higher/lower), mainly as a result of net foreign exchange gains/losses on translation of HKD and USD denominated bank deposits and bank borrowings.

The Company

As at 31 December 2009, if RMB had strengthened/weakened by 5% against HKD and USD, with all other variables held constant, the Company's post-tax profit for the year would have been approximately RMB60,585,000 lower/higher (2008: RMB65,091,000) higher/lower, mainly as a result of net foreign exchange gains/losses on translation of HKD and USD denominated bank deposits and bank borrowings.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factor *(Continued)*

(i) Market risk *(Continued)*

(2) Interest rate risk

The Group

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

The Group's fair value interest rate risk relates primarily to its fixed rate bank borrowings and loan with detachable warrants. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2009, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Group's post-tax profit for the year would have been RMB16,069,000 higher/lower (2008: RMB9,106,000 lower/higher).

The Company

The Company's interest rate risk arises from short-term bank deposit and fixed rate loan with detachable warrants.

As at 31 December 2009, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Company's post-tax profit for the year would have been RMB12,704,000 higher/lower (2008: RMB15,713,000 lower/higher).

(ii) Credit risk

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

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

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

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factor *(Continued)*

(ii) Credit risk *(Continued)*

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

(iii) Liquidity risk

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

Certain terms and covenants of the loan with detachable warrants have been breached by the Group for the years ended 31 December 2008 and 2009 (note 19). On 24 October 2009, the Group has obtained waivers from the lenders with respect to the breach of terms and covenants (note 19(b)). In addition, the Group has certain alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting and further slowing down the construction plans for properties under development, implementing cost control measures, accelerating sales with more flexible pricing, seeking joint venture partners to co-develop quality projects and renegotiating payment terms with counterparties for certain land acquisitions. The Group will, based on its assessment of the relevant future costs and benefits, pursue such options as are appropriate.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factor *(Continued)*

(iii) Liquidity risk *(Continued)*

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

The Group

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2009					
Borrowings	**3,293,699**	**752,964**	**1,729,888**	**767,286**	**6,543,837**
Loan with detachable warrants	**712,575**	**–**	**–**	**–**	**712,575**
Accrued construction costs	**1,119,549**	**–**	**–**	**–**	**1,119,549**
Other payables	**750,357**	**–**	**–**	**–**	**750,357**
Amount due to minority shareholder of a subsidiary	**37,477**	**–**	**–**	**–**	**37,477**
Total	**5,913,657**	**752,964**	**1,729,888**	**767,286**	**9,163,795**
At 31 December 2008					
Borrowings	2,464,597	2,728,432	395,669	–	5,588,698
Loan with detachable warrants	1,607,498	–	–	–	1,607,498
Accrued construction costs	1,144,981	–	–	–	1,144,981
Other payables	880,776	–	–	–	880,776
Amount due to a related party	1,836	–	–	–	1,836
Financial derivatives	20,848	–	–	–	20,848
Total	6,120,536	2,728,432	395,669	–	9,244,637

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factor *(Continued)*

(iii) Liquidity risk *(Continued)*

The Company

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
At 31 December 2009				
Loan with detachable warrants	**712,575**	**–**	**–**	**712,575**
Other payables	**26,191**	**–**	**–**	**26,191**
Total	**738,766**	**–**	**–**	**738,766**
At 31 December 2008				
Loan with detachable warrants	1,607,498	–	–	1,607,498
Financial derivatives	20,848	–	–	20,848
Total	1,628,346	–	–	1,628,346

(b) Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, loan with detachable warrants disclosed in note 19 and equity attributable to equity holders of the Company, comprising share capital and reserves.

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

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

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Capital risk management *(Continued)*

The gearing ratios of the Group at 31 December 2009 and 2008 were as follows:

	2009	2008
	RMB'000	RMB'000
Total borrowings (note 18)	**5,861,878**	5,191,925
Loan with detachable warrants (note 19)	**684,736**	1,305,546
Less: cash and cash equivalents (note 15)	**(3,344,453)**	(679,271)
Net debt	**3,202,161**	5,818,200
Total equity	**6,628,533**	3,101,473
Total capital	**9,830,694**	8,919,673
Gearing ratio	**33%**	65%

The decrease in the gearing ratio during 2009 resulted primarily from the issue of shares in connection with the IPO.

(c) Fair value estimation

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

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

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

If those undistributed earnings of the PRC subsidiaries are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred income tax liability would have been increased by the same amount of approximately RMB111,398,000.

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

(b) Fair value of investment properties

The fair values of investment properties are determined by independent valuers on an open market for existing use basis. In making the judgment, consideration is given to assumptions that are mainly based on market conditions existing at the balance sheet date, expected rental from future leases in the light of current market conditions and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group. Changes in subjective input assumptions can materially affect the fair value estimate. For the year ended 31 December 2009, the change in fair value of the investment properties were approximately RMB289.8 million (2008: RMB302.6 million).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

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

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

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

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

(d) Land deposits and prepayments for proposed development projects

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

(e) Loan with detachable warrants

As described in note 19, the Company's Loan with detachable warrants contain a number of financial derivatives that are remeasured to fair value through profit or loss at subsequent reporting dates. The Company engaged an independent appraiser to assist it in determining the fair value of these financial derivatives. The determination of fair value was made after consideration of a number of factors, including: effective interest rate, probability of the qualifying initial public offering, risk-free interest rate and expected initial public offering price. This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

5. SEGMENT INFORMATION

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

The Board of Directors considers the business from services perspective only. From services perspective, management assesses the performance of sales of properties, project consultancy services, rental income and property management services. No geographical segment analysis is presented as the majority of the assets and operation of the Group are located in the PRC, which is considered as one geographical location in an economic environment with similar risk and returns.

Revenue consists of the following:

	2009 **RMB'000**	2008 RMB'000
Sales of properties	**4,513,257**	2,947,371
Project consultancy services	**–**	70,320
Rental income	**100,405**	52,478
Property management services	**58,494**	40,277
	4,672,156	3,110,446

5. SEGMENT INFORMATION *(Continued)*

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

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

	Property development RMB'000	Property consultancy services RMB'000	Property investment and agency RMB'000	Property management RMB'000	Others RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	29,073,029	–	3,831,972	1,030,766	12,569,267	(28,784,952)	17,720,082
Unallocated							262,130
Total assets							17,982,212
Segment liabilities	20,144,965	11,158	1,709,044	259,949	6,608,719	(24,560,377)	4,173,458
Unallocated							7,180,221
Total liabilities							11,353,679
Depreciation (note 6)	10,973	–	1,033	613	1,009	–	13,628
Amortisation (note 8)	10,741	–	–	–	–	–	10,741
Capital expenditure (notes 6, 7 and 8)	299,759	–	277	365	4,153	–	304,554

5. SEGMENT INFORMATION *(Continued)*

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2008 is as follows:

	Property development RMB'000	Property consultancy services RMB'000	Property investment and agency RMB'000	Property management RMB'000	Others RMB'000	Group RMB'000
Revenue	2,947,371	70,320	52,478	40,277	–	3,110,446
Segment results before change in fair value of investment properties and financial derivatives	241,680	51,488	35,569	10,378	94,219	433,334
Change in fair value of investment properties	–	–	302,557	–	–	302,557
Change in fair value of financial derivatives	–	–	–	–	27,221	27,221
Segment results	241,680	51,488	338,126	10,378	121,440	763,112
Finance income						7,243
Finance costs						(117,642)
Finance costs – net						(110,399)
Profit before income tax						652,713
Income tax expenses						(151,800)
Profit for the year						500,913

	Property development RMB'000	Property consultancy services RMB'000	Property investment and agency RMB'000	Property management RMB'000	Others RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	23,111,264	–	2,859,652	623,666	7,557,329	(21,054,661)	13,097,250
Unallocated							199,943
Total assets							13,297,193
Segment liabilities	13,944,303	22,452	1,981,736	41,192	4,449,827	(17,255,992)	3,183,518
Unallocated							7,012,202
Total liabilities							10,195,720
Depreciation (note 6)	6,743	1,353	1,246	353	998	–	10,693
Amortisation (note 8)	4,129	–	–	–	–	–	4,129
Capital expenditure (notes 6, 7 and 8)	2,426,187	1,909	868	2,202	4,597	–	2,435,763

5. SEGMENT INFORMATION *(Continued)*

No inter-segment transfers or transactions are entered during the years ended 31 December 2009 and 2008.

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 at bank and in hand. They exclude deferred income tax assets and prepaid taxes.

Segment liabilities consist primarily of advanced proceeds received from customers, accrued construction costs and other payables. They exclude deferred income tax liabilities, income tax payable, loan with detachable warrants, borrowings and financial derivatives.

Capital expenditure comprises additions to property and equipment, land use rights and investment properties that are expected to be used for more than one year (notes 6, 7, and 8).

6. PROPERTY AND EQUIPMENT

	Buildings RMB'000	**Motor vehicles** RMB'000	**Furniture, fitting and equipment** RMB'000	**Total** RMB'000
At 1 January 2008				
Cost	35,683	16,886	10,229	62,798
Accumulated depreciation	(3,860)	(8,991)	(4,427)	(17,278)
Net book amount	31,823	7,895	5,802	45,520
Year ended 31 December 2008				
Opening net book amount	31,823	7,895	5,802	45,520
Acquisition of subsidiaries (note 33)	–	643	54	697
Additions	15,102	4,265	25,215	44,582
Disposals	–	(1,351)	(2,063)	(3,414)
Depreciation	(1,784)	(4,251)	(4,658)	(10,693)
Closing net book amount	45,141	7,201	24,350	76,692
At 31 December 2008				
Cost	50,784	17,149	32,309	100,242
Accumulated depreciation	(5,643)	(9,948)	(7,959)	(23,550)
Net book amount	45,141	7,201	24,350	76,692
Year ended 31 December 2009				
Opening net book amount	**45,141**	**7,201**	**24,350**	**76,692**
Acquisition of subsidiaries (note 33)	**–**	**27**	**4,487**	**4,514**
Additions	**13,012**	**3,806**	**8,466**	**25,284**
Disposals	**–**	**(780)**	**(351)**	**(1,131)**
Depreciation	**(3,843)**	**(3,013)**	**(6,772)**	**(13,628)**
Closing net book amount	**54,310**	**7,241**	**30,180**	**91,731**
At 31 December 2009				
Cost	**63,796**	**18,872**	**42,770**	**125,438**
Accumulated depreciation	**(9,486)**	**(11,631)**	**(12,590)**	**(33,707)**
Net book amount	**54,310**	**7,241**	**30,180**	**91,731**

6. PROPERTY AND EQUIPMENT *(Continued)*

As at 31 December 2009, buildings with net book amounts totalling RMB18,735,000 (2008: RMB30,039,000) were pledged as collateral for the Group's borrowings (note 18).

Depreciation expense of RMB13,628,000 (2008: RMB10,693,000) has been charged in administrative expenses during the year.

7. INVESTMENT PROPERTIES

	2009	2008
	RMB'000	RMB'000
At beginning of year	**1,278,400**	518,560
Transfer from land use rights	**1,346**	144,050
Transfer from properties under development	**–**	313,233
Transfer from completed properties held for sale	**9,007**	–
Increase in fair value	**289,847**	302,557
At end of year	**1,578,600**	1,278,400

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

	2009	2008
	RMB'000	RMB'000
Rental income	**60,488**	32,206
Direct operating expenses arising from investment properties that generate rental income	**11,168**	5,516
Change in fair value of investment properties	**289,847**	302,557

All investment properties as at 31 December 2009 and 2008 were valued by Savills Valuation and Professional Services Limited, independent professional valuers. Valuations were based on either capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows, or on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market.

7. INVESTMENT PROPERTIES *(Continued)*

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

	2009	2008
	RMB'000	RMB'000
In the PRC, held on:		
Leases of over 50 years	**149,800**	64,800
Leases of between 10 to 50 years	**1,428,800**	1,213,600
	1,578,600	1,278,400

As at 31 December 2009, the investment properties with carrying values totalling RMB1,428,800,000 (2008: RMB477,800,000) were pledged as collateral for the Group's borrowings (note 18).

8. LAND USE RIGHTS

	2009	2008
	RMB'000	RMB'000
Opening net book amount	**4,839,251**	3,218,384
Additions	**237,865**	1,442,011
Acquisition of subsidiaries (note 33)	**36,891**	948,473
Amortisation expensed in administrative expenses	**(10,741)**	(4,129)
Amortisation capitalised in properties under development	**(72,887)**	(73,205)
Impairment loss	**–**	(89,609)
Transfer to cost of sales	**(617,936)**	(458,624)
Transfer to investment properties	**(1,346)**	(144,050)
	4,411,097	4,839,251
Expected amount of land use rights to be completed within normal operating cycle included under current assets	**(4,388,463)**	(4,816,003)
Land use rights – non-current portion	**22,634**	23,248
In the PRC, held on leases of:		
Between 10 to 50 years	**1,300,218**	1,152,612
Between 50 to 70 years	**3,110,879**	3,686,639
	4,411,097	4,839,251

8. LAND USE RIGHTS *(Continued)*

Land use rights comprise cost of acquiring rights to use certain land, which are all located in the PRC, for property development over fixed periods. Amortisation of land use rights is recognised as an expense or capitalised in properties under development on a straight-line basis over the unexpired period of the rights and the remaining carrying amount is recognised as cost of sales when the relevant properties are sold.

As at 31 December 2009, land use rights with net book amounts totalling RMB2,870,718,000 (2008: RMB1,933,979,000) were pledged as collateral for the Group's borrowings (note 18).

9. SUBSIDIARIES

	Company	
	2009	2008
	RMB'000	RMB'000
Non-current assets		
Unlisted shares, at cost	**7**	7
Share-based payments to subsidiaries (note 17(c))	**4,651**	–
	4,658	7
Current assets		
Due from a subsidiary (note b)	**3,213,228**	2,504,659

Notes:

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

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

10. PROPERTIES UNDER DEVELOPMENT

	2009	2008
	RMB'000	RMB'000
Amount comprises:		
Construction costs	**2,754,307**	2,075,263
Interest capitalised	**333,691**	188,005
Amortisation of land use rights	**162,940**	111,749
	3,250,938	2,375,017

The properties under development are all located in the PRC.

As at 31 December 2009, properties under development of approximately RMB1,346,121,000 (2008: RMB1,401,223,000) were pledged as collateral for the Group's borrowings (note 18).

11. COMPLETED PROPERTIES HELD FOR SALE

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

As at 31 December 2009 and 2008, no completed property held for sale was pledged as collateral for the Group's bank borrowings (note 18).

12. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables (note a)	**91,432**	17,350	**–**	–
Other receivables (note b)	**189,616**	49,882	**–**	–
Prepayments (note c)	**247,900**	302,230	**–**	–
Land deposits (note d)	**1,919,117**	871,051	**–**	–
Prepaid interest for loan with detachable warrants	**15,022**	20,455	**15,022**	20,455
Prepaid other taxes	**63,626**	57,751	**–**	–
	2,526,713	1,318,719	**15,022**	20,455

Notes:

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

	2009	2008
	RMB'000	RMB'000
Within 90 days	**81,080**	17,350
91-180 days (note ii)	**10,352**	–
	91,432	17,350

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

(ii) The amount recoverable from the independent customers will be settled on or before 30 June 2010 in accordance with the sales and purchases agreements of the property units.

(b) Other receivables primarily consist of deposits paid for construction of property projects.

(c) Prepayments mainly represent prepayments for construction costs to third parties.

(d) Land deposits 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.

(e) As at 31 December 2009, there is no provision of trade and other receivables.

(f) As at 31 December 2009, no trade and other receivables were past due or impaired.

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

13. PREPAYMENTS FOR PROPOSED DEVELOPMENT PROJECTS

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

14. RESTRICTED CASH

Restricted cash mainly comprised of:

(a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of presale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for construction materials and construction fees of the relevant property projects when approvals are obtained from local State-Owned Land and Resource Bureau. As at 31 December 2009, such guarantee deposits amounted to RMB196,819,000 (2008: RMB21,085,000). They will be released after pre-sold properties are completed or their property ownership certificates are issued, whichever is the earlier.

(b) As at 31 December 2009, the Group's cash of RMB171,647,000 (2008: RMB84,751,000) was deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities (note 31) granted by the banks to the purchasers of the Group's properties.

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Denominated in – RMB	**1,539,623**	778,395	**–**	–
Denominated in – HKD	**1,914,492**	4,965	**1,750,265**	–
Denominated in – USD	**273,304**	1,747	**204,847**	–
	3,727,419	785,107	**1,955,112**	–
Less: Restricted cash (note 14)	**(382,966)**	(105,836)	**–**	–
Cash at bank and in hand	**3,344,453**	679,271	**1,955,112**	–

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

16. SHARE CAPITAL AND SHARE PREMIUM

	Note	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised:						
Ordinary share of HK$0.10 each		3,800,000	380	380	–	380
As at 1 January 2008 and 31 December 2008						
Increase in authorised share capital	(a)	49,996,200,000	4,999,620	4,405,165	–	4,405,165
As at 31 December 2009		50,000,000,000	5,000,000	4,405,545	–	4,405,545
Issue and fully paid:						
At 1 January 2008 and 31 December 2008		10,870	1	1	1,490,772	1,490,773
Issue of shares in connection with the IPO	(b)	1,000,000,000	100,000	88,110	2,951,686	3,039,796
Capitalisation of share premium	(c)	3,912,116,622	391,212	344,697	(344,697)	–
Issue of shares to warrant holders	(d)	87,872,508	8,787	7,742	(4,407)	3,335
Transfer from financial derivatives	19(c)	–	–	–	165,727	165,727
Share issue expense		–	–	–	(234,306)	(234,306)
As at 31 December 2009		5,000,000,000	500,000	440,550	4,024,775	4,465,325

Notes:

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

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

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

(d) On 9 December 2009, the Company issued 87,872,508 ordinary shares of HK$0.10 each to the warrant holders pursuant to the tranche A and tranche B warrants (note 19(b)).

17. RESERVES

	Group					
	Merger reserve (note a) RMB'000	**Exchange reserve** RMB'000	**Statutory reserves** (note b) RMB'000	**Share option reserve** (note c) RMB'000	**Retained profits** RMB'000	**Total** RMB'000
Balance at 1 January 2008	382	24,835	130,929	–	994,113	1,150,259
Profit for the year	–	–	–	–	500,921	500,921
Transfer to statutory reserves	–	–	100,091	–	(100,091)	–
Balance at 31 December 2008	382	24,835	231,020	–	1,394,943	1,651,180
Profit for the year	–	–	–	–	547,871	547,871
Transfer to statutory reserves	–	–	13,258	–	(13,258)	–
Share-based payments	–	–	–	4,651	–	4,651
Balance at 31 December 2009	382	24,835	244,278	4,651	1,929,556	2,203,702

	Company		
	Share option reserve (note c) RMB'000	**(Accumulated losses)/ retained profits** RMB'000	**Total** RMB'000
Balance at 1 January 2008	–	(59,480)	(59,480)
Loss for the year	–	(293,537)	(293,537)
Balance at 31 December 2008	–	(353,017)	(353,017)
Profit for the year	–	360,134	360,134
Share-based payments	4,651	–	4,651
Balance at 31 December 2009	4,651	7,117	11,768

17. RESERVES *(Continued)*

Notes:

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

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

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

For the year ended 31 December 2009, the Board of Directors of the Company's subsidiaries in the PRC, including both local and foreign investment enterprises, appropriated RMB13,258,000 (2008: RMB100,091,000) to the Statutory Reserves.

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

18. BORROWINGS

	2009	2008
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings – secured	**2,552,890**	1,232,800
Bank borrowings – unsecured	**260,000**	1,484,600
Other borrowings – secured	**–**	274,525
	2,812,890	2,991,925
Borrowings included in current liabilities:		
Bank borrowings – secured	**1,050,500**	990,000
Bank borrowings – unsecured	**1,724,600**	1,210,000
Other borrowings – secured	**273,888**	–
	3,048,988	2,200,000

18. BORROWINGS *(Continued)*

Notes:

(a) The Group's bank borrowings of RMB3,588,890,000 (2008: RMB2,222,800,000) were jointly secured by certain properties and land use rights of the Group (notes 6, 7 and 8). At 31 December 2009, RMB14,500,000 was secured by cash of the Group.

(b) Other borrowings from third parties are secured, interest-bearing at 8% and repayable in 2010. Other borrowings are initially recognised at fair value which is determined at the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate, and then subsequently stated at amortised cost.

(c) Bank borrowings are guaranteed by:

	2009	2008
	RMB'000	RMB'000
Group companies		
– Secured	**2,784,390**	1,142,800
– Unsecured	**1,948,488**	2,969,125
	4,732,878	4,111,925
Controlling shareholders		
– Secured (note)	**–**	222,800
	4,732,878	4,334,725

Note:

The guarantees by controlling shareholders and close family members of controlling shareholders have been released in 2009 upon the IPO. The Group did not pay for or provide any benefits to these guarantors to induce them to provide the guarantee.

18. BORROWINGS *(Continued)*

Notes: *(Continued)*

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

	6 months or less RMB'000	**6-12 months** RMB'000	**1-5 years** RMB'000	**Over 5 years** RMB'000	**Total** RMB'000
Borrowings included in non-current liabilities:					
At 31 December 2009	989,600	–	1,823,290	–	2,812,890
At 31 December 2008	1,007,400	–	1,984,525	–	2,991,925
Borrowings included in current liabilities:					
At 31 December 2009	2,231,988	817,000	–	–	3,048,988
At 31 December 2008	1,760,000	440,000	–	–	2,200,000

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

	2009 **RMB'000**	2008 RMB'000
Between 1 and 2 years	**635,000**	2,619,125
Between 2 and 5 years	**1,568,890**	372,800
Over 5 years	**609,000**	–
	2,812,890	2,991,925

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

	2009	2008
Bank borrowings, included in non-current liabilities	**5.7%**	7.9%
Bank borrowings, included in current liabilities	**5.8%**	7.4%
Other borrowings	**8.0%**	8.0%

The carrying amounts of all the Group's borrowings are denominated in RMB and approximate to their fair value.

19. LOAN WITH DETACHABLE WARRANTS

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

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

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

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

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

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

(iii) Equity component represents the tranche A warrants.

(b) Certain terms and covenants of the Loan Plus Warrant Agreements have been breached by the Group for the years ended 31 December 2009 and 2008. On 24 October 2009, the Company and the lenders have amended and restated the Loan Plus Warrant Agreements with respect to the breach of terms and covenants.

According to the amended Loan Plus Warrant Agreements, USD100,000,000 was repaid as at 31 December 2009. The maturity date of the liability component was extended to 1 December 2010 and the effective interest rate was changed from 13.5% to 8.4% since 24 October 2009. Both tranches A and B warrants were converted into shares of the Company on 9 December 2009 (note 16). Certain prepayment options were expired upon the date of the IPO.

19. LOAN WITH DETACHABLE WARRANTS *(Continued)*

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

	Group and Company	
	Liability component	**Derivative component**
	RMB'000	RMB'000
At 1 January 2008	1,358,021	116,739
Interest charged	179,319	–
Interest paid	(126,929)	–
Change in fair value	–	(27,221)
Exchange difference	(104,865)	(8,996)
At 31 December 2008	1,305,546	80,522
Repayment	(682,876)	–
Interest charged	180,643	–
Interest paid/payable	(120,793)	–
Change in fair value	–	85,339
Exchange difference	2,216	(134)
Transfer to share premium	–	(165,727)
At 31 December 2009	684,736	–

At 31 December 2009, the fair values of the liability component of the loan with detachable warrants amounted to RMB649,770,000 (2008: RMB1,178,322,000). The fair values are calculated using the cash flows discounted at a rate based on the borrowing rate of 13.5% (2008: 33%). Interest expense on the loan is calculated using the effective interest method by applying the effective interest rate of 8.4% (2008: 13.5%) to the liability component.

(d) The loan with detachable warrants is secured by jointly and severally guarantees given from certain subsidiary companies of the Group and the pledge of their shares.

20. DEFERRED INCOME TAX

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

	Group	
	2009	2008
	RMB'000	RMB'000
Deferred income tax assets:		
- to be recovered after more than 12 months	**75,386**	79,522
- to be recovered within 12 months	**44,173**	11,600
	119,559	91,122
Deferred income tax liabilities:		
- to be settled after more than 12 months	**(228,701)**	(156,239)
The net movement on the deferred income tax is as follows:		
Beginning of the year	**(65,117)**	(60,349)
Recognised in the consolidated statement of comprehensive income (note 27)	**(44,025)**	(4,768)
End of the year	**(109,142)**	(65,117)

	Company	
	2009	2008
	RMB'000	RMB'000
Deferred income tax liabilities:		
- to be settled after more than 12 months	**–**	(1,297)

20. DEFERRED INCOME TAX *(Continued)*

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

Deferred income tax assets:

	Group and Company	Group		
	Fair value change arising from financial derivatives	Tax losses	Provisions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	3,282	15,036	–	18,318
(Charged)/credited to the consolidated statement of comprehensive income	(4,579)	27,033	50,350	72,804
At 31 December 2008	(1,297)	42,069	50,350	91,122
Credited/(charged) to the consolidated statement of comprehensive income	1,297	33,317	(6,177)	28,437
At 31 December 2009	–	75,386	44,173	119,559

Deferred income tax liabilities:

	Group
	Revaluation arising from investment properties
	RMB'000
At 1 January 2008	78,667
Charged to the consolidated statement of comprehensive income	77,572
At 31 December 2008	156,239
Charged to the consolidated statement of comprehensive income	72,462
At 31 December 2009	228,701

20. DEFERRED INCOME TAX *(Continued)*

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise tax losses amounting to RMB107,227,000 (2008: RMB63,858,000) that can be carried forward against future taxable income. These tax losses have no expiry dates.

At 31 December 2009, the unrecognised deferred income tax liabilities were RMB111,398,000 (2008: RMB45,016,000), relating to withholding tax that would be payable for undistributed profits of PRC subsidiaries, as the Directors consider that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these PRC subsidiaries as at 31 December 2009 amounted to RMB1,113,984,000 (2008: RMB450,162,000).

21. OTHER PAYABLES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other payables and accruals	**223,015**	167,142	**26,191**	–
Purchase consideration of subsidiaries	**338,978**	509,344	**–**	–
Refundable deposit received for renovation contract	**150,101**	198,998	**–**	–
Other taxes payables	**38,263**	5,292	**–**	–
	750,357	880,776	**26,191**	–

Note:

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

22. OTHER GAINS/(LOSSES), NET

	2009	2008
	RMB'000	RMB'000
Forfeited customer deposits	**2,628**	1,582
Compensation from termination of proposed development projects	**14,395**	–
Investment return from primary land development	**17,782**	–
Impairment losses (note)	**–**	(213,000)
Exchange gains, net	**2,396**	95,202
	37,201	(116,216)

Note:

The amount represents impairment losses on land use rights, properties under development and completed properties held for sale.

23. EXPENSES BY NATURE

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

	2009	2008
	RMB'000	RMB'000
Auditors' remuneration	**2,863**	900
Advertising and other promotional costs	**122,627**	119,765
Agency fee	**28,661**	10,310
Business taxes (note)	**246,748**	114,424
Cost of completed properties sold	**3,054,987**	2,097,172
Donations	**3,707**	2,829
Legal and professional fees	**12,606**	6,994
Depreciation (note 6)	**13,628**	10,693
Amortisation of land use rights (note 8)	**10,741**	4,129
Staff costs — excluding directors' emoluments (note 25)	**120,285**	89,387
Operating lease rental	**11,879**	7,362
Others	**136,956**	96,931
	3,765,688	2,560,896

Note:

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

23. EXPENSES BY NATURE *(Continued)*

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

24. FINANCE INCOME AND COSTS

	2009 RMB'000	2008 RMB'000
Interest expense:		
– bank borrowings	**348,284**	301,335
– Loan with detachable warrants	**180,643**	179,319
– other borrowings	**21,846**	21,846
Total interest expense	**550,773**	502,500
Less: interest capitalised (note)	**(346,033)**	(384,858)
Finance costs	**204,740**	117,642
Finance income:		
Interest income on bank deposits	**9,958**	7,243

Note:

The capitalisation rate of borrowings is 5.31% (2008: 6.96%) for the year.

25. STAFF COSTS – EXCLUDING DIRECTORS' EMOLUMENTS

	2009	2008
	RMB'000	RMB'000
Wages and salaries	**103,295**	73,953
Pension costs – statutory pension	**3,531**	3,517
Medical benefits	**1,732**	1,856
Share-based payments	**3,510**	–
Other allowances and benefits	**8,217**	10,061
	120,285	89,387

26. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(a) Directors' emoluments

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

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

26. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(Continued)*

(a) Directors' emoluments *(Continued)*

Details of emoluments paid to each director for the year ended 31 December 2008 are as follows:

	Year ended 31 December 2008						
	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Other benefits RMB'000	Contribution to pension scheme RMB'000	Share option benefits RMB'000	Total RMB'000
Name of director							
Mr. Chen Han	–	–	–	–	–	–	–
Mr. Kwok Chun Wai (note c)	–	–	–	–	–	–	–
Mr. Kwok Ying Shing	–	160	–	–	4	–	164
Mr. Kwok Ying Chi	–	1,128	–	–	11	–	1,139
Mr. Liu Qiang (note b, d)	–	1,636	82	2	37	–	1,757
	–	2,924	82	2	52	–	3,060

During the years ended 31 December 2009 and 2008, no director received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office; no director waived or has agreed to waive any emoluments.

Notes:

(a) Appointed on 17 November 2009
(b) Appointed on 27 May 2008
(c) Resigned on 27 May 2008
(d) Resigned on 10 October 2008
(e) Resigned on 17 November 2009

26. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included 3 directors (2008: 1), whose emolument is reflected in note (a) above. The emoluments for the remaining 2 (2008: 4) individuals for the year are as follows:

	2009	2008
	RMB'000	RMB'000
Salaries and other benefits	**2,666**	5,373
Discretionary bonuses	**262**	393
Contribution to pension schemes	**59**	164
Share option benefits	**140**	–
	3,127	5,930

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

	2009	2008
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**2**	4
HK$2,500,001 to HK$3,000,000	**1**	–
HK$4,500,001 to HK$5,000,000	**1**	–
	5	5

During the years ended 31 December 2009 and 2008, none of the above individuals has received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office; none of the above individuals has waived or has agreed to waive any emoluments.

27. INCOME TAX EXPENSES

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

PRC enterprise income tax

PRC enterprise income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 20% and 25% (2008: 18% and 25%).

Hong Kong profits tax

No Hong Kong profits tax was provided for the years ended 31 December 2009 and 2008 as the Group has no assessable profits arising in or derived from Hong Kong for the years.

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the consolidated statement of comprehensive income as income tax.

	2009 **RMB'000**	2008 RMB'000
Current income tax		
– PRC enterprise income tax	**217,166**	135,035
– PRC land appreciation tax	**144,347**	11,997
Deferred income tax (note 20)	**44,025**	4,768
	405,538	151,800

27. INCOME TAX EXPENSES *(Continued)*

PRC land appreciation tax *(Continued)*

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

	2009 **RMB'000**	2008 RMB'000
Profit before income tax	**953,395**	652,713
Calculated at PRC foreign enterprise income tax rate of 20% (2008: 18%)	**190,679**	117,489
Effect of different income tax rates of certain companies	**34,764**	27,699
Effect of change in income tax rates of certain companies	**5,542**	(4,538)
Income not subject to tax	**(1,875)**	(19,315)
Expenses not deductible for tax purposes	**23,407**	10,607
Tax losses not recognised	**8,674**	7,861
PRC enterprise income tax	**261,191**	139,803
PRC land appreciation tax	**144,347**	11,997
Income tax expenses	**405,538**	151,800

28. EARNINGS PER SHARE

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

	2009	2008
Profit attributable to equity holders (RMB'000)	**547,871**	500,921
Weighted average number of ordinary shares in issue	**3,977,697,890**	3,912,127,492
Basic earnings per share (RMB)	**0.138**	0.128

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of RMB547,871,000 (2008: RMB500,921,000) and the weighted average of 3,977,697,890 ordinary shares in issue during the year (2008: 3,912,127,492) after taking into consideration the capitalisation issue of 3,912,116,622 shares arising from the Company's Reorganisation in preparation for the listing on the Stock Exchange deemed to be issued on 1 January 2008, and the warrant shares in connection with the loan with detachable warrants of 87,872,508 shares issued on 9 December 2009.

Diluted earnings per share for the years ended 31 December 2009 and 2008 are the same as basic earnings per share for the years ended 31 December 2009 and 2008 as there was no potential dilutive ordinary share outstanding throughout the accounting years presented.

29. CASH GENERATED FROM/(USED IN) OPERATIONS

	2009	2008
	RMB'000	RMB'000
Profit for the year	**547,857**	500,913
Adjustments for:		
Income tax expenses (note 27)	**405,538**	151,800
Interest income (note 24)	**(9,958)**	(7,243)
Interest expense (note 24)	**204,740**	117,642
Net exchange gains	**(2,396)**	(95,202)
Depreciation (note 6)	**13,628**	10,693
Amortisation (note 8)	**10,741**	4,129
(Gain)/loss on disposals of property and equipment	**(492)**	3,050
Other income	**(14,395)**	–
Impairment losses (note 22)	**–**	213,000
Share-based payments	**4,651**	–
Change in fair value of investment properties	**(289,847)**	(302,557)
Change in fair value of financial derivatives	**85,339**	(27,221)
Changes in working capital:		
Land use rights	**673,229**	230,064
Properties under development and completed properties held for sale	**(8,953)**	(1,400,255)
Debtors, deposits and other receivables	**(1,236,484)**	(46,998)
Prepayments for proposed development projects	**(183,355)**	(708,015)
Restricted cash	**(277,130)**	(21,436)
Advanced proceeds received from customers	**1,110,149**	(218,261)
Accrued construction costs	**(25,432)**	568,631
Other payables	**29,417**	(282,011)
Cash generated from/(used in) operations	**1,036,847**	(1,309,277)

Note:

(Gain)/loss on disposals of property and equipment are as follows:

	2009	2008
	RMB'000	RMB'000
Net book amount disposed	**1,131**	3,414
Proceeds received	**(1,623)**	(364)
(Gain)/loss on disposals	**(492)**	3,050

30. DIVIDEND

No dividend has been paid or declared by the Company for the years ended 31 December 2009 and 2008.

31. FINANCIAL GUARANTEES CONTRACTS

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

	2009	2008
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the property units	**2,391,887**	1,629,013

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

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

32. COMMITMENTS

(a) Commitments for property development expenditures

	2009	2008
	RMB'000	RMB'000
Contracted but not provided for	**4,246,961**	7,300,651

Note:

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

32. COMMITMENTS *(Continued)*

(b) Operating lease commitments

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

	2009	2008
	RMB'000	RMB'000
Not later than one year	**12,847**	9,617
Later than one year and not later than five years	**7,777**	9,950
Later than five years	**–**	1,315
	20,624	20,882

(c) Operating lease rentals receivable

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

	2009	2008
	RMB'000	RMB'000
Not later than one year	**91,891**	81,124
Later than one year and not later than five years	**316,547**	275,981
Later than five years	**276,550**	196,548
	684,988	553,653

33. ACQUISITION OF SUBSIDIARIES

In 2008, the Group acquired 100% of the equity interest of five subsidiaries from respective third parties and related parties (note 37(e)) at a total cash consideration of approximately RMB843,349,000 and deferred cash consideration of approximately RMB315,949,000.

In 2009, the Group acquired 100% of the equity interest of a subsidiary from a third party at a total cash consideration of approximately RMB260,000,000. The considerations of all these acquisitions were based on the value of the land.

33. ACQUISITION OF SUBSIDIARIES *(Continued)*

During the years ended 31 December 2008 and 2009, these subsidiaries have been loss making prior to the completion of the construction and sales of the properties. These companies did not operate any business prior to the acquisition, except for the subsidiary acquired for the year ended 31 December 2009 which carried out hotel operations, and only held a piece of land or a land grant contract. For the subsidiary being acquired in for the year ended 31 December 2009, the Group did not take over any management of the hotel operations as its plan is to acquire the land for redevelopment. Therefore, the Group considered that 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 land use rights and land deposits.

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

	2009	2008
	RMB'000	RMB'000
Property and equipment	**4,514**	697
Land use rights	**36,891**	948,473
Debtors, deposits and other receivables	**8,744**	31,423
Properties under development	**–**	110
Cash and cash equivalents	**109**	18,694
Other payables	**(10,529)**	(37,584)
Net assets acquired	**39,729**	961,813
Purchase consideration settled in cash	**260,000**	843,349
Cash and bank balances in subsidiaries acquired	**(109)**	(18,694)
Cash outflow on acquisition	**259,891**	824,655

Details of net assets acquired and additions to land use rights and land deposits are as follows:

	2009	2008
	RMB'000	RMB'000
Total purchase consideration:		
– Cash paid	**260,000**	843,349
– Deferred cash consideration	**–**	315,949
	260,000	1,159,298
Fair value of net assets acquired shown as above	**(39,729)**	(961,813)
Adjustments to the carrying amount of land use rights and land deposits	**220,271**	197,485

34. DISPOSALS OF SUBSIDIARIES

During 2008, the Group disposed its entire equity interest in a company at its original investment costs to a third party.

Details of the net assets of the above subsidiary disposed of and the relevant gains on disposals are as follows:

	2008 RMB'000
Cash received	8,250
Amount settled by amount due to a related party	–
Total consideration	8,250
Net assets disposed	8,250
Gain on disposals	–

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

	2008 RMB'000
Cash and cash equivalents	15,000
Less: Minority interest disposed	(6,750)
Net assets disposed	8,250
Total consideration in cash received	8,250
Less: cash and cash equivalents in the subsidiaries and businesses disposed	(8,250)
Cash inflow on disposals	–

35. CAPITAL CONTRIBUTION FROM MINORITY SHAREHOLDERS

On 4 July 2008, Dongguan Yingyan Property Development Co., Ltd. ("Dongguan Yingyan") was established with registered capital of RMB10,000,000. Dongguan Fenggang Yantian Corporate Development Company, being the minority shareholder who owns 20% equity interests in Dongguan Yingyan, contributed RMB2,000,000.

The above contribution from minority interest is presented as capital contribution from minority shareholders in the consolidated statement of changes in equity.

36. SHARE OPTION

(a) Pre-IPO Share Option Scheme

Pursuant to the shareholders' resolution passed on 22 November 2009 for approval of the Pre-IPO Share Option Scheme, options for a total of 50,000,000 ordinary shares of the Company have been conditionally granted to directors and selected employees. 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.

Each option has 3-year exercise period from the date of grant, with one-third vesting on the second business day after 2009 result announcement date, one-third vesting on the second business day after 2010 result announcement date and one-third on the second business day after 2011 result announcement date. Options are conditional on the employee completing the services up to the respective vesting dates and evaluation of performance as specified in the scheme, and become exercisable immediately after each vesting date. The Group has no legal or constructive obligation to repurchase or settle the options in cash. These options will expire on 9 December 2012.

As at 31 December 2009, 50,000,000 outstanding options were not exercisable as they have not yet been vested.

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 3 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, another share option scheme ("Share Option Scheme") was conditionally approved. 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 total 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 (i.e. 21 November 2019). The exercise price of the option under the Share Option Scheme shall be no less than the higher of (i) the 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 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 on the date of grant.

No option has been granted under the Share Option Scheme since its adoption.

37. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Controlling shareholders

Mr. Kwok Chun Wai, Mr. Kwok Ying Shing and Mr. Kwok Ying Chi.

Close family members of controlling shareholders

Mr. Kwok Ying Long, Mr. Kwok Ying Guang, Mr. Kwok Yang Xing, Mr. Kwok Yuan Tang, Mr. Mai Wei Liang, Mr. Zhan Qiongming, Ms. Zhan Hai Zhen and Mr. Luo Han Dun.

Controlled by controlling shareholders

Prime Yield Holdings Limited (泰怡集團有限公司)
Chibase (Asia) Investment Limited
Friendship (China) Investment Limited
Year Up Investment Limited
Shenzhen Zhaoxinbao Industrial Limited (深圳市兆興寶實業有限公司)

Controlled by close family members of controlling shareholders

Shenzhen Qiyu Guarantee Company Limited (深圳市琪裕擔保有限公司)

The English names of certain of the companies referred to above in this note represent management's best efforts in translating the Chinese names of these companies as no English names have been registered or available.

(b) Key management compensation

	2009	2008
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**13,912**	9,330
Retirement scheme contributions	**239**	271
Share option benefits	**1,660**	–
	15,811	9,601

37. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balance with a related party

As at 31 December 2008, the Group had the following non-trade balance with a related party:

	2009	2008
	RMB'000	RMB'000
Controlled by close family members of Controlling Shareholders:		
Shenzhen Qiyu Guarantee Company Limited		
(深圳市琪裕擔保有限公司)	**–**	1,836

Note: Amount due to a related party was unsecured, interest-free and repayable on demand.

(d) Purchasing of services

	2009	2008
	RMB'000	RMB'000
Rental expense	**1,080**	849

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

(e) Acquisition of subsidiaries

According to the original and supplemental sale and purchase agreements entered in May 2008, the Group has acquired 100% equity interests in Huizhou Jinhu Resort Village Co. Ltd. ("Resort Village") and Huizhou Jinhu Entertainment Park Co. Ltd. ("Entertainment Park") from Jinhu Development Co. (held by Mr. Chen Geng Xian, the general manager of Shenzhen Kaisa Property) and Shenzhen Hongchangyu Enterprise Management Consulting Co. Ltd. (held by Zhan Qiongming, a related party) for a total consideration of approximately RMB191,174,000 which is determined with reference to the land value of Resort Village and Entertainment Park as at 30 April 2008. The acquisitions were completed on 14 May 2008 and the cash consideration was fully settled by the Group.

(f) Guarantees provided by related parties

Details of the guarantees provided by related parties on the Group's borrowings are disclosed in note 18(iii).

38. PARTICULAR OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 December 2009 are set out below:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Established and operate in the PRC, all of which are foreign investment enterprises:				
Success Take Zhiye (Shenzhen) Co., Ltd. 迪升置業（深圳）有限公司	15 February 2004	RMB10,000,000	100%	Property development
Fenglong Group Co., Ltd. 豐隆集團有限公司	29 October 1993	RMB168,000,000	55%	Property development
Kaisa Property (Shenzhen) Co., Ltd. 佳兆業地產（深圳）有限公司	3 June 1999	RMB730,000,000	100%	Property development
Kaisa Technology (Shenzhen) Co., Ltd, 佳兆業科技（深圳）有限公司	27 July 2001	HK$12,000,000	100%	Property development
Leisure Land Hotel Management (Shenzhen) Co., Ltd. 可域酒店管理（深圳）有限公司	23 May 2005	RMB540,000,000	100%	Property management
Shenzhen Jililong Shiye Co., Ltd. 深圳市吉利隆實業有限公司	21 March 1997	RMB12,000,000	100%	Property development
Regal Silver Shiye (Shenzhen) Co., Ltd. 靈菊實業（深圳）有限公司	26 March 2004	RMB10,000,000	100%	Property development
Sichuan Tianzi Ziye Co., Ltd. 四川天姿置業有限公司	15 September 2006	RMB20,000,000	100%	Property development
Huizhou Weitong Property Co., Ltd. 惠州緯通房產有限公司	14 January 1994	HK$109,200,000	100%	Property development
Huizhou Canrong Property Co., Ltd. 惠州燦榮房產有限公司	14 January 1994	HK$31,878,000	100%	Property development
Huizhou Jinhu Entertainment Park Co., Ltd. 金湖遊樂園（惠州）有限公司	11 June 1993	USD4,800,000	100%	Property development
Huizhou Jinhu Resort Village Co., Ltd. 金湖渡假村（惠州）有限公司	2 June 1993	USD12,000,000	100%	Property development
Established and operate in the PRC, all of which are local investment enterprises:				
Dongguan Yingsheng Property Development Co., Ltd. 東莞市盈盛房地產開發有限公司	3 March 2006	RMB10,000,000	100%	Property development
Huizhou Jinhu Property Co., Ltd. 惠州市金湖房地產有限公司	26 March 1993	RMB51,480,000	100%	Property development
Chengdu Kaisa Property Development Co., Ltd. 成都佳兆業房地產開發有限公司	31 July 2006	RMB10,000,000	100%	Property development
Guangzhou Jiasui Zhiye Co., Ltd. 廣州市佳穗置業有限公司	31 May 2006	RMB10,000,000	100%	Property development
Guangzhou Jinmao Property Development Co., Ltd. 廣州金貿房地產開發有限公司	27 October 2005	RMB10,000,000	100%	Property development
Shenzhen Daye Property Development Co., Ltd. 深圳市大業房地產開發有限公司	26 January 2007	RMB10,000,000	100%	Property development

38. PARTICULAR OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Shenzhen Jiachangxin Investment Consulting Co., Ltd. 深圳市佳昌信投資諮詢有限公司	14 November 2006	RMB204,680,000	100%	Property development
Shenzhen Zhaoruijing Commerce Operation Management Co., Ltd. 深圳市兆瑞景商業經營管理有限公司	19 July 2004	RMB1,000,000	100%	Property management
Shenzhen Zhongwei Investment Consulting Co., Ltd. 深圳市中衛投資諮詢有限公司	31 August 2005	RMB13,480,000	100%	Property development
Sichuan Kaisa Zhiye Co., Ltd. 四川佳兆業置業有限公司	16 May 2007	RMB10,000,000	100%	Property development
Zhuhai Zhanda Property Development Co., Ltd. 珠海市展大房地產開發有限公司	17 January 2007	RMB50,000,000	100%	Property development
Huizhou Kaisa Property Development Co., Ltd. 惠州市佳兆業房地產開發有限公司	29 January 2007	RMB10,000,000	100%	Property development
Dongguan Kaisa Property Development Co., Ltd. 東莞佳兆業房地產開發有限公司	6 September 2004	RMB38,000,000	100%	Property development
Chengdu Nanxing Yinji Property Development Co., Ltd. 成都南興銀基房地產開發有限公司	5 November 2004	RMB20,000,000	100%	Property development
Dongguan Kaisa Property Management Co., Ltd. 東莞市佳兆業物業管理有限公司	18 July 2007	RMB2,500,000	100%	Property management
Guangdong Kaisa Property Development Co., Ltd. 廣東佳兆業房地產開發有限公司	12 July 2007	RMB10,000,000	100%	Property development
Huizhou Jiabo Property Development Co., Ltd. 惠州市佳博房地產開發有限公司	14 September 2007	RMB1,000,000	100%	Property development
Chengdu Pengzhou Kaisa Zhiye Co., Ltd. 成都彭州佳兆業置業有限公司	9 August 2007	RMB10,000,000	100%	Property development
Chengdu Kaisa Investment Co., Ltd. 成都佳兆業投資有限公司	22 June 2007	RMB20,000,000	100%	Property development
Guangzhou Zhaoruijing Commerce Service Co., Ltd. 廣州市兆瑞景商務服務有限公司	11 December 2007	RMB2,000,000	100%	Property management
Shenzhen Xingwoer Shihua Co., Ltd. 深圳市興沃爾石化有限公司	29 January 1999	RMB10,000,000	100%	Property development
Dongguan Yingtai Property Development Co., Ltd. 東莞市盈泰房地產開發有限公司	4 January 2007	RMB10,000,000	100%	Property development
Chengdu Kaisa Property Management Co. Ltd. 成都市佳兆業物業管理有限公司	30 January 2008	RMB3,000,000	100%	Property management
Jiangyin Taichang Property Development Co., Ltd. 江陰市泰昌房地產開發有限公司	22 November 2007	RMB200,000,000	100%	Property development
Shanghai Xinwan Investment Development Co. Ltd. 上海新灣投資發展有限公司	17 January 2007	RMB60,000,000	100%	Property development

38. PARTICULAR OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Chengdu Zhaoruijing Commerce Service Co., Ltd. 成都兆瑞景商務服務有限公司	29 January 2008	RMB2,000,000	100%	Property management
Huizhou Huasheng Investment Co., Ltd. 惠州市華盛投資有限公司	29 August 2007	RMB60,000,000	100%	Property development
Boluo Kaisa Property Development Co., Ltd. 博羅縣佳兆業房地產開發有限公司	2 June 2008	RMB10,000,000	100%	Property development
Boluo Kaisa Zhiye Co., Ltd. 博羅縣佳兆業置業有限公司	2 June 2008	RMB10,000,000	100%	Property development
Dongguan Yingyan Property Development Co., Ltd. 東莞市盈雁房地產開發有限公司	4 July 2008	RMB10,000,000	80%	Property development
Keyu Golden Bay Resort Co., Ltd. 深圳市金沙灣大酒店有限公司	17 June 1997	RMB50,000,000	100%	Hotel
Kaisa Property Development Jiangyin Co., Ltd. 佳兆業地產江陰有限公司	15 October 2009	RMB30,000,000	100%	Property development

Financial Summary

CONSOLIDATED BALANCE SHEETS

	31 December			
	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009 RMB'000**
ASSETS				
Non-current assets				
Property and equipment	43,274	45,520	76,692	**91,731**
Investment properties	482,060	518,560	1,278,400	**1,578,600**
Land use rights	24,572	23,822	23,248	**22,634**
Associated companies	102,135	–	–	**–**
Deferred income tax assets	8,520	18,318	91,122	**119,559**
	660,561	606,220	1,469,462	**1,812,524**
Current assets				
Land use rights	1,225,577	3,194,562	4,816,003	**4,388,463**
Properties under development	1,022,693	2,134,897	2,375,017	**3,250,938**
Completed properties held for sale	173,844	171,176	1,279,655	**749,713**
Debtors, deposits and other receivables	1,156,296	1,858,045	1,318,719	**2,526,713**
Prepayments for proposed development projects	418,827	769,064	1,144,409	**1,383,871**
Prepaid taxes	16,634	25,960	108,821	**142,571**
Amounts due from related parties	398,051	–	–	**–**
Restricted cash	88,995	84,400	105,836	**382,966**
Cash and cash equivalents	570,262	1,624,780	679,271	**3,344,453**
	5,071,179	9,862,884	11,827,731	**16,169,688**
Total assets	5,731,740	10,469,104	13,297,193	**17,982,212**

CONSOLIDATED BALANCE SHEETS *(Continued)*

	31 December			
	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009** **RMB'000**
EQUITY				
Share capital	1	1	1	**440,550**
Share premium	–	1,490,772	1,490,772	**4,024,775**
Reserves	642,986	1,150,259	1,651,180	**2,203,702**
	642,987	2,641,032	3,141,953	**6,669,027**
Minority interest	–	(31,925)	(40,480)	**(40,494)**
Total equity	642,987	2,609,107	3,101,473	**6,628,533**
LIABILITIES				
Non-current liabilities				
Borrowings	1,351,525	1,634,525	2,991,925	**2,812,890**
Loan with detachable warrants	–	1,358,021	–	**–**
Deferred income tax liabilities	69,542	78,667	156,239	**228,701**
	1,421,067	3,071,213	3,148,164	**3,041,591**
Current liabilities				
Advanced proceeds received from customers	774,017	1,374,187	1,155,926	**2,266,075**
Accrued construction costs	577,398	576,349	1,144,981	**1,119,549**
Income tax payable	58,973	223,227	277,969	**404,906**
Borrowings	1,010,000	1,576,000	2,200,000	**3,048,988**
Loan with detachable warrants	–	–	1,305,546	**684,736**
Financial derivatives	–	116,739	80,522	**–**
Other payables	421,666	919,272	880,776	**750,357**
Amount due to minority shareholder of a subsidiary	–	–	–	**37,477**
Amounts due to related parties	825,632	3,010	1,836	**–**
	3,667,686	4,788,784	7,047,556	**8,312,088**
Total liabilities	5,088,753	7,859,997	10,195,720	**11,353,679**
Total equity and liabilities	5,731,740	10,469,104	13,297,193	**17,982,212**
Net current assets	1,403,493	5,074,100	4,780,175	**7,857,600**
Total assets less current liabilities	2,064,054	5,680,320	6,249,637	**9,670,124**

CONSOLIDATED RESULTS

	Years ended 31 December			
	2006	2007	2008	**2009**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	2,398,660	2,239,360	3,110,446	**4,672,156**
Cost of sales	(1,826,484)	(1,265,501)	(2,243,354)	**(3,352,040)**
Gross profit	572,176	973,859	867,092	**1,320,116**
Other gains/(losses), net	3,134	10,422	(116,216)	**37,201**
Selling and marketing costs	(83,786)	(59,346)	(151,821)	**(163,543)**
Administrative expenses	(81,518)	(157,243)	(165,721)	**(250,105)**
Change in fair value of investment properties	231,742	36,500	302,557	**289,847**
Change in fair value of financial derivatives	–	(18,642)	27,221	**(85,339)**
Operating profit	641,748	785,550	763,112	**1,148,177**
Finance income	12,576	9,029	7,243	**9,958**
Finance costs	(30,222)	(52,438)	(117,642)	**(204,740)**
Finance costs – net	(17,646)	(43,409)	(110,399)	**(194,782)**
Share of results of associated companies	(65)	(1)	–	**–**
Profit before income tax	624,037	742,140	652,713	**953,395**
Income tax expenses	(130,695)	(258,770)	(151,800)	**(405,538)**
Profit for the year	493,342	483,370	500,913	**547,857**
Profit attributable to:				
Equity holders of the Company	493,342	483,369	500,921	**547,871**
Minority interest	–	1	(8)	**(14)**
	493,342	483,370	500,913	**547,857**
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)	Not applicable	Not applicable	0.128	**0.138**

The summary of the consolidated results of the Group for each of the three years ended 31 December 2006, 2007 and 2008 and of the consolidated balance sheets as at 31 December 2006, 2007 and 2008 have been extracted from the Prospectus. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis as set out in note 1 to the financial statements.

No financial information of the Group for the year ended 31 December 2005 has been published.

The summary above does not form a part of the audited consolidated financial statements.

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