



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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1638

* For identification purposes only



KAISA GROUP
BRING YOU JOYFUL LIVING



INTERIM REPORT 2011

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Directors

Executive Directors

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

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Authorized Representatives

Mr. KWOK Ying Shing
Mr. CHEUNG Hung Kwong

Company Secretary

Mr. CHEUNG Hung Kwong

Registered Office

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P.O. Box 2681
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Shenzhen
China

Principal Place of Business in Hong Kong

Suite 2001
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Hong Kong

Principal Share Registrar and Transfer Office

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

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited

Principal Bankers

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

Corporate Information



Legal Advisers

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

Sidley Austin

As to PRC law:

King & Wood

As to Cayman Islands law:

Conyers Dill & Pearman

Auditor

PricewaterhouseCoopers

Listing Information

Share Listing

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

Website

<http://www.kaisagroup.com>

Chairman's Statement

Dear Shareholders,

I am pleased to present the interim results of Kaisa Group Holdings Ltd. ("Kaisa" or the "Company", together with its subsidiaries referred to as the "Group") for the six months ended 30 June 2011 (the "Period").

For the Period under review, the Group's turnover and gross profits amounted to approximately RMB3,707.5 million and RMB1,239.3 million, representing increases of 74.7% and 56.3% over the corresponding period of last year, respectively. Profit attributable to equity holders and net profit (excluding change in fair value on investment properties and the corresponding deferred tax) for the Period amounted to approximately RMB917.4 million and RMB566.7 million, representing increases of 271.3% and 129.4% over the corresponding period of last year, respectively. Basic earnings per share amounted to RMB0.187, representing an increase of 274.0% as compared to the corresponding period in 2010.

Business Review

In the first half of 2011, the Central Government (the "Central Government") of the People's Republic of China (the "PRC" or "China") continued its tightening policy to combat the inflationary pressure, including raising the bank's reserve ratio requirement at historical level of 21.5% and also the benchmark lending rate twice. On the property sector, with a view to curb property price, these measures included the Central Government's requirements for the local governments to set and announce a specific price target for properties to be sold in their respective cities in 2011, the increase of minimum down payment ratio for second homes from the previous 50% to 60%, and the purchase restriction for second homes in all major cities and provincial capital cities. The measures have been imposing further challenges on property developers.

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

While consolidating our market position in the Pearl River Delta region, during the Period under review, the Group had also been focusing on an asset-turnover business model in order to capture the robust housing demand in China. The Group successfully launched its first projects in Foshan of the Pearl River Delta region and Taicang and Changzhou of the Yangtze River Delta region. Shenzhen Metro City in the Pearl River Delta region, Chengdu Lijing Harbour Phases 6 and 7, Chengdu Modern City Phase 1 and Chengdu Kaisa Monarch Residence Phase 1 in the Chengdu-Chongqing region, Jiangyin Gushan Mocha Town Phase 2, Jiangyin Kaisa Plaza Phase 2, Jiangyin Zhouzhuang Golden World Phase 1 and Shanghai Shanhuwan Garden Phase 4 in the Yangtze River Delta region and Changsha Lake View Place Phase 2 in the Central China region were also rolled out smoothly, further realizing the Group's nationwide expansion strategy.

In addition, the Group has actively expanded its land bank as part of its effort to achieve geographical diversification and nationwide expansion to tap into second- and third-tier cities, including sites in Zhuhai, Dongguan and Foshan in the Pearl River Delta region, Hangzhou and Jiangyin in the Yangtze River Delta region, Wuhan in the Central China region, and Benxi, Anshan, Weifang and Panjin in the Pan-Bohai Bay Rim. The robust housing demand in the second- and third-tier cities are typically driven by end-users and upgraders. In the first half of 2011, the Group acquired high-quality land reserves of maximum planned GFA of approximately 3.8 million sq.m., with total consideration of approximately RMB4.8 billion. As at 30 June 2011, the Group had a total of 57 projects located in 23 cities in the PRC and had a land bank with total planned GFA of approximately 23.4 million sq.m., which is sufficient to meet the Group's development needs in the next five years.

Chairman's Statement

The Group has a strong track record in urban redevelopment, and these redevelopments will alleviate the pressure on tight land supply in the highly urbanized Guangdong province. In March 2011, the Group was awarded the winning bidder in a tender for resettlement and redevelopment of three villages located in Yantian District, Shenzhen, covering an aggregate GFA of approximately 1.1 million sq.m., primarily due to Kaisa's established track record and execution capabilities in urban redevelopment. In June 2011, we were granted the approval of the urban development plans of the Shenzhen Kaisa City Plaza and Dapeng project by the Shenzhen Municipal Government, with GFA of approximately 1.3 million sq.m. and 141,000 sq.m., respectively.

Development Strategies

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

To provide further buffer for the Group for business expansion in the credit tightening environment, on 15 March 2011 and 14 June 2011, the Company issued RMB2 billion USD settled 8.5 per cent. bonds due 2014 and USD300 million 13.5 per cent. senior notes due 2015, respectively. The issuances will provide strong support for the Group's long term business growth.

Prospects

Despite the unfavorable impact arising from the tightening measures, we believe that China's inflation will be firmly under control, and in the long run the consumption power and housing demand of people in China will continue to grow. In the second half of the year, with the potential consolidation of the property sector, we believe that there will be opportunities for land bank acquisition. Further, with the continuing improvement and expansion of the metro network, Shenzhen's public transportation has entered into a new era. In addition, the commute time between cities within and beyond the Pearl River Delta region has been significantly shortened due to successive completion of the inter-city high speed rails, including the Guangzhou-Shenzhen section. We believe, with its diversified property portfolio, quality land reserve and sound financials, Kaisa is well positioned to capture the housing demand generated from the improvement in infrastructure.

While we will continue to leverage our brand and our expertise to unlock the value of our pipeline for redevelopment projects, we will also focus on the asset-turnover business model, aiming to become a leading national property developer.

Acknowledgement

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

KWOK Ying Shing

Chairman

Hong Kong, 17 August 2011

Overall Performance

Despite the tightening measures introduced by the PRC Central Government, the Group still achieved a record contracted sales during the Period. For the first half of 2011, the Group's contracted sales and gross floor area ("GFA") amounted to approximately RMB4,489.2 million and 621,745 sq.m., representing growth of 31% and 93% year-on-year, respectively. Contracted average sale price ("ASP") declined by 32% year-on-year to RMB7,220 per sq.m. The increase in contracted GFA and decline in contracted ASP are mainly attributable to the Group's strategy to focus on churning our landbank while achieving geographical diversification to areas outside of Shenzhen where ASPs are generally lower. For the Period under review, the Group launched an aggregate GFA of approximately 950,000 sq.m., and can launch another approximately 2.9 million sq.m. of GFA in the second half of 2011.

The Group's contracted sales for the Period by region are summarized as follows:

Region	Number of projects	Contracted sales area sq.m.	Contracted sales amount RMB in Millions
Pearl River Delta	9	108,906	1,080.5
Yangtze River Delta	7	155,257	1,465.6
Chengdu-Chongqing	3	255,557	1,373.9
Central China	1	102,025	569.2
Total	20	621,745	4,489.2

During the Period, the Group recorded a turnover of RMB3,707.5 million, representing an increase of 74.7% as compared to the corresponding period in 2010. Profit attributable to equity holders amounted to RMB917.4 million, representing an increase of 271.3% as compared to the corresponding period in 2010. Our net profit for the Period, excluding change in fair values on investment properties and the corresponding deferred taxes, increases to RMB566.7 million, representing an increase of 129.4% as compared to the corresponding period in 2010. Basic earnings per share was RMB0.187, representing an increase of 274.0% as compared to the corresponding period in 2010. The Board does not recommend the payment of interim dividends for the Period.

Property Development

1. Projects Completed in the Period

The Group adopts a strict and prudent practice in project development and adjusts its pace of business expansion as and when appropriate. During the Period, the GFA of newly completed projects of the Group amounted to approximately 438,342 sq.m..

2. Projects under Development

As at 30 June 2011, the Group had 25 projects under development concurrently with an aggregate of approximately 4.6 million sq.m. of GFA.

3. Property Management

The Group also provided property management service to its own development and managed a total floor area of approximately 4.0 million sq.m., equivalent to 37,430 units. The goal of the Group in respect of property management is “Creating Value through Service”. Building on its national recognition, our property management arm is striving to deliver excellent and professional service to our customers so as to further enhance our brand and corporate image.

4. Investment Properties

The Group adopts a diversified business strategy, characterized by its increase in property investment. The portfolio of investment properties will generate steady and reliable income, and enlarge the overall income base of the Group. We develop commercial properties such as office buildings, retail stores and car parking spaces for leasing purpose. In managing our investment property portfolio, we will take into account of the long term growth potential, the overall market conditions, and our cash flows and financial condition. As at 30 June 2011, we held an aggregate GFA of approximately 77,014 sq.m. completed investment properties and approximately 453,117 sq.m investment properties under development for rental purpose.

Land Bank

It remains an ongoing effort of the Group to actively expand its land reserve. We believe our insight into the development trends in our target regions will enable us to acquire land at a price not yet reflecting the full value of the site. In order to achieve a balance in the asset-turnover model – versus profit margin scale, the Group has two pronged strategies for land acquisition: (i) the margin focus redevelopment projects and distressed opportunities in the Pearl River Delta region, and (ii) the turnover focus large-scale developments in the second-and third-tier cities.

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

Management Discussion and Analysis

In addition, for the first half of 2011, we purchased a total of 21 land parcels through government-held public tenders, auctions or listing-for-sale and another three land parcels in the secondary market through acquisition of equity interest. The aggregate consideration for the acquisition of the interests in the above 24 parcels of land was approximately RMB4,797.3 million, with an average land cost per total planned GFA of approximately RMB1,279 per sq.m. The total planned GFA per maximum allowed plot ratio attributable to the Group is up to approximately 3.8 million sq.m. As at 30 June 2011, the Group had a total land bank of approximately 23.4 million sq.m., which is sufficient for the Group's development needs for the next five years. The above land acquisitions will serve to further diversify our development portfolio geographically and strengthen our nationwide presence. The table below set forth detailed information of these land acquisitions:

Month of Acquisition	Location	Attributable interest (%)	Site area (sq.m.)/(No. of land parcel)	Attributable GFA per maximum allowed plot ratio (sq.m)	Consideration (RMB in millions)	Type
January 2011	Zhijiang, Hangzhou City, Zhejiang Province	100%	39,376/(1)	70,877	672.0	Residential
January 2011	Shatian Town, Dongguan City, Guangdong Province	100%	239,061/(5)	525,934	352.0	Residential
January 2011	Changjing Town, Jiangyin City, Jiangsu Province	100%	93,274/(2)	141,328	162.5	Residential and commercial
February 2011	Mingshan District, Benxi City, Liaoning Province	100%	122,200/(2)	356,824	171.1	Residential and commercial
March 2011	Xinglongtai District, Panjin City, Liaoning Province	100%	52,812/(2)	380,092	246.4	Residential and commercial
March 2011	Ronggui Town, Foshan City, Guangdong Province	100%	197,584/(2)	493,961	1,050.2	Residential and commercial
April 2011	Doumen District, Zhuhai City, Guangdong Province	100%	192,711/(1)	256,305	517.7	Residential
April 2011	Hi-tech Zone, Anshan City, Liaoning Province	100%	308,956/(3)	926,868	649.4	Residential and commercial
May 2011	Weijiao Road, Weifang City, Shandong Province	100%	164,469/(5)	246,704	296.0	Residential
May 2011	Hongshan District, Wuhan City, Hubei Province	100%	118,750/(1)	351,760	680.0	Residential and commercial
Total			1,529,193/(24)	3,750,653	4,797.3	

Management Discussion and Analysis

Outlook

The Group is well positioned for a tightening environment in the second half of 2011. Though, for the time being, there is no sign of easing the tightening policy in China, the downgrade of the US sovereign rating and the uncertainty of the global economic outlook, some loosening of the current policy might be possible to counter the adverse impact on the economy. Nonetheless, growth of the Chinese economy is still one of the fastest globally, coupled with the long-term policy of urbanization, we remain optimistic about the prospect of China's real estate sector. Further, we expect our contracted sales will continue to pick up as we can launch another approximately 2.9 million sq.m. of GFA in the second half of 2011. In the interim, the Group will continue to focus on realizing the value from its redevelopment project pipeline and the asset-turnover business model, further enhancing the product quality and capitalizing its strong branding, with an aim to maximizing the returns to the shareholders of the Company.

Financial Review

Revenue

Revenue of the Group primarily comprises 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 RMB1,585.1 million, or 74.7% to approximately RMB3,707.5 million in the Period from approximately RMB2,122.5 million for the corresponding period in 2010, mainly due to the increase in recognised property sales. For the Period, the revenue generated from property development, property investment and property management was approximately RMB3,585.0 million, RMB66.3 million and RMB56.2 million, respectively.

Sales of properties

Our revenue from sales of properties increased by RMB1,575.8 million, or 78.4%, to RMB3,585.0 million in the Period from RMB2,009.2 million for the corresponding period in 2010. The increase was primarily attributable to an increase in the total GFA delivered from approximately 258,449 sq.m. for the corresponding period in 2010 to approximately 262,211 sq.m. in the Period, and an increase in the average selling price per sq.m. from approximately RMB7,774 for the corresponding period in 2010 to approximately RMB13,670 in the Period.

Rental income

Our rental income increased by RMB13.4 million, or 25.2%, to RMB66.3 million in the Period from RMB52.9 million for the corresponding period in 2010. This increase was primarily attributable to the increased rental rates.

Property management service

Our revenue from property management service decreased by RMB4.2 million, or 7.0%, to RMB56.2 million in the Period from RMB60.4 million for the corresponding period in 2010. This decrease was primarily attributable to the reduced property management fees derived from the Guangzhou Jinmao project.

Gross profit

The Group's gross profit increased by RMB446.2 million, or 56.3%, to RMB1,239.3 million in the Period from RMB793.1 million for the corresponding period in 2010, mainly attributable to increase in property sales. The gross profit margin decreased to 33.4% from 37.4% for the corresponding period in 2010, mainly explained by the increase in cost of sales of properties (excluding business tax) per sq.m., from approximately RMB4,577 for the corresponding period in 2010 to approximately RMB8,453 in the Period, partly offset by the increase in average selling price per sq.m. from approximately RMB7,774 for the corresponding period in 2010 to approximately RMB13,670 in the Period.

Other gains

The Group had other net gains of RMB33.1 million in the Period, as compared to RMB4.1 million for the corresponding period in 2010. The other gains in the Period mainly comprised investment return from an infrastructure project in Huizhou of approximately RMB32.4 million.

Selling and marketing costs

The Group's selling and marketing costs increased by RMB42.8 million, or 59.1%, to RMB115.2 million in the Period from RMB72.4 million for the corresponding period in 2010. The increase in selling and marketing costs was mainly explained by the Group's strategy to achieve geographical diversification, resulting in an increase in our advertising and other promotional costs incurred for our pre-sale activities of relatively larger number of our projects during the Period, as compared to the corresponding period in 2010.

Administrative expenses

The Group's administrative expenses increased by RMB68.0 million, or 42.1%, to RMB229.8 million in the Period from RMB161.8 million for the corresponding period in 2010. The increase was primarily attributable to increase in staff costs resulting from our business expansion and in operating expenses in various new cities we entered since second half of last year.

Change in fair value of investment properties

The increase in fair value of the Group's investment properties for the Period was primarily attributable to the appreciated fair value of the Group's investment properties in Shenzhen Kaisa Global Center (previously known as "Fenglong Project") and Huizhou Kaisa Center.

Finance costs

The Group's finance costs decreased by RMB16.2 million, or approximately 25.1%, to RMB48.4 million in the Period from RMB64.7 million for the corresponding period in 2010. The decrease was primarily attributable to decrease in average outstanding bank debt balance in the Period in relation to completed projects.

Income tax expenses

The Group income tax expenses increased by RMB229.0 million, or approximately 89.3%, to RMB485.4 million in the Period from RMB256.4 million for the corresponding period in 2010. The increase was primarily attributable to the increase in deferred tax expense arising from fair value gain on investment properties and in enterprise income tax for the Period.

Profit for the Period

As a result of the factors described above, the Group's profit for the Period increased by RMB670.2 million, or 271.3%, to RMB917.3 million in the Period from RMB247.1 million for the corresponding period in 2010. The net profit margin was 24.7% for the Period and 11.6% for the corresponding period in 2010. Our net profit (excluding change in fair value on investment properties, net of deferred tax) for the Period and the corresponding period in 2010 was RMB566.7 million and RMB247.1 million, respectively, resulting in corresponding net profit margin (excluding change in fair value on investment properties, net of deferred tax) of 15.3% and 11.6% for the Period and the corresponding period in 2010, respectively.

Liquidity, Financial and Capital Resources

Cash position

As at 30 June 2011, the carrying amount of the Group's cash and bank deposits was approximately RMB4,558.5 million (31 December 2010: RMB4,869.7 million), representing a decrease of 6.4% as compared to that as at 31 December 2010. Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. Such guarantee deposits will be released after pre-sold properties are completed or their property ownership certificates are issued, whichever is the earlier. Additionally, as at 30 June 2011, certain of the Group's cash was deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties. The aggregate of the above guarantee deposits amounted to approximately RMB609.2 million as at 30 June 2011.

Senior notes

On 28 April 2010, the Company issued senior notes due 2015 with nominal value of US\$350 million (equivalent to approximately RMB2,265.1 million as at 30 June 2011) at a coupon rate of 13.5% per annum for the purpose of, debt prepayment, financing property projects and general corporate use. On 14 June 2011, the Company issued additional 13.5% senior notes of the Company due 2015 in the aggregate principal amount of US\$300 million (equivalent to approximately RMB1,941.5 million as at 30 June 2011) (collectively, the "Senior Notes") for the purpose of financing new land bank in the PRC and real estate projects.

Convertible bonds

On 20 December 2010, the Company issued RMB1.5 billion USD settled 8% convertible bonds due 2015 (the "Convertible Bonds") for the purpose of financing the acquisition of new land bank in the PRC and the Group's real estate projects. The initial conversion price is HK\$2.82 per share.

Senior bonds

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

Borrowings and charges on the Group's assets

The Group had an aggregated borrowings as at 30 June 2011 of approximately RMB12,890.2 million, of which approximately RMB2,503.0 million will be repayable within 1 year, approximately RMB9,836.6 million will be repayable between 2 and 5 years and approximately RMB550.6 million will be repayable over 5 years. As at 30 June 2011, the Group's bank loans of approximately RMB4,070.8 million were secured by plant and equipment, land use rights, investment properties, properties under development and cash of the Group with total carrying values of approximately RMB8,719.2 million. The carrying amounts of all the Group's bank loans are denominated in RMB except for the Senior Notes with a carrying value of RMB4,062.5 million, the Convertible Bonds with a carrying value of RMB1,256.2 million, the Bonds with a carrying value of RMB1,969.8 million and other offshore banking facilities with a carrying value of RMB821.8 million as at 30 June 2011 which were denominated in USD. The Senior Notes, the Convertible Bonds and the Bonds are secured by the pledge of certain shares of the Group's subsidiary companies incorporated outside of the PRC, and joint and several guarantees given by certain subsidiary companies of the Group. The Group's domestic bank loans carried a floating interest rate linking up with the base lending rate of the People's Bank of China ("PBOC"). Our interest rate risk is mainly from the floating interest rate of domestic bank loans.

Gearing

As at 30 June 2011, the Group's net debts (total borrowings net of cash and cash equivalent and restricted cash) over equity was 76.1% (31 December 2010: 30.6%). The Group's net current assets increased by 41.8% from RMB11,157.2 million as at 31 December 2010 to RMB15,826.1 million as at 30 June 2011, and the current ratio increased from 2.2 times as at 31 December 2010 to 2.3 times as at 30 June 2011.

Cost of borrowings

For the Period under review, the Group's total cost of borrowings was RMB496.3 million, representing an increase of RMB269.6 million or 118.9% as compared to the same period last year. The increase was primarily attributable to the higher average debt balance in the Period as compared to the corresponding period in 2010.

Foreign currency risks

The Group's property development projects are all located in China and most of the related transactions are settled in RMB. The Company and certain of the Group's intermediate holding companies operate in Hong Kong have recognized assets and liabilities in currencies other than RMB. As at 30 June 2011, the Group had cash balances in USD of approximately US\$333.5 million (equivalent to approximately RMB2,158.1 million), and HK dollar of approximately HK\$686.4 million (equivalent to approximately RMB570.8 million), the Senior Notes in USD with a carrying value of US\$627.7 million (equivalent to approximately RMB4,062.5 million), the Convertible Bonds in USD with a carrying value of US\$194.1 million (equivalent to approximately RMB1,256.2 million), the Bonds in USD with a carrying value of US\$304.4 million (equivalent to approximately RMB1,969.8 million) and other offshore banking facilities with a carrying value of US\$127.0 million (equivalent to approximately RMB821.8 million). The Group does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Management Discussion and Analysis

Financial guarantees

As at 30 June 2011, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by domestic banks to our customers amounting to approximately RMB4,064.1 million (31 December 2010: approximately RMB4,367.0 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, but we would be entitled to assume legal title to and possession of the related property. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate.

Material acquisitions and disposals of assets

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

Employees and remuneration policy

As at 30 June 2011, the Group had approximately 4,996 employees (31 December 2010: approximately 3,150 employees). The remuneration of employees was based on their performance, skills, knowledge, experience and market trend. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. In addition to basic salaries, employees may be offered with discretionary bonus and cash awards based on individual performance.



Selected Property Project Information — As at 30 June 2011

NO.	Project	Location	Type	Project Phase
The Pearl River Delta region				
1	Shenzhen Woodland Height	Shenzhen	Residential	1-8
2	Shenzhen Mocha Town	Shenzhen	Residential	1-7
3	Shenzhen Kaisa Center	Shenzhen	Residential	–
4	Shenzhen Lake View Place	Shenzhen	Residential	1-5
5	Shenzhen Xiangrui Garden	Shenzhen	Residential	–
6	Shenzhen Mingcui Garden	Shenzhen	Residential	1-4
7	Shenzhen Jincui Garden	Shenzhen	Residential	–
8	Shenzhen Shangpin Garden	Shenzhen	Residential	–
9	Shenzhen Li Langlu Project	Shenzhen	Residential	–
10	Shenzhen Kaisa Global Center (previously “Fenglong Center”)	Shenzhen	Commercial	–
11	Shenzhen Nan’ Ao Kangbao Project	Shenzhen	Residential	–
12	Shenzhen Metro City	Shenzhen	Residential	–
13	Shenzhen Kaisa City Plaza (previously “Boji Project”)	Shenzhen	Residential ⁽³⁾	1-4
14	Guangzhou Jinmao	Guangzhou	Commercial	–
15	Guangzhou Kaisa Plaza	Guangzhou	Commercial	–
16	Guangzhou Monarch Residence	Guangzhou	Residential	–
17	Foshan Shunde Kaisa Mocha Town	Foshan	Residential	1-2
18	Foshan Shunde Kaisa Shangpin Garden	Foshan	Residential	–
19	Foshan Shunde Kaisa Golden World	Foshan	Residential	1-4
20	Dongguan Zhongyang Haomen	Dongguan	Residential	1-4
21	Dongguan Dongjiang Haomen	Dongguan	Residential	1-3
22	Dongguan Shui’an Haomen	Dongguan	Residential	1-3
23	Dongguan Dijingwan	Dongguan	Residential	–
24	Dongguan Shatian Project	Dongguan	Residential	1-5
25	Huizhou Jincheng Heights	Huizhou	Residential	1-2
26	Huizhou Kaisa Center	Huizhou	Commercial	1-3
27	Huizhou Yuan Zhou Project	Huizhou	Residential	–
28	Huizhou Tonghu Project	Huizhou	Residential	1-4
29	Huizhou Riverbank New Town (previously “Huizhou Boluo Project”)	Huizhou	Residential	1-10
30	Zhuhai Lake View Waldorf Garden	Zhuhai	Residential	1-3
31	Zhuhai Doumen Project	Zhuhai	Residential	1-4
The Chengdu-Chongqing region				
32	Chengdu Kaisa Monarch Residence	Chengdu	Residential	1-6
33	Chengdu Lijing Harbour	Chengdu	Residential	1-7
34	Chengdu Modern City	Chengdu	Commercial	1-2
35	Nanchong Kaisa Plaza (previously “Nanchong Zhengyang East Road Project”)	Nanchong	Residential	–
36	Nanchong Monarch Residence (previously “Nanchong Wangtianba Project”)	Nanchong	Residential	1-3

Project Portfolio

Site Area (sq.m.)	Total GFA (sq.m.)	Total GFA			Interest attributable to us
		Completed (sq.m.)	Under Development (sq.m.)	Future Development (sq.m.)	
160,514	580,135	580,135 ⁽⁴⁾			100%
185,724	735,299	735,299			100%
5,966	98,241	98,241 ⁽⁴⁾			100%
182,064	388,626	388,626			100%
57,984	143,796	143,796			100%
102,439	394,663	379,574	15,089		100%
9,066	105,830	105,830			100%
45,829	231,572	231,572			100%
69,941	104,910			104,910	100%
14,411	142,000			142,000 ⁽⁴⁾	89%
73,305	44,000			44,000	100%
5,241	95,559		95,559		100%
321,824	1,283,430			1,283,430	100%
14,192	233,322	233,322 ⁽⁵⁾			100%
7,106	117,522	117,522			100%
7,707	56,644		56,644		100%
71,200	233,229		233,229		100%
32,819	97,287		97,287		100%
197,584	493,961		7,173	486,788	100%
82,742	387,602	158,708	108,368	120,526	100%
86,324	243,659		186,464	57,195	100%
70,734	202,908		107,281	95,627	80%
46,474	155,432	155,432			100%
239,061	525,934			525,934	100%
89,998	267,995			267,995	100%
70,859	734,076	104,644	450,720 ⁽⁶⁾	178,712	100%
20,400	61,200			61,200 ⁽²⁾	100%
731,487	731,487			731,487 ⁽²⁾	100%
1,663,969	4,326,319		142,621	4,183,698	100%
49,503	550,431		180,316	370,115	100%
192,711	256,305			256,305	100%
182,666	1,002,253		409,867	592,386	100%
150,071	747,721	252,489	495,232		100%
133,269	316,541		196,660	119,881	100%
29,541	88,623			88,623	100%
188,246	474,261			474,261	100%

Project Portfolio



NO.	Project	Location	Type	Project Phase
Pan-Bohai Bay Rim				
37	Shenyang Kaisa Center	Shenyang	Commercial	–
38	Yingkou Dragon Bay (previously “Yingkou Yingdong Xincheng Project”)	Yingkou	Residential	1-3
39	Yingkou Monarch Residence (previously “Yingkou Shifulu Project”)	Yingkou	Residential	1-3
40	Anshan Lake View Waldorf Garden	Anshan	Residential	1-3
41	Anshan Monarch Residence	Anshan	Residential	1-3
42	Benxi Lake View Place	Benxi	Residential	1-5
43	Panjin Kaisa Center	Panjin	Residential	1-2
44	Huludao Suizhong Project	Huludao	Commercial	–
45	Weifang Golden World	Weifang	Residential	1-4
The Central China region				
46	Changsha Lake View Place	Changsha	Residential	1-4
47	Zhuzhou Golden World (previously “Zhuzhou Liyuhu Project”)	Zhuzhou	Residential	1-3
48	Wuhan Qingling Project	Wuhan	Residential	1-2
The Yangtze River Delta region				
49	Jiangyin Lake View Place	Jiangyin	Residential	1-3
50	Jiangyin Gushan Mocha Town	Jiangyin	Residential	1-4
51	Jiangyin Kaisa Plaza (previously “Jiangyin Zhongbu Garden”)	Jiangyin	Residential	1-3
52	Jiangyin Zhouzhuang Golden World (previously “Jiangyin Zhouzhuang Project”)	Jiangyin	Residential	1-3
53	Jiangyin Changjin Lake View Waldorf Garden	Jiangyin	Residential	1-2
54	Changzhou Phoenix Lake No. 1 (previously “Changzhou Xinbei District Project”)	Changzhou	Residential	1-2
55	Shanghai Shanhuwan Garden	Shanghai	Residential	1-4
56	Taicang Lake View Waldorf Garden (previously “Taicang Project”)	Taicang	Residential	1-3
57	Hangzhou Zhijiang Project	Hangzhou	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 letter of land transaction from the 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 government’s approval.
- (3) The land site was previously held for industrial usage. In June 2011, Shenzhen Municipal Government granted its approval on rezoning the project into residential and commercial use.
- (4) Including certain commercial spaces held for investment. Such commercial spaces are held either under long term lease (for Shenzhen Woodland Height, with GFA of approximately 12,886 sq.m.) or medium term lease (for Shenzhen Kaisa Center and Shenzhen Fenglong Center, with GFA attributable to the Group of approximately 19,170 sq.m. and 125,705 sq.m., respectively).
- (5) Including certain commercial spaces and car parks held for investment under medium term lease, with an aggregate GFA of approximately 44,958 sq.m..
- (6) Including certain office and commercial spaces held for investment. Such office and commercial spaces are held either under long term lease (for Huizhou Kaisa Center, with GFA of approximately 146,278 sq.m.) or medium term lease (for Jiangyin City Plaza and Shenyang Kaisa Center, with GFA of approximately 67,915 sq.m. and 113,219 sq.m., respectively).

Project Portfolio

Site Area (sq.m.)	Total GFA (sq.m.)	Total GFA			Interest attributable to us
		Completed (sq.m.)	Under Development (sq.m.)	Future Development (sq.m.)	
30,983	292,331			292,331 ⁽⁶⁾	100%
469,552	1,408,656			1,408,656	100%
249,470	873,145		233,745	639,400	100%
477,463	1,359,251			1,359,251	100%
308,956	926,868			926,868	100%
122,200	356,824			356,824	100%
52,812	380,092			380,092	100%
423,265	423,265			423,265	100%
164,469	246,704			246,704	100%
673,536	1,683,840	84,450	457,892	1,141,498	100%
222,177	509,709		80,125	429,584	100%
118,750	351,760			351,760	100%
225,530	272,274	171,510	100,764		100%
76,465	113,565	17,679	95,886		100%
158,241	425,389		216,876 ⁽⁶⁾	208,513	100%
103,589	212,017		110,618	101,399	100%
93,274	141,328			141,328	100%
101,819	256,342		256,342		100%
104,796	140,365	66,607	73,758		100%
87,741	199,676		199,676		100%
39,376	70,877			70,877	100%
9,897,435	27,297,051	4,025,436	4,608,192	18,663,423	

Project Portfolio

Properties Under Development

The table below sets forth certain information of our property projects or project phases under development as at 30 June 2011.

Project	City	Project Phase	Total GFA or estimated total GFA (sq.m.)
Shenzhen Mingcui Garden	Shenzhen	4	15,089
Shenzhen Metro City	Shenzhen	–	95,559
Guangzhou Monarch Residence	Guangzhou	–	56,644
Foshan Shunde Kaisa Mocha Town	Foshan	1	82,747
Foshan Shunde Kaisa Mocha Town	Foshan	2	150,482
Foshan Shunde Kaisa Shangpin Garden	Foshan	–	97,287
Foshan Shunde Kaisa Golden World	Foshan	1	7,173
Dongguan Zhongyang Haomen	Dongguan	3	108,368
Dongguan Dongjiang Haomen	Dongguan	1	64,351
Dongguan Dongjiang Haomen	Dongguan	2	122,113
Dongguan Shui'an Haomen	Dongguan	1	107,281
Huizhou Kaisa Center	Huizhou	2	450,720
Huizhou Riverbank New Town (previously "Huizhou Boluo Project")	Huizhou	1	85,909
Huizhou Riverbank New Town (previously "Huizhou Boluo Project")	Huizhou	2	56,712
Zhuhai Lake View Waldorf Garden	Zhuhai	1	180,316
Chengdu Kaisa Monarch Residence	Chengdu	1	259,981
Chengdu Kaisa Monarch Residence	Chengdu	2	149,886
Chengdu Lijing Harbour	Chengdu	3	122,194
Chengdu Lijing Harbour	Chengdu	4	85,330
Chengdu Lijing Harbour	Chengdu	5	78,475
Chengdu Lijing Harbour	Chengdu	6	117,742
Chengdu Lijing Harbour	Chengdu	7	91,491
Chengdu Modern City	Chengdu	1	196,660
Yingkou Monarch Residence (previously "Yingkou Shifulu Project")	Yingkou	1	233,745
Changsha Lake View Place	Changsha	1	121,678
Changsha Lake View Place	Changsha	2	336,214
Zhuzhou Golden World (previously "Zhuzhou Liyuhu Project")	Zhuzhou	1	80,125
Jiangyin Lake View Place	Jiangyin	3	100,764
Jiangyin Gushan Mocha Town	Jiangyin	2	42,983
Jiangyin Gushan Mocha Town	Jiangyin	3	15,521
Jiangyin Gushan Mocha Town	Jiangyin	4	37,382
Jiangyin Kaisa Plaza (previously "Jiangyin Zhongbu Garden")	Jiangyin	1	112,132
Jiangyin Kaisa Plaza (previously "Jiangyin Zhongbu Garden")	Jiangyin	2	104,744
Jiangyin Zhouzhuang Golden World (previously "Jiangyin Zhouzhuang Project")	Jiangyin	1	26,545
Jiangyin Zhouzhuang Golden World (previously "Jiangyin Zhouzhuang Project")	Jiangyin	2	84,073
Changzhou Phoenix Lake No. 1 (previously "Changzhou Xinbei District Project")	Changzhou	1	60,436
Changzhou Phoenix Lake No. 1 (previously "Changzhou Xinbei District Project")	Changzhou	2	195,906
Shanghai Shanhuwan Garden	Shanghai	4	73,758
Taicang Lake View Waldorf Garden (previously "Taicang Project")	Taicang	1	74,074
Taicang Lake View Waldorf Garden (previously "Taicang Project")	Taicang	2	81,897
Taicang Lake View Waldorf Garden (previously "Taicang Project")	Taicang	3	43,705
Total			4,608,192

Project Portfolio



Saleable GFA or Estimated saleable GFA (sq.m.)	Commencement time	Status of pre-sale permit	Estimated completion time	Interest attributable to us
15,089	June 2011	Not yet obtained	2012 4th quarter	100%
78,251	August 2010	YES	2011 4th quarter	100%
48,147	June 2010	Not yet obtained	2013 3rd quarter	100%
70,335	December 2010	YES	2011 4th quarter	100%
127,910	December 2010	Not yet obtained	2012 2nd quarter	100%
82,694	February 2011	YES	2012 2nd quarter	100%
6,097	May 2011	Not yet obtained	2012 4th quarter	100%
84,012	August 2009	YES	2011 4th quarter	100%
58,537	January 2009	YES	2011 3rd quarter	100%
103,796	December 2010	YES	2012 4th quarter	100%
91,189	December 2010	Not yet obtained	2012 4th quarter	80%
383,112	March 2011	Not yet obtained	2013 4th quarter	100%
73,023	November 2010	Not yet obtained	2011 4th quarter	100%
48,205	April 2011	Not yet obtained	2012 2nd quarter	100%
116,958	March 2011	Not yet obtained	2013 2nd quarter	100%
194,986	January 2011	YES	2012 4th quarter	100%
102,685	March 2011	YES	2013 2nd quarter	100%
107,970	December 2009	YES	2011 4th quarter	100%
68,706	May 2010	YES	2011 4th quarter	100%
67,659	October 2010	YES	2012 3rd quarter	100%
100,081	April 2011	YES	2012 4th quarter	100%
62,546	April 2011	YES	2013 1st quarter	100%
138,523	October 2010	YES	2011 4th quarter	100%
198,683	June 2011	Not yet obtained	2012 4th quarter	100%
121,678	December 2010	YES	2011 3rd quarter	100%
285,782	March 2011	YES	2011 4th quarter	100%
68,106	June 2011	Not yet obtained	2011 4th quarter	100%
90,811	June 2010	YES	2011 4th quarter	100%
42,983	December 2010	YES	2011 4th quarter	100%
14,995	April 2011	YES	2011 4th quarter	100%
31,774	June 2011	Not yet obtained	2011 4th quarter	100%
95,312	December 2010	YES	2012 4th quarter	100%
98,383	February 2011	YES	2011 4th quarter	100%
25,090	April 2011	YES	2011 4th quarter	100%
71,463	May 2011	Not yet obtained	2012 4th quarter	100%
55,692	June 2011	YES	2011 4th quarter	100%
166,520	June 2011	Not yet obtained	2012 4th quarter	100%
32,200	October 2010	YES	2011 4th quarter	100%
42,809	February 2011	YES	2011 3rd quarter	100%
69,613	April 2011	YES	2012 3rd quarter	100%
37,149	April 2011	Not yet obtained	2012 3rd quarter	100%
3,779,554				

Project Portfolio

Properties Held for Future Development

The table below sets forth certain information of our property projects held for future development as at 30 June 2011.

Project	Location	Project Phase	Estimated total GFA (sq.m.)	Estimated completion time ⁽¹⁾
Shenzhen Li Langlu Project	Shenzhen	–	104,910	2013
Shenzhen Kaisa Global Center (previously “Fenglong Center”) ⁽²⁾	Shenzhen	–	142,000	2014
Shenzhen Nan’ Ao Kangbao Project	Shenzhen	–	44,000	2013
Shenzhen Kaisa City Plaza (previously “Boji Project”)	Shenzhen	1-4	1,283,430	2013
Foshan Shunde Kaisa Golden World	Foshan	2-4	486,788	2012
Dongguan Zhongyang Haomen	Dongguan	4	120,526	2013
Dongguan Dongjiang Haomen	Dongguan	3	57,195	2012
Dongguan Shui’an Haomen	Dongguan	2-3	95,627	2012
Dongguan Shatian Project ⁽²⁾	Dongguan	1-5	525,934	2013
Huizhou Jincheng Heights	Huizhou	1-2	267,995	2013
Huizhou Kaisa Center	Huizhou	3	178,712	2013
Huizhou Yuan Zhou Project	Huizhou	–	61,200	2013
Huizhou Tonghu Project	Huizhou	1-4	731,487	2013
Huizhou Riverbank New Town (previously “Huizhou Boluo Project”) ⁽²⁾	Huizhou	3-10	4,183,698	2013
Zhuhai Lake View Waldorf Garden ⁽²⁾	Zhuhai	2-3	370,115	2014
Zhuhai Doumen Project ⁽²⁾	Zhuhai	1-4	256,305	2012
Chengdu Kaisa Monarch Residence	Chengdu	3-6	592,386	2013
Chengdu Modern City	Chengdu	2	119,881	2012
Nanchong Kaisa Plaza (previously “Nanchong Zhengyang East Road Project”) ⁽²⁾	Nanchong	–	88,623	2012
Nanchong Monarch Residence (previously “Nanchong Wangtianba Project”) ⁽²⁾	Nanchong	1-3	474,261	2013
Shenyang Kaisa Center	Shenyang	–	292,331	2013
Yingkou Dragon Bay (previously “Yingkou Yingdong Xincheng Project”) ⁽²⁾	Yingkou	1-3	1,408,656	2012
Yingkou Monarch Residence (previously “Yingkou Shifulu Project”) ⁽²⁾	Yingkou	2-3	639,400	2012
Anshan Lake View Waldorf Garden ⁽²⁾	Anshan	1-3	1,359,251	2012
Anshan Monarch Residence ⁽²⁾	Anshan	1-3	926,868	2012
Benxi Lake View Place ⁽²⁾	Benxi	1-5	356,824	2012
Panjin Kaisa Center ⁽²⁾	Panjin	1-2	380,092	2013
Huludao Suizhong Project ⁽²⁾	Huludao	–	423,265	2012
Weifang Golden World ⁽²⁾	Weifang	1-4	246,704	2012
Changsha Lake View Place	Changsha	3-4	1,141,498	2013

Project Portfolio

Project	Location	Project Phase	Estimated total GFA (sq.m.)	Estimated completion time ⁽¹⁾
Zhuzhou Golden World (previously "Zhuzhou Liyuhu Project") ⁽²⁾	Zhuzhou	2-3	429,584	2012
Wuhan Qingling Project ⁽²⁾	Wuhan	1-2	351,760	2013
Jiangyin Kaisa Plaza (previously "Jiangyin Zhongbu Garden")	Jiangyin	3	208,513	2012
Jiangyin Zhouzhuang Golden World (previously "Jiangyin Zhouzhuang Project")	Jiangyin	3	101,399	2013
Jiangyin Changjin Lake View Waldorf Garden ⁽²⁾	Jiangyin	1-2	141,328	2011
Hangzhou Zhijiang Project	Hangzhou	–	70,877	2012
Total			18,663,423	

Notes:

- (1) For projects with various phases, the estimated time for completing the first phase among various phases of the project held for future development.
- (2) We have not obtained land use rights certificates for these projects, except for Huizhou Riverbank New Town (previously "Huizhou Boluo Project"), Anshan Lake View Waldorf Garden, Benxi Lake View Place, Huludao Suizhong Project and Jiangyin Changjin Lake View Waldorf Garden with GFA of approximately 2,231,509 sq.m., 276,721 sq.m., 290,832 sq.m., 235,516 sq.m., 55,370 sq.m., respectively. However, for the parts that land use rights yet to be obtained, we have entered into land grant contracts or obtained confirmation letter from the Land and Resources Bureau that the Group has been selected as winner of the public listing-for-sale process.

Disclosure of Interests

Share Option Schemes

(i) Pre-IPO Share Option Scheme

The Company adopted a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) on 22 November 2009. The purpose of the Pre-IPO Share Option Scheme is to enable the Company to grant share options of the Company to eligible participants as incentives or rewards for their contribution or potential contribution to the Group. The maximum number of shares of the Company (the “Share(s)”) in respect of which options may be granted under the Pre-IPO Share Option Scheme is 50,000,000. A total of 50,000,000 options were granted under the Pre-IPO Share Option Scheme to the Directors and certain employees on 9 December 2009 with an exercise price of HK\$3.105 per Share, representing a 10% discount to the global offering price of HK\$3.45 per Share. No further options may be offered under the Pre-IPO Share Option Scheme. As consideration for the grant, HK\$1.00 is payable by a grantee to the Company upon acceptance of an option offer. As at 30 June 2011, none of the options was exercised or cancelled, and a total of 24,123,000 and 3,250,000 options were exercisable and lapsed, respectively. The summary below set out the details of options granted pursuant to the Pre-IPO Share Option Scheme:

Grantee	Balance as at 1 January 2011	Grant during the six months ended 30 June 2011	Exercised during the six months ended 30 June 2011	Lapsed during the six months ended 30 June 2011	Balance as at 30 June 2011
SUN Yuenan	3,000,000	–	–	–	3,000,000
CHEN Gengxian	2,850,000	–	–	–	2,850,000
HAN Zhenjie	1,750,000	–	–	–	1,750,000
JIN Jane (Note 2)	1,750,000	–	–	(1,750,000)	–
ZHANG Yizhao	500,000	–	–	–	500,000
RAO Yong	500,000	–	–	–	500,000
FOK Hei Yu	750,000	–	–	–	750,000
Other Employees (Note 3)	28,700,000	–	–	(1,500,000)	27,200,000
Total	39,800,000	–	–	(3,250,000)	36,550,000

Note:

- (1) The share options may be exercised in the following manner: (i) up to one-third of the options granted to a grantee less the number of options that has been exercised (rounded down to the nearest whole number) at any time during the period commencing from the second business day after the publication of the audited financial statements of the Company for the year ending 31 December 2009 and ending on 9 December 2012; (ii) up to one-third of the options granted to a grantee less the number of options that has been exercised (rounded down to the nearest whole number) at any time during the period commencing from the second business day after the publication of the audited financial statements of the Company for the year ending 31 December 2010 and ending on 9 December 2012; and (iii) up to one-third of the options granted to a grantee less the number of options that has been exercised (rounded down to the nearest whole number) at any time during the period commencing from the second business day after the publication of the audited financial statements of the Company for the year ending 31 December 2011 and ending on 9 December 2012.
- (2) Ms. JIN Jane resigned as an executive Director of the Company with effect from 11 February 2011.
- (3) Certain senior management and employees of the Company resigned during the six months ended 30 June 2011.

(ii) Share Option Scheme

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

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

(1) Purpose of the Share Option Scheme

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

(2) Participants of the Share Option Scheme

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

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

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

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

As at 30 June 2011, a total of 204,750,000 options were granted under the Share Option Scheme, none of the options was exercised or cancelled, a total of 16,500,000 and 7,900,000 options were exercisable and lapsed, respectively, and the number of options available for issue under the Share Option Scheme is 306,917,000 as at 30 June 2011. No share options were granted in 2011 up to date of this report.

(4) Maximum entitlement of each participant

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

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

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

Disclosure of Interests

(6) Payment on acceptance of option offer

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

(7) Basis of determining the subscription price

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

(8) Remaining life of the Share Option Scheme

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

The summary below set out the details of options granted as at 30 June 2011 pursuant to the Share Option Scheme:

Grantee	Balance as at 1 January 2011	Grant during the six months ended 30 June 2011	Exercised during the six months ended 30 June 2011	Lapsed during the six months ended 30 June 2011	Balance as at 30 June 2011
SUN Yuenan	10,000,000	–	–	–	10,000,000
TAM Lai Ling	40,000,000	–	–	–	40,000,000
HUANG Chuangqi	10,000,000	–	–	–	10,000,000
CHEN Gengxian	10,000,000	–	–	–	10,000,000
HAN Zhenjie	3,000,000	–	–	–	3,000,000
JIN Jane	3,000,000	–	–	(3,000,000)	–
ZHANG Yizhao	500,000	–	–	–	500,000
RAO Yong	500,000	–	–	–	500,000
FOK Hei Yu	750,000	–	–	–	750,000
Other Employees	113,700,000	–	–	(4,900,000)	108,800,000
Total	191,450,000	–	–	(7,900,000)	183,550,000

Disclosure of Interests

Directors' and Chief Executive's Interests in Securities

As at 30 June 2011, the interests and short positions of Directors and chief executive of the Company and their associates in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

Name of Director	Capacity	Family interest (Note 1)	Underlying Shares (under equity derivatives of the Company) (Note 2)	Total	Approximate percentage of the issued share capital of the Company (Note 3) (%)
KWOK Ying Shing	Settlor/Beneficiary of the Kwok Family Trust	3,052,498,701	–	3,052,498,701	62.23
KWOK Ying Chi	Settlor/Beneficiary of the Kwok Family Trust	3,052,498,701	–	3,052,498,701	62.23
SUN Yuenan	Personal	–	13,000,000	13,000,000	0.27
TAM Lai Ling	Personal	–	40,000,000	40,000,000	0.82
HUANG Chuanqi	Personal	–	10,000,000	10,000,000	0.20
CHEN Gengxian	Personal	–	12,850,000	12,850,000	0.26
HAN Zhenjie	Personal	–	4,750,000	4,750,000	0.10
ZHANG Yizhao	Personal	–	1,000,000	1,000,000	0.02
RAO Yong	Personal	–	1,000,000	1,000,000	0.02
FOK Hei Yu	Personal	–	1,500,000	1,500,000	0.03

Disclosure of Interests

Note:

- (1) These interests refer to the Shares that are beneficially owned through the Kwok Family Trust, a trust established for the benefit of the Kwok family. See “Substantial Shareholders”.
- (2) These shares refer to the Shares underlying options that have been granted under the Pre-IPO Share Option Scheme and/or Share Option Scheme.
- (3) As at 30 June 2011, the number of Shares in issue was 4,904,670,000.

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

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

Note:

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

Disclosure of Interests

(iii) Long positions in the Senior Notes

Name of Director	Capacity	Amount of debentures			Approximate percentage of the issued debentures (%)
		As at 1 January 2011	Disposed during the six months ended 30 June 2011	As at 30 June 2011	
TAM Lai Ling (<i>Note</i>)	Interest held jointly with another person	USD1,500,000	(USD1,500,000)	-	-

Note:

Dr. TAM Lai Ling was holding the debentures jointly with his spouse, Ms. CHU Yan Yan.

Save as disclosed above, as at 30 June 2011, none of the Directors knows of any person (not being a Director or chief executives of the Company) had or was deemed to have any interests or short positions in the Shares, 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 six months ended 30 June 2011.

Disclosure of Interests

Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at 30 June 2011, the following shareholders, other than those disclosed in the section headed “Directors’ and Chief Executive’s Interests in Securities” in this report, had notified the Company of its interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of substantial shareholder	Capacity	Type of interests	Number of shares (Note 1)	Approximate percentage of the issued share capital of the Company (Notes 16) (%)
Da Chang	Beneficial owner	Corporation	996,107,622 (L) (Note 2)	20.31 (L)
Da Feng	Beneficial owner	Corporation	1,034,526,457 (L) (Note 2)	21.09 (L)
Da Zheng	Beneficial owner	Corporation	1,021,864,622 (L) (Note 2)	20.83 (L)
Chang Yu	Interest in a controlled corporation	Corporation	3,052,498,701 (L) (Note 2)	62.23 (L)
Good Health	Interest in a controlled corporation	Corporation	3,052,498,701 (L) (Note 2 & 3)	62.23 (L)
Credit Suisse Trust Limited	Interest in a controlled corporation	Corporation	3,052,498,701 (L) (Note 4)	62.23 (L)
KWOK Chun Wai	Settlor/Beneficiary of the Kwok Family Trust	Family Trust	3,052,498,701 (L) (Note 4)	62.23 (L)
KWOK Ying Shing	Settlor/Beneficiary of the Kwok Family Trust	Family Trust	3,052,498,701 (L) (Note 4)	62.23 (L)
KWOK Ying Chi	Settlor/Beneficiary of the Kwok Family Trust	Family Trust	3,052,498,701 (L) (Note 4)	62.23 (L)
TC Group Cayman Investment Holdings, L.P.	Interest in a controlled corporation	Corporation	431,309,914 (L) (Notes 5 & 6)	8.79 (L)
TCG Holdings Cayman II, L.P.	Interest in a controlled corporation	Corporation	431,309,914 (L) (Notes 5 & 6)	8.79 (L)
Credit Suisse (Hong Kong) Limited	Interest in a controlled corporation	Corporation	300,000,000 (L) 150,000,000 (S) (Note 7)	6.12 (L) 3.06 (S)
Credit Suisse (International) Holding AG	Interest in a controlled corporation	Corporation	300,000,000 (L) 150,000,000 (S) (Note 7)	6.12 (L) 3.06 (S)
Credit Suisse AG	Interest in a controlled corporation	Corporation	4,107,726,245 (L) 865,688,491 (S) (Notes 7 & 15)	83.75 (L) 17.65 (S)
Carlyle Asia Real Estate GP, L.P.	Interest in a controlled corporation	Corporation	258,785,949 (L) (Notes 9 & 10)	5.28 (L)

Disclosure of Interests

Name of substantial shareholder	Capacity	Type of interests	Number of shares (Note 1)	Approximate percentage of the issued share capital of the Company (Notes 16) (%)
Carlyle Asia Real Estate II GP. L.P.	Interest in a controlled corporation	Corporation	258,785,949 (L) (Notes 8 & 9)	5.28 (L)
Carlyle Asia Real Estate II, Ltd	Interest in a controlled corporation	Corporation	258,785,949 (L) (Note 8)	5.28 (L)
Carlyle Asia Real Estate Partners, L.P.	Interest in a controlled corporation	Corporation	258,785,949 (L) (Note 9)	5.28 (L)
Carlyle Asia Real Estate, Ltd.	Interest in a controlled corporation	Corporation	258,785,949 (L) (Note 9)	5.28 (L)
Carlyle Offshore Partners II, Ltd	Interest in a controlled corporation	Corporation	431,309,914 (L) (Note 10)	8.79 (L)
Credit Suisse Holdings (USA), Inc	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) (Notes 11 & 15)	77.31 (L) 14.59 (S)
Credit Suisse (USA), Inc	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) (Notes 11 & 15)	77.31 (L) 14.59 (S)
Credit Suisse Private Equity, Inc	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) (Notes 11 & 15)	77.31 (L) 14.59 (S)
DLJ Real Estate Capital IV, Inc	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) (Notes 12 & 15)	77.31 (L) 14.59 (S)
DLJ Real Estate Capital IV, L.P.	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) (Notes 12 & 15)	77.31 (L) 14.59 (S)
DLJ Real Estate Capital Partners IV, L.P.	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) (Notes 12 & 15)	77.31 (L) 14.59 (S)
RECP IV Kaisa, LLC	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) (Notes 12, 14 & 15)	77.31 (L) 14.59 (S)
Longhill Holding Company Ltd	Interest in a controlled corporation	Corporation	258,785,949 (L) (Note 13)	5.28 (L)

Notes:

- The letter "L" denotes the person's long position in the Shares and the letter "S" denotes the person's short position in the Shares.
- The entire issued share capital of each of Da Chang, Da Feng and Da Zheng is held by Chang Yu which is in turn wholly-owned by Good Health.

Disclosure of Interests

3. Good Health is owned as to 50% by Selestar Limited and as to 50% by Serangoon Limited as nominees and trustees for Credit Suisse Trust Limited.
4. Credit Suisse Trust Limited which is acting as the trustee of a discretionary trust set up by Mr. KWOK Chun Wai, Mr. KWOK Ying Shing and Mr. KWOK Ying Chi on 23 May 2008 (the "Kwok Family Trust"). The beneficiary objects of the Kwok Family Trust include the immediate family members of the Kwok Family (including Mr. KWOK Chun Wai, Mr. KWOK Ying Shing and Mr. KWOK Ying Chi). Each of Mr. KWOK Chun Wai, Mr. KWOK Ying Shing and Mr. KWOK Ying Chi is a settlor of the Kwok Family Trust and is therefore taken to be interested in the Shares held by Da Chang, Da Feng and Da Zheng.
5. TC Group Cayman Investment Holdings, L.P., a limited partnership formed under the laws of the Cayman Islands, has a controlling interest in CAGP Ltd..
6. TCG Holdings Cayman II, L.P., a limited partnership formed under the laws of the Cayman Islands, has a controlling interest in TC Group Cayman Investment Holdings, L.P..
7. Credit Suisse Group AG is a company listed in Switzerland, ADS in New York and is the parent company of Credit Suisse AG, Credit Suisse (Hong Kong) Limited and Credit Suisse (International) Holding AG..
8. Carlyle Asia Real Estate Partners II, L.P., an exempted limited partnership and an investment fund formed under the laws of the Cayman Islands, acting by its general partner Carlyle Asia Real Estate II, Ltd., an exempted company incorporated under the laws of the Cayman Islands and wholly-owned by Carlyle Asia Real Estate II, GP, L.P..
9. Carlyle Asia Real Estate Partners, L.P., an exempted limited partnership and an investment fund formed under the laws of the Cayman Islands, acting by its general partner Carlyle Asia Real Estate Ltd., an exempted company incorporated under the laws of the Cayman Islands.
10. Carlyle Offshore Partners II, Ltd. wholly-owned TCG Holdings Cayman II, L.P., which in turn wholly-owned TC Group Cayman Investment Holdings, L.P., which wholly-owned CAGP Ltd..
11. Credit Suisse Private Equity, Inc. is wholly-owned by Credit Suisse (USA), Inc., which is in turn wholly-owned by Credit Suisse Holdings (USA), Inc..
12. DLJ Real Estate Capital Partners IV, L.P. is wholly-owned by DLJ Real Estate Capital IV, L.P., which is in turn wholly-owned by DLJ Real Estate Capital IV, Inc., which is in turn wholly owned by Credit Suisse Private Equity, Inc..
13. Longhill Holding Company Ltd., an investment holding company incorporated under the laws of the Cayman Islands, is an affiliated entity of Carlyle Asia Real Estate Partners, L.P. and Carlyle Asia Real Estate Partners II, L.P..
14. RECP IV Kaisa, LLC, a limited liability company organised under the laws of the State of Delaware, the United States of America, is controlled by DLJ Real Estate Capital Partners IV, L.P.. RECP IV Kaisa, LLC has a direct interest in 77,635,783 (L) Shares.
15. The interests in the 3,791,570,651(L) Shares and the 715,688,491(S) Shares are the aggregate interests of all investors to the pre-IPO equity agreements among such investors, the Company and the Controlling Shareholders. Pursuant to such agreements, such investors are considered as parties acting in concert under Section 317 and 318 of the SFO, and pursuant to such rules all their interests in the Company (including those of their affiliates) have been counted together when calculating the interests of each such investor (and its controlling person) in the Company. For this purpose, the shares owned by Da Chang, Da Feng and Da Zheng under the trust (see Note 4 above) are also included when calculating the interests of each such investor (and its controlling person) in the Company.
16. The percentage has been calculated based on 4,904,670,000 Shares in issue as at 30 June 2011.

Independent Auditor's Review Report



羅兵咸永道

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

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 32 to 61, which comprises the condensed consolidated balance sheet of Kaisa Group Holdings Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2011 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 August 2011

Condensed Consolidated Balance Sheet – Unaudited

		30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	114,500	106,140
Investment properties	6	6,092,400	5,484,000
Land use rights	6	17,762	18,379
Investment in an associate		299,377	299,521
Deferred income tax assets		74,045	75,075
		6,598,084	5,983,115
Current assets			
Properties under development		16,202,335	10,521,175
Completed properties held for sale		513,324	603,321
Debtors, deposits and other receivables	7	4,349,626	2,482,284
Prepayments for proposed development projects		1,914,770	1,827,183
Prepaid taxes		96,115	135,797
Restricted cash		609,226	530,067
Cash and cash equivalents		3,949,296	4,339,600
		27,634,692	20,439,427
Total assets		34,232,776	26,422,542
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	8	432,150	432,150
Share premium	8	3,815,214	3,815,214
Reserves	9	6,692,179	5,741,093
		10,939,543	9,988,457
Non-controlling interests		9,298	4,936
Total equity		10,948,841	9,993,393

Condensed Consolidated Balance Sheet – Unaudited

	Note	30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	10	10,387,232	6,175,664
Deferred income tax liabilities		1,088,101	971,237
		11,475,333	7,146,901
Current liabilities			
Advance proceeds received from customers		5,008,265	4,494,353
Accrued construction costs		2,534,321	1,325,983
Income tax payable		618,730	866,390
Borrowings	10	2,502,976	1,751,708
Other payables	11	1,106,833	806,337
Amount due to non-controlling interest of a subsidiary		37,477	37,477
		11,808,602	9,282,248
Total liabilities		23,283,935	16,429,149
Total equity and liabilities		34,232,776	26,422,542
Net current assets		15,826,090	11,157,179
Total assets less current liabilities		22,424,174	17,140,294

The notes on pages 37 to 61 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income – Unaudited

	Note	Six months ended 30 June	
		2011 RMB'000	2010 RMB'000
Revenue	5	3,707,543	2,122,488
Cost of sales	12	(2,468,238)	(1,329,437)
Gross profit		1,239,305	793,051
Other gains		33,137	4,073
Selling and marketing costs	12	(115,229)	(72,417)
Administrative expenses	12	(229,793)	(161,760)
Change in fair value of investment properties	6	467,456	–
Operating profit		1,394,876	562,947
Share of result from an associate		(144)	(126)
Finance income/(costs) – net	13	7,936	(59,359)
Profit before income tax		1,402,668	503,462
Income tax expenses	14	(485,398)	(256,410)
Profit for the period and total comprehensive income for the period		917,270	247,052
Profit attributable to:			
Equity holders of the Company		917,434	247,078
Non-controlling interests		(164)	(26)
		917,270	247,052
Earnings per share for profit attributable to equity holders of the Company for the period (expressed in RMB per share)	15	RMB	RMB
– Basic		0.187	0.050
– Diluted		0.176	0.050

The notes on pages 37 to 61 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity – Unaudited

Capital and reserves attributable to equity holders of the Company						
	Share capital	Share premium	Reserves	Total	Non- controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 8)	(note 8)	(note 9)			
Balance as at 1 January 2010	440,550	4,024,775	2,203,702	6,669,027	(40,494)	6,628,533
Total comprehensive income	–	–	247,078	247,078	(26)	247,052
Transactions with owners in their capacity as owners:						
Repurchase of ordinary shares	(8,400)	(209,561)	–	(217,961)	–	(217,961)
Share-based payments	–	–	39,917	39,917	–	39,917
Acquisition of a subsidiary	–	–	–	–	998	998
Acquisition of additional interest in a subsidiary	–	–	(394,475)	(394,475)	44,475	(350,000)
Balances as at 30 June 2010	432,150	3,815,214	2,096,222	6,343,586	4,953	6,348,539
Balance as at 1 January 2011	432,150	3,815,214	5,741,093	9,988,457	4,936	9,993,393
Total comprehensive income	–	–	917,434	917,434	(164)	917,270
Transactions with owners in their capacity as owners:						
Share-based payments	–	–	33,652	33,652	–	33,652
Capital injection by non-controlling interests	–	–	–	–	26	26
Partial disposal of a subsidiary (note 19)	–	–	–	–	4,500	4,500
Balances as at 30 June 2011	432,150	3,815,214	6,692,179	10,939,543	9,298	10,948,841

The notes on pages 37 to 61 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows – Unaudited

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	(4,245,606)	27,837
Net cash used in investing activities	(1,074,115)	(900,564)
Net cash generated from/(used in) financing activities	4,934,481	(501,535)
Net decrease in cash and cash equivalents	(385,240)	(1,374,262)
Cash and cash equivalents at beginning of period	4,339,600	3,344,453
Exchange adjustments	(5,064)	(1,493)
Cash and cash equivalents at end of period	3,949,296	1,968,698

The notes on pages 37 to 61 are an integral part of these condensed consolidated interim financial information.

1 General Information

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

The Company has its listing on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in Renminbi (the “RMB”), unless otherwise stated. This condensed consolidated interim financial information was approved by the Board of Directors of the Company for issue on 17 August 2011.

This condensed consolidated interim financial information has not been audited.

2 Basis of Preparation and Accounting Policies

This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with HKAS 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

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

(a) The adoption of new/revised HKFRSs

In 2011, the Group adopted the new/revised accounting standard and amendment of HKFRS below, which are relevant to its operations.

- Amendment to HKAS 34 ‘Interim financial reporting’ is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

2 Basis of Preparation and Accounting Policies (Continued)

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

New and amended standards, and interpretations mandatory for the first time for the financial period beginning 1 January 2011 but not currently relevant to the Group.

- HKAS 24 (Revised) 'Related Party Disclosures' is effective for annual periods beginning on or after 1 January 2011.
- Amendment to HKAS 32 'Classification of rights issues' is effective for annual periods beginning on or after 1 February 2010.
- Amendment to HK(IFRIC) – Int-14 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1 January 2011.
- HK(IFRIC) – Int 19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010.
- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA, except for amendment to HKAS 34 'Interim financial reporting' as disclosed as above and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item.

(b) Standards, amendments and interpretation which are not yet effective

The following new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2011, but the Group has not early adopted them:

		Effective for the accounting period beginning on or after
HKFRS 7 (Amendment)	Disclosure – Transfer of financial assets	1 July 2011
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012
HKFRS 9	Financial instruments	1 January 2013
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013

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

3 Estimates

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

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

4 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010.

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

As at 30 June 2011 and 31 December 2010, the Group has no financial assets and liabilities that are measured at fair value.

5 Revenue and Segment Information

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

The Board of Directors considers the business from services perspective only. From services perspective, management assesses the performance of sales of properties, rental income and property management services and regards these being the reportable segments. No geographical segment analysis is presented as the majority of the assets and operation of the Group are located in the People's Republic of China (the "PRC"), which is considered as one geographical location in an economic environment with similar risk and returns.

Notes to the Condensed Consolidated Interim Financial Information

5 Revenue and Segment Information (Continued)

Revenue consists of the following:

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Sales of properties	3,585,034	2,009,195
Rental income	66,286	52,923
Property management services	56,223	60,370
	3,707,543	2,122,488

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

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

5 Revenue and Segment Information (Continued)

The segment information provided to the Board of Directors for the reportable segments for the period ended 30 June 2010 is as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Others RMB'000	Total RMB'000
Revenue	2,009,195	52,923	60,370	–	2,122,488
Segment results	523,614	30,333	23,147	(14,147)	562,947
Share of result from an associate					(126)
Finance costs – net					(59,359)
Profit before income tax					503,462
Income tax expenses					(256,410)
Profit for the period					247,052
Other information:					
Depreciation	8,045	543	176	951	9,715
Amortisation	209	–	–	–	209
Reversal of impairment loss on properties under development and completed properties held for sale	155,000	–	–	–	155,000

Notes to the Condensed Consolidated Interim Financial Information

5 Revenue and Segment Information (Continued)

The segment assets and liabilities as at 30 June 2011 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	45,640,294	6,694,647	1,103,892	44,984,461	(64,660,055)	33,763,239
Investment in an associate	299,377	-	-	-	-	299,377
Unallocated						170,160
Total assets						34,232,776
Segment liabilities	27,083,028	1,480,139	151,736	30,330,055	(50,358,062)	8,686,896
Unallocated						14,597,039
Total liabilities						23,283,935
Other information:						
Capital expenditure	17,979	149,410	253	1,449	-	169,091

The segment assets and liabilities as at 31 December 2010 are as follows:

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

5 Revenue and Segment Information (Continued)

No inter-segment transfers or transactions are entered during the periods ended 30 June 2011 and 2010.

Other business segments include the investment holding and inactive companies.

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

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

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

6 Property and Equipment, Investment Properties and Land Use Rights

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

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

	Property and equipment RMB'000	Investment properties RMB'000 (note)	Land use rights RMB'000
Six months ended 30 June 2010			
Opening net book amount at 1 January 2010	91,731	1,578,600	18,798
Acquisition of subsidiaries	20	–	–
Additions	22,134	–	–
Amortisation	–	–	(209)
Depreciation	(9,715)	–	–
Disposals	(731)	–	–
Closing net book amount at 30 June 2010	103,439	1,578,600	18,589

Note:

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

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

- (i) Current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- (ii) Discounted cash flow projections based on reliable estimates of future cash flows;
- (iii) Capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence; and
- (iv) The expected total value of the investment properties under construction assuming the properties are completed, taking into consideration of the en-bloc property sale discount, and the estimated costs to completion such as construction costs and anticipated developer's profit with reference to past experience and committed contracts as well as allowances for contingencies.

7 Debtors, Deposits and Other Receivables

	As at	
	30 June 2011 RMB'000	31 December 2010 RMB'000
Trade receivables (note a)	504,687	177,133
Other receivables and deposits	527,878	316,732
Prepayments	76,884	246,996
Deposits for land acquisition (note b)	3,048,438	1,585,759
Prepaid other taxes	191,739	155,664
	4,349,626	2,482,284

Notes:

- (a) Trade receivables mainly arose from sale of properties. Customers are generally granted credit terms of 1 to 3 months, saved for the sale of commercial properties will be settled within one year. The ageing analysis of trade receivables of the Group is as follows:

	As at	
	30 June 2011 RMB'000	31 December 2010 RMB'000
Within 90 days (note i)	504,687	176,077
91 – 180 days (note ii)	–	1,056
	504,687	177,133

- (i) As of the date of this interim report, trade receivables of RMB153,130,000 were subsequently received.
- (ii) As at 30 June 2011, no trade receivables were past due but not impaired. (31 December 2010: RMB1,056,000) These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trading receivables is as follows:

	As at	
	30 June 2011 RMB'000	31 December 2010 RMB'000
Up to 3 months	–	1,056

- (b) Deposits for land acquisitions arise from the acquisition of land in various regions in the PRC. These deposits would be converted into land use rights when the rights to use the lands have been obtained.
- (c) As at 30 June 2011 and 31 December 2010, there is no provision made for trade and other receivables and no trade and other receivables were impaired.

8 Share Capital and Share Premium

	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Issued and fully paid:					
As at 1 January 2010	5,000,000,000	500,000	440,550	4,024,775	4,465,325
Repurchase of ordinary shares	(95,330,000)	(9,533)	(8,400)	(209,561)	(217,961)
As at 30 June 2010	4,904,670,000	490,467	432,150	3,815,214	4,247,364
As at 1 January 2011 and 30 June 2011	4,904,670,000	490,467	432,150	3,815,214	4,247,364

9 Reserves

	Merger reserve (note a) RMB'000	Exchange reserve RMB'000	Statutory reserves (note b) RMB'000	Share option reserve (note c) RMB'000	Revenue Reserve (note d) RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2010	382	24,835	244,278	4,651	-	1,929,556	2,203,702
Profit for the period	-	-	-	-	-	247,078	247,078
Acquisition of additional interest in a subsidiary (note d)	-	-	-	-	(394,475)	-	(394,475)
Share-based payment	-	-	-	39,917	-	-	39,917
Balance at 30 June 2010	382	24,835	244,278	44,568	(394,475)	2,176,634	2,096,222

9 Reserves (Continued)

	Merger reserve (note a) RMB'000	Exchange reserve RMB'000	Statutory reserves (note b) RMB'000	Share option reserve (note c) RMB'000	Revenue reserve (note d) RMB'000	Conversion option reserve (note 10(c)) RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2011	382	24,835	314,405	78,994	(394,475)	220,824	5,496,128	5,741,093
Profit for the period	-	-	-	-	-	-	917,434	917,434
Share-based payments	-	-	-	33,652	-	-	-	33,652
Balance at 30 June 2011	382	24,835	314,405	112,646	(394,475)	220,824	6,413,562	6,692,179

- (a) The merger reserve of the Group represents the difference between the nominal value of the share capital and share premium of subsidiaries acquired pursuant to the 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.
- (c) Share option reserve represents value of employee services in respect of share options granted under the Pre-IPO Share Option Scheme and Share Option Scheme (note 20).
- (d) During the period ended 30 June 2010, the Group acquired the remaining 45% non-controlling interest of a subsidiary for a total cash consideration of RMB350,000,000.

10 Borrowings

	As at	
	30 June 2011 RMB'000	31 December 2010 RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings – secured (notes a, e)	2,431,355	2,000,000
Bank borrowings – unsecured (note a)	667,392	618,285
Senior Notes (note b)	4,062,459	2,320,552
Convertible Bonds (note c)	1,256,196	1,236,827
Senior Secured Guaranteed Bonds (note d)	1,969,830	–
	10,387,232	6,175,664
Borrowings included in current liabilities:		
Bank borrowings – secured (notes a, e)	1,639,442	808,750
Bank borrowings – unsecured (note a)	863,534	942,958
	2,502,976	1,751,708
Total borrowings	12,890,208	7,927,372

Notes:

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

	2011 RMB'000	2010 RMB'000
Six months ended 30 June		
Opening amount as at 1 January	4,369,993	5,587,990
Additions	2,725,946	804,774
Repayments	(1,477,850)	(2,518,550)
Exchange difference	(16,366)	–
Closing amount as at 30 June	5,601,723	3,874,214

(b) Senior Notes

On 28 April 2010, the Company issued 13.5% senior note due 2015 in an aggregate principal amount of US\$350,000,000 (equivalent to approximately RMB2,389,205,000) at 100% of face value (the “Senior Note 2010”). On 16 June 2011, the Company issued additional 13.5% senior note due 2015 in an aggregate principal amount of US\$300,000,000 (equivalent to approximately RMB1,944,000,000) at 100% of face value (the “Senior Note 2011”) (collectively, the “Senior Notes”).

10 Borrowings (Continued)

Notes: (Continued)

(b) Senior Notes (Continued)

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

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

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

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

Movements in Senior Notes are analysed as follows:

	2011 RMB'000	2010 RMB'000
Six months ended 30 June		
Carrying amount as at 1 January	2,320,552	–
Additions	1,780,785	2,333,507
Accrued interest (note 13)	171,091	54,793
Coupon payment	(154,809)	–
Exchange difference	(55,160)	(12,101)
Closing amount as at 30 June	4,062,459	2,376,199

(c) Convertible Bonds

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

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

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

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

10 Borrowings (Continued)

Notes: (Continued)

(c) Convertible Bonds (Continued)

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

The fair value of the liability component included in long-term borrowings was calculated using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently stated at amortised cost until extinguished on conversion or maturity of the bond. The residual amount, representing the value of the equity conversion component, is accounted for as a conversion option reserve included in reserves (note 9).

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

	RMB'000
Face value of the convertible bond on issue	1,500,000
Equity component	(220,824)
Less: transaction costs	(47,209)
Liability component on initial recognition	1,231,967
Accrued interest	4,860
Carrying amount as at 1 January 2011	1,236,827
Accrued interest (note 13)	80,040
Coupon payment	(60,671)
Carrying amount as at 30 June 2011	1,256,196

As at 30 June 2011 and 31 December 2010, there was no conversion or redemption of the Convertible Bonds.

(d) Senior Secured Guaranteed Bonds

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

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

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

10 Borrowings (Continued)

Notes: (Continued)

(d) Senior Secured Guaranteed Bonds (Continued)

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

	As at 30 June 2011 RMB'000
Nominal value	2,000,000
Less: transaction costs	(88,263)
Fair value at the date of issuance	1,911,737
Accrued interest (note 13)	58,093
Carrying amount	1,969,830

(e) At 30 June 2011, the Group's bank borrowings of RMB4,070,797,000 (31 December 2010: RMB2,808,750,000) were jointly secured by plant and equipment, land use right, investment properties, properties under development and cash of the Group.

(f) Bank borrowings are guaranteed by:

	As at	
	30 June 2011 RMB'000	31 December 2010 RMB'000
Group companies		
– Secured	2,842,400	1,811,750
– Unsecured	1,530,926	1,561,243
	4,373,326	3,372,993

11 Other Payables

	As at	
	30 June 2011 RMB'000	31 December 2010 RMB'000
Other payables and accruals	242,906	307,421
Note payables	75,700	32,970
Consideration payable related to purchase of subsidiaries	716,148	380,922
Consideration payable related to purchase of an associate	10,000	35,000
Other taxes payables	62,079	50,024
	1,106,833	806,337

12 Expenses by Nature

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Auditor's remuneration	1,000	1,000
Advertising and other promotional costs	86,200	50,445
Agency fee	8,114	10,991
Business taxes (note)	201,805	111,824
Cost of completed properties sold	2,216,417	1,182,919
Donations	9,319	4,538
Legal and professional fees	14,528	10,390
Depreciation (note 6)	13,645	9,715
Amortisation of land use rights (note 6)	417	209
Staff costs including directors' emoluments:		
– salaries, wages and staff benefits costs	87,531	59,626
– share option expenses	33,652	39,917
Operating lease rental	10,242	6,422
Others	130,390	75,618
	2,813,260	1,563,614

Note:

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

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

13 Finance Income and Costs

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Finance income:		
Interest income on bank deposits	6,322	5,294
Net exchange gains	50,018	–
	56,340	5,294
Finance costs		
Interest expense:		
– Bank borrowings	(187,124)	(149,559)
– Loan with detachable warrants	–	(16,972)
– Senior Notes	(171,091)	(54,793)
– Convertible Bonds	(80,040)	–
– Senior Secured Guaranteed Bonds	(58,093)	–
– Other borrowings	–	(5,462)
Total interest expense	(496,348)	(226,786)
Less: interest capitalised	447,944	162,133
	(48,404)	(64,653)
Finance income/(costs), net	7,936	(59,359)

14 Income Tax Expenses

No Hong Kong profits tax was provided for the six months ended 30 June 2011 and 2010 as the Group has no assessable profits arising in or derived from Hong Kong for the periods. PRC enterprise income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 24% and 25% (2010: 22% and 25%). 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 condensed consolidated statement of comprehensive income as income tax.

14 Income Tax Expenses (Continued)

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Current income tax		
– PRC enterprise income tax	262,862	148,346
– PRC land appreciation tax	104,642	100,299
Deferred income tax	117,894	7,765
	485,398	256,410

15 Earnings Per Share

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

	Six months ended 30 June	
	2011	2010
Profit attributable to equity holders (RMB'000)	917,434	247,078
Weighted average number of ordinary shares in issue	4,904,670,000	4,951,613,481
Basic earnings per share (RMB)	0.187	0.050

The calculation of basic earnings per share are based on the Group's profit attributable to equity holders of RMB917,434,000 (2010: RMB247,078,000) and the weighted average of 4,904,670,000 shares in issue (2010: 4,951,613,481 shares). The weighted average number of ordinary shares in issue as at 30 June 2010 has taken into consideration the shares repurchased during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary share outstanding to assume conversion of all dilutive potential ordinary shares. For the period ended 30 June 2011, the Company has Convertible Bonds and share options that have dilutive potential ordinary shares. The Convertible Bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expenses less the tax effect. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. For the period ended 30 June 2010, diluted earnings per share are the same as basic earnings per share as there was no potential dilutive ordinary shares.

15 Earnings Per Share (Continued)

	Six months ended 30 June	
	2011	2010
Profit attributable to equity holders (RMB'000)	917,434	247,078
Adjustment for finance cost on Convertible Bonds (after tax)	60,030	–
Profit used to determine diluted earnings per shares	977,464	247,078
Weighted average number of ordinary shares in issue	4,904,670,000	4,951,613,481
Adjustment for Convertible Bonds	620,000,000	–
Adjustment for share options	42,631,022	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	5,567,301,022	4,951,613,481
Diluted earnings per share (RMB)	0.176	0.050

16 Dividend

No dividend has been paid or declared by the Company for the six months ended 30 June 2011 and 2010.

17 Financial Guarantees Contracts

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

	As at	
	30 June 2011 RMB'000	31 December 2010 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the property units	4,064,108	4,366,964

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.

18 Commitments

Commitments for property development expenditures

	As at	
	30 June	31 December
	2011	2010
	RMB'000	RMB'000
Contracted but not provided for	15,195,783	9,181,209

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

19 Acquisitions and Disposal of Subsidiaries

(a) Acquisitions of subsidiaries

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

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

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

During the period ended 30 June 2011, the Group disposed its 45% issued share capital of Guangzhou Kaisa Investment Consulting Limited (“廣州佳兆業投資諮詢有限公司”), a formerly wholly-owned subsidiary of the Company, at a consideration of RMB4,500,000 based on its investment cost to an independent third party. As such, the Group recognised an increase in non-controlling interest.

20 Share Option

(a) Pre-IPO Share Option Scheme

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

20 Share Option (Continued)

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

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

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

	30 June 2011		30 June 2010	
	Weighted average exercise price in HK\$ per share	Number	Weighted average exercise price in HK\$ per share	Number
At 1 January	3.105	39,800,000	3.105	50,000,000
Lapsed during the period	3.105	(3,250,000)	3.105	(6,200,000)
At 30 June	3.105	36,550,000	3.105	43,800,000

20 Share Option (Continued)

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

As at 30 June 2011, 24,123,000 (30 June 2010: 14,454,000) outstanding options granted under Pre-IPO Share Option Scheme were exercisable (note).

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

Exercise period	Exercise price per share (HK\$)	Number of share options As at	
		30 June 2011	30 June 2010
19/3/2010 – 9/12/2012	3.105	12,061,500	14,454,000
11/3/2011 – 9/12/2012	3.105	12,061,500	14,454,000
31/3/2012 – 9/12/2012	3.105	12,427,000	14,892,000
		36,550,000	43,800,000

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

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

20 Share Option (Continued)

(b) Share Option Scheme

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

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

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

	30 June 2011		30 June 2010	
	Weighted average exercise price in HK\$ per share	Number	Weighted average exercise price in HK\$ per share	Number
At 1 January	2.144	191,450,000	–	–
Granted during the period	–	–	3.105	25,000,000
Lapsed during the period	2.000	(7,900,000)	–	–
At 30 June	2.151	183,550,000	3.105	25,000,000

As at 30 June 2011, 16,500,000 (30 June 2010: 8,250,000) outstanding options granted under the Share Option Scheme were exercisable (note).

20 Share Option (Continued)

(b) Share Option Scheme (Continued)

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

Exercise period	Exercise price per share (HK\$)	Number of share options As at	
		30 June 2011	30 June 2010
9/6/2010 – 8/6/2015	3.105	8,250,000	8,250,000
11/3/2011 – 10/3/2016	3.105	8,250,000	8,250,000
31/3/2012 – 31/3/2017	3.105	8,500,000	8,500,000
23/7/2011 – 22/7/2020	2.000	31,710,000	–
23/7/2012 – 22/7/2020	2.000	31,710,000	–
23/7/2013 – 22/7/2020	2.000	31,710,000	–
23/7/2014 – 22/7/2020	2.000	31,710,000	–
23/7/2015 – 22/7/2020	2.000	31,710,000	–
		183,550,000	25,000,000

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

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

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

21 Related Party Transactions

(a) Name and relationship with related parties

Controlling shareholders

Mr. Kwok Chun Wai and Mr. Kwok Ying Shing

(b) Purchasing of services

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Rental expense	661	657

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

(c) Key management compensation

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Salaries and other short-term employee benefits	11,879	11,073
Retirement scheme contributions	168	120
Share option benefits	19,580	22,017
	31,627	33,210

Corporate Governance

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange (the “Listing Rules”) throughout the six months ended 30 June 2011.

Changes of board composition and updated information regarding the Directors

On 11 February 2011, Ms. JIN Jane resigned as an Executive Director of the Company.

Save as disclosed above, none of the Directors had a change in any of the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules.

Audit Committee

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

Review of Interim Results

The Audit Committee has reviewed the Group’s unaudited consolidated interim results for the six months ended 30 June 2011. In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim results for the six months ended 30 June 2011 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

Model Code for Securities Transactions

The Company has adopted the Model Code as the code for dealing in securities of the Company by the Directors. Specific confirmation has been obtained from all Directors to confirm compliance with the required standard set out in the Model Code for six months ended 30 June 2011. No incident of non-compliance was noted by the Company to date. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code for six months ended 30 June 2011.

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

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listing securities.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2011 (2010: Nil).