



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

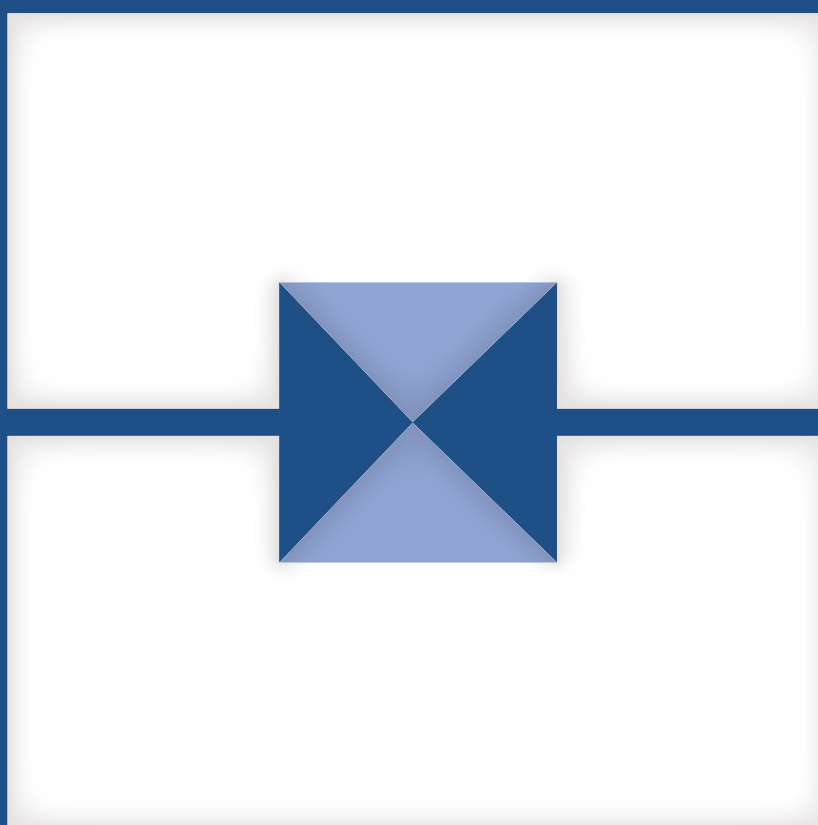


BRING YOU
JOYFUL LIVING

ANNUAL REPORT 2012

* For identification purposes only

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GROUP OVERVIEW

Established in 1999, Kaisa Group Holdings Ltd. (the “Company”) and its subsidiaries (together referred to as the “Group” or “Kaisa”) is a large-scale integrated property developer. The Group’s shares commenced trading on the Main Board of The Stock Exchange of Hong Kong Limited on 9 December 2009. Over the years, the Group has been focusing on urban property development. The scope of its business covers property development, commercial operation, hotel management and property management services with products comprising residential properties, villas, offices, serviced apartments, integrated commercial buildings and mega urban complexes. Founded in Shenzhen, the Group has expanded to cover the most economically-vibrant cities and regions, including the Pearl River Delta, the Yangtze River Delta, the Western Region, the Central China region and the Pan-Bohai Bay Rim. As at 21 February 2013, the Group owns 73 projects spanning across 29 cities in these regions.

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



DIRECTORS

Executive Directors

Mr. KWOK Ying Shing (*chairman*)
Mr. KWOK Ying Chi
Mr. SUN Yuenan
Dr. TAM Lai Ling
Dr. HUANG Chuanqi
(resigned on 8 February 2012)
Mr. CHEN Gengxian
Mr. HAN Zhenjie
(resigned on 24 December 2012)
Mr. JIN Zhigang
(appointed on 8 February 2012)
Mr. JI Jiaming
(appointed on 5 June 2012 and
resigned on 24 December 2012)

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Mr. KWOK Ying Shing
Mr. CHEUNG Hung Kwong

COMPANY SECRETARY

Mr. CHEUNG Hung Kwong

REGISTERED OFFICE

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

HEADQUARTERS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong
Investor Services Limited

PRINCIPAL BANKERS

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

LEGAL ADVISERS

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

As to PRC law:
King & Wood Mallesons

As to Cayman Islands law:
Conyers Dill & Pearman
Harney Westwood & Riegels

AUDITOR

PricewaterhouseCoopers

LISTING INFORMATION

Share Listing

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

WEBSITE

<http://www.kaisagroup.com>

MILESTONES AND AWARDS

JANUARY

- The Group was ranked number 12th in terms of GFA sold in the league of “Top 50 Real Estate Enterprise Property Developers by Sales in 2011”, reaffirming the Group’s success in the execution of its dual focus business strategy – the asset-turnover business model to capture the mass market end-user demand in lower tier cities, complemented by the policy supportive high margin urban redevelopment in the Pearl River Delta.
- Chengdu Kaisa Monarsh Residence was ranked number one and number two in terms of GFA sold and number of units sold in Chengdu in 2011⁽¹⁾ respectively.

FEBRUARY

- Changsha Lake View Place was ranked number three in terms of number of units sold in Changsha⁽²⁾.
- Zhuzhou Golden World was ranked number one in terms of sales amount, GFA sold and number of units sold in Zhuzhou in 2011⁽³⁾.



MARCH

- The Group was ranked 17th (2011: 40th) in Top 500 Real Estate Development Enterprises in China.

MAY

- Acquired 51% stake in a residential site in Tianhe, Guangzhou, covering a site area of 15,178 sq.m. with planned GFA of approximately 45,534 sq.m. through private negotiation.

JUNE

- The Group was ranked 16th in terms of GFA sold in the league of “Top 50 Real Estate Enterprise Property Developers by Sales in the first half of 2012”.
- Acquired a land parcel located in Malu Town, Jiading District, Shanghai. The land parcel occupies a site area of approximately 23,307 sq.m. with total planned GFA of approximately 58,268 sq.m., and is expected to be a residential project.
- Acquired a land parcel located in Nanting Road, Zhuanghang Town, Fengxian District, Shanghai. The land parcel occupies a site area of approximately 70,318 sq.m. with total planned GFA of approximately 84,381 sq.m., and is expected to be a residential project.



JULY

- Acquired 51% equity interest in a real estate development company which holds rights and interests in two commercial/residential sites located in Taizhou Jiangyan Economic Development Zone in Jiangsu. The two sites occupy site area aggregating approximately 192,505 sq.m. with total GFA of approximately 385,010 sq.m.
- Acquired 100% interests in a land parcel occupying a site area of approximately 26,610 sq.m. with planned GFA of approximately 119,700 sq.m. The land parcel is located adjacent to Dalian Municipal Government and Dalian International Conference Center, the central business district of Dalian and is held for residential and commercial use.

SEPTEMBER

- Successfully issued US\$250 million 12.875% senior notes due 2017 for the purpose of refinancing existing indebtedness, financing property projects and general corporate use.

OCTOBER

- Acquired a land parcel in Chongqing through a 60% equity interest owned company. The land parcel occupies a site area of approximately 84,980 sq.m. with total planned GFA of 297,430 sq.m., and is expected to be a residential and commercial project.

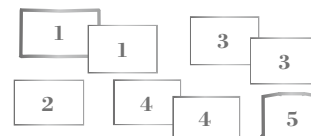
NOVEMBER

- Acquired a land parcel through public auction in Xuhang Town, Jiading District, Shanghai. The land parcel occupies a site area of approximately 68,870 sq.m. with total planned GFA of approximately 137,741 sq.m., and is expected to be a residential and commercial project.

Notes:

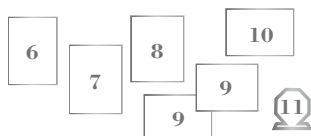
- (1) According to statistics compiled by China Real Estate Information Corporation (“CRIC”)
- (2) According to statistics compiled by China Real Estate Index System (“CREIS”)
- (3) According to statistics compiled by Zhuzhou Property Bureau





Presenting Institute	Time	Name of Awards
China Academy of Real Estate, China Real Estate Association and China Real Estate Appraisal Center	March 2012	2012 Top 20 Real Estate Development Enterprises in China ¹
China Academy of Real Estate, China Real Estate Association and China Real Estate Appraisal Center	March 2012	2012 Top 10 Real Estate Development Enterprises in China in terms of Innovation Capability, 2012 Top 10 Real Estate Development Enterprises in China in terms of Growth Potential and 2012 Top 10 Foreign-invested Real Estate Development Enterprises in China
Enterprise Research Institute of Development Research Centre of the State Council, the Institute of Real Estate Studies of Tsinghua University and China Index Academy	March 2012	2012 China Real Estate Top 100 Enterprises – six years in a row from 2007 to 2012 ²
China Academy of Real Estate, China Real Estate Association and China Real Estate Appraisal Center	May 2012	2012 China Top 5 Real Estate Listed Companies of Operation Efficiency and 2012 China Top 20 Real Estate Listed Companies of Comprehensive Strength ³
Enterprise Research Institute of Development Research Centre of the State Council, the Institute of Real Estate Studies of Tsinghua University and China Index Academy	June 2012	Top 10 Hong Kong-Listed China-based Property Developers in 2012 both in terms of “Wealth Creation Capability” and “Investment Value” ⁴
Economic Digest Magazine	July 2012	2012 The Outstanding Chinese Property Developers ⁵





Presenting Institute	Time	Name of Awards
21st Century Business Herald and Boao 21st Century Real Estate Forum	July 2012	2012 Most Valuable Listed Real Estate Developer Award 6
Boao Real Estate Forum Committee and Guandian Real Estate New Media	August 2012	2012 Most Influential Real Estate Enterprise in China 7
National Business Daily	August 2012	2012 China Value Real Estate – Valuable Real Estate Developer of the Year and 2012 China Value Real Estate – Listed Company with Most Investment Value of the Year
Economic Observer	September 2012	2012 China Blue-Chip Real Estate Enterprises 8
Enterprise Research Institute of Development Research Centre of the State Council, the Institute of Real Estate Studies of Tsinghua University and China Index Academy	September 2012	2012 Top 10 Most Valuable Real Estate Brands in China 9
China Academy of Real Estate, China Real Estate Association and China Real Estate Appraisal Center	October 2012	2012 Top 20 Real Estate Developer in Brand Values in China 10
Capital Weekly Magazine	October 2012	2012 The Excellence of Listed Enterprise Awards 11
First Financial Daily	November 2012	2012 Most Valuable Chinese Real Estate Enterprises Award–Top 10 China-Affiliated HK-Listed Companies in terms of Composite Value
Economic Digest Magazine	December 2012	2012 Hong Kong Outstanding Enterprises





QUALITY LIVING





Dear Shareholders,

On behalf of the board of directors (the “Board”) of Kaisa Group Holdings Ltd. (the “Company”, together with its subsidiaries referred to as the “Group”), I am pleased to present the annual results of the Group for the year ended 31 December 2012.

For the year ended 31 December 2012, the Group’s turnover and gross profit reached approximately RMB11,955.0 million and RMB3,885.4 million, representing an increase of approximately 10.3% and 20.2% over those of 2011, respectively. Profit attributable to shareholders and basic earnings per share amounted to approximately RMB2,072.2 million and RMB42.2 cents, representing an increase of approximately 9.0% and 8.8% as compared to those of 2011, respectively.

BUSINESS REVIEW

In 2012, despite no new major tightening measures having been announced, the operating environment remained challenging as the Central Government (the “Central Government”) of the People’s Republic of China (the “PRC”) continued to firmly implement the tightening policy in the real estate market sector with an aim to cool down housing prices. However, to brace the slowdown in the domestic economy, there was credit easing through two cuts in Reserve Requirement Ratio, Reverse Repo Operations, as well as reduction in the benchmark lending rate twice. Further, banks extended favorable mortgage rate to first-time home buyers and released mortgage financing promptly to developers, and some local governments loosened the usage of and raising the cap on housing provident fund as well as offered incentives for home purchase. While it is unlikely that the new administration will relax the reins on the property sector in the near term, the above easing measures were conducive to an overall market sentiment causing transaction volume to rebound since the 4th quarter of 2012.

During the year ended 31 December 2012, the Group successfully executed a rapid asset-turnover business model to capture the robust mass market housing demand. The Group achieved approximately RMB17.3 billion of contracted sales, representing an increase of approximately 13.4% year-on-year. In January 2013, Kaisa was ranked 17th in terms of gross floor area (“GFA”) sold according to “Top 50 Real Estate Enterprise Property Developers by Sales in 2012” jointly compiled and issued by China Real Estate Information Corporation (NASDAQ: CRIC; “CRIC”) and China Real Estate Appraisal Center. The Group successfully launched Shenzhen Kaisa City Plaza, Shenzhen Metropolitan Homeland, Zhuhai Golden World and Foshan Shunde Kaisa Golden World in the Pearl River Delta region, Wuhan Golden World in Central China Region, Shenyang Kaisa Center and Panjin Kaisa Center in the Pan-Bohai Bay Rim, further solidifying the Group’s nationwide presence.



In 2010 and 2011, the Group actively expanded its land bank in third-and lower-tier cities to capture the robust housing demand from end-users and up-graders with an aim to establish a nationwide presence, as well as to achieve geographical diversification. In 2012, the Group started to re-focus the opportunities in tier-one cities and provincial capitals to achieve a balanced land bank portfolio. Starting from the second half of 2011, the land cost in these cities gradually declined to a reasonable level after a series of abortive land auction. We were of the view that for so long as we remained focus on the mass market, these cities would be the first batch to benefit from the rebound of the overall market. Indeed, in the recent rebound, the first-tier cities experience stronger rebound than that in the lower-tier cities. The land market, in particular in the first-tier cities, has also recovered strongly as evidenced in the results of recent land auctions. For the year, the Group entered into various agreements for land purchase for a total consideration of RMB4.5 billion, with 73% located in tier-one cities and provincial capitals, including Dalian.

For the year under review, we have made significant progress in our urban redevelopment projects:-

- In December 2012, we launched Phase 1 of Shenzhen Kaisa City Plaza, the largest residential and commercial complex and urban redevelopment project ever undertaken in Shenzhen. This project is also designated as one of the 60 landmark projects in Shenzhen Municipal Government's 12th Five-Year Plan. Total GFA is approximately one million sq.m. The project is located in the Huawei Technology City, within which there are many renowned technology companies including Huawei and Foxconn Technology group.
- Significant progress in construction of Zhuhai Lake View Waldorf Garden, the largest old town resettlement and redevelopment project in Zhuhai, was made during the year, and its first phase is ready for launch in the beginning of 2013. The project is located in Zhuhai Wanzai in Xiangzhou District, with

a commute time of approximately five minutes to Macau.

- We have finalized the land premium arrangement of the Shenzhen Dapeng project and expect to launch the project in the near term.

The above launches, together with our urban redevelopment project pipeline, will not only provide the Group with saleable resources to sustain its growth in the medium term, but also improve its profitability going forward. This will help us to further enhance our brand and consolidate our leading market position in the Pearl River Delta.

DEVELOPMENT AND FINANCING STRATEGIES

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

In May 2012, the Company entered into a facility agreement with PA International Opportunity VI Limited for an exchangeable term loan in the aggregate principal amount of US\$120 million (the "PAG Loan") with a tenor of 27 months for the purpose of refinancing some of the Group's outstanding trust loans. On 18 September 2012, the Company successfully issued US\$250 million 12.875% senior notes due 2017 for the purpose of refinancing existing indebtedness, financing property projects and general corporate use. To take advantage of the liquidity in the capital market, on 8 January 2013, the Company successfully issued US\$500 million 10.25% senior notes due 2020 to refinance the PAG Loan and the senior bonds with a principal amount of RMB2 billion due in March 2014. Both transactions received overwhelming interest from international fund managers, and the notes issued in September 2012 and January 2013 were over-subscribed by more than 14 times and 18 times, respectively. These transactions enable the Group to lengthen its debt maturity profile significantly whilst laying a strong foundation for its future liability management.

The above fund raising initiatives demonstrate the Group's ability to secure funding from the international capital market, and help to improve the Group's capital structure as well as lower its funding cost. Further, in an effort to capture investment opportunities whilst effectively managing its overall debt leverage, in the second quarter of 2012, the Group acquired controlling equity interests in certain land parcels through partnership with independent third party financial investors. Going forward, where appropriate, the Group will continue to pursue strategic partnerships, to support its business expansion plans whilst achieving an optimal capital structure.

TEAM BUILDING AND HUMAN RESOURCES

The Group's rapid asset-turnover business model and geographical diversification strategy has provided a broad platform for its employees' personal development. The Group has formulated training programs for its employees at different project stages to match their personal development. The Group also adopts competitive incentive schemes to motivate its staff. In June 2012, the Group granted employee share options to over 200 key staff members entitling them to purchase a total of 326.8 million shares of the Company. In 2012, in order to cope with the Group's rapid expansion, two key appointments were made – Mr. Jin Zhigang as an executive director and chief executive officer and Mr. Ji Jiaming as a vice

chairman. Mr. Jin joined the Group in 2004 as a sales and marketing director of one of the Group's major subsidiaries and held various positions within the Group including vice president and chief operating officer. Mr. Ji has over 30 years of experience in the architecture and construction industries in the PRC and held various senior positions within the group of China State Construction Engineering Corporation ("CSCEC"). The above appointments will not only further strengthen the Group's execution capability and enhance the Group's profitability, but will also enable the Group to gain new insights on its future business strategies, providing strong support for its sustainable business growth.

INVESTOR RELATIONS

The Company strives to achieve a high standard of corporate governance and high degree of corporate transparency, and is devoted to maintaining a timely and effective communication with its shareholders and investors through various means. In addition to the regulatory filings and announcements, through monthly newsletter, investor conferences, media and site visit, the Group strives to keep shareholders and investors well informed of its latest development including business strategies, sales performance, operation and financial condition. The Group values input from investors, bond holders and shareholders, and through various channels to collect their views.

PROSPECTS

In the beginning of 2013, the global market in general has shown signs of renewed optimism with many major indices trading at recent high since 2008 financial crisis, notwithstanding the Eurozone sovereign debt crisis remained largely unsolved and the fiscal challenges in the United States. Investors' willingness to take risks is largely due to the ample liquidity from the quantitative easing programs by the United States and also by other central banks. Thanks to this ample liquidity since second half of last year, 2012 is a record-breaking year for Asian bond issuance. In fact, the Chinese property sector delivered stellar performance in both the bond and equity markets during the year, and such bullishness carried through to the beginning of 2013. The Group will continue to monitor the market to explore the opportunities to secure lower-cost financing, and improve its capital structure.

As for the recent economic data of China, including the gross domestic product index, suggest that China's economic growth had already bottomed out in the third quarter of 2012, implying a soft landing if not a recovery in China's economy. In addition, the consumer price index figures are showing good sign of control of inflation, allowing flexibility for the Central Government to step up policy fine-tuning to support China's economy, and to structurally reform China's economic growth pattern to ensure a more balanced and sustainable development in the future.

Following the smooth transition of the new leadership in China, it is generally believed that the government policy will remain largely unchanged. On the economic front, given the bleak economic outlook of the US and Eurozone, domestic consumption and fixed asset investment will be the drivers for the economic growth in the short and medium term. The new Chinese administration has also reiterated its commitment to urbanization. While the overall policy stance on the Chinese property sector will remain firm in the near to medium term, we expect that the Central Government will continue to support market demand driven by first-time home owners. With the improved availability of mortgage financing and favorable mortgage rates applicable to first-time home buyers, coupled with price correction since mid-2011 making housing more affordable, we believe that property price and transaction volume will stabilize going forward, in particular in the end-user mass market segment.

With Qianhai of Shenzhen designated as a new financial service hub of China with many preferential policies, including a pilot zone of the convertibility of yuan in China, along the continual expansion of inter-city connection of Shenzhen's transportation network with cities within and outside of the Pearl River Delta, Shenzhen has entered into a new epoch of its history. Capitalizing its project pipeline on urban redevelopment projects in Shenzhen, and over nine million sq.m. of land bank in the Pearl River Delta, the Group is well positioned to capture

the housing demand generated from the new opportunities arising. While we will continue to leverage our brand and our expertise to unlock the value of our pipeline for redevelopment projects, we will continue to implement the asset-turnover business model to seize the growing end-user mass market driven by urbanization, aiming to become a national leader in the property sector.

ACKNOWLEDGEMENT

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

KWOK Ying Shing
Chairman

Hong Kong, 21 February 2013



FINE LIVING



MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

During the year, the Group recorded a turnover of RMB11,955.0 million, representing an increase of 10.3% as compared to that of year 2011. Profit attributable to equity holders amounted to RMB2,072.2 million, representing an increase of 9.0% as compared to that of year 2011. Our net profit for the year, excluding exchange differences and change in fair values of investment properties and financial derivatives, net of deferred tax increase to RMB1,669.8 million, representing an increase of 15.9% as compared to that of year 2011. Basic earnings per share was RMB42.2 cents (2011: RMB38.8 cents).

The Board does not recommend the payment of final dividends for the year 2012.





Property Development

Contracted Sales in 2012

As at 31 December 2012, the Group has established presence in 28 core cities within five regions in the PRC, namely the Pearl River Delta, the Yangtze River Delta, the Pan-Bohai Bay Rim, the Western China region and the Central China region. The table below shows the Group's 2012 contracted sales by region:

Region	Number of projects	Contracted sales area sq.m.	Contracted sales amount RMB in Millions
Pearl River Delta	16	547,856	5,147.1
Yangtze River Delta	8	388,563	2,283.6
Western China Region	5	716,985	4,337.3
Central China Region	3	460,222	2,613.8
Pan-Bohai Bay Rim	7	462,979	2,959.4
Total	39	2,576,605	17,341.2

In spite of the austere economic environment, the Group still achieved its record annual contracted sales. For the year under review, the Group's contracted sales and GFA sold amounted to approximately RMB17,341.2 million and 2,576,605 sq.m., representing growth of 13.4% and 18.3% year-on-year, respectively. Contracted average selling price ("ASP") declined by 4.1% year-on-year to RMB6,730 per sq.m. The increase in GFA but decline in ASP is mainly attributable to the Group's strategy to focus on churning our landbank while achieving geographical diversification to areas outside of first-tier cities where ASPs are generally lower. In 2012, the Group launched an aggregate GFA of approximately 2.7 million sq.m.



In 2012, the Group achieved outstanding sales in a number of major cities in the PRC:

- According to “Top 50 Real Estate Enterprise Property Developers by Sales in 2012” jointly compiled and issued by China Real Estate Information Corporation (“CRIC”) and China Real Estate Appraisal Center, Kaisa was ranked 17th nationwide in terms of GFA sold.
- According to statistics compiled by CRIC, Chengdu Kaisa Monarsh Residence was ranked number one and number two in terms of GFA sold and number of units sold in Chengdu, respectively.
- According to statistics compiled by China Real Estate Index System (“CREIS”), Changsha Lake View Place was ranked number three in terms of number of units sold in Changsha.
- According to statistics compiled by CREIS, Kaisa was ranked number one in terms of sales amount, GFA sold and number of units sold in Nanchong.

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

Projects Completed in 2012

The Group adopts a strict and prudent practice in project development and adjusts its pace of business expansion as and when appropriate. During the year 2012, the GFA of newly completed projects of the Group amounted to approximately 2.4 million sq.m.

Projects under Development

As at 31 December 2012, the GFA of projects under development of the Group was approximately 7.3 million sq.m.

Property Management

The Group also provided property management services to its own property development and managed a total floor area of approximately 7.5 million sq.m. In total, the Group provided property management services to 59,733 units. In 2012, Kaisa was awarded one of the “Outstanding Brand of Chinese Property Management 2012” jointly issued by the Enterprise Research Institute of Development Research Centre of the State Council of China, the Institute of Real Estate Studies of Tsinghua University and the China Index Academy. Building on its national recognition, our property management arm strives to deliver excellent and professional services to our customers so as to further enhance our brand and corporate image.



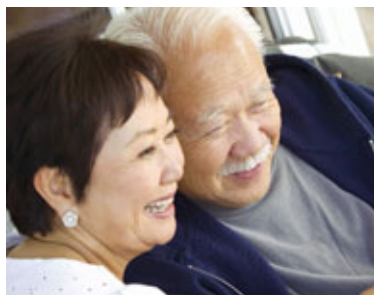
Investment Properties

The Group adopts a diversified business strategy, characterized by its increase in investment in investment properties. The portfolio of investment properties will generate steady and reliable income, and enlarge the overall income base of the Group. We develop commercial properties such as office buildings, retail stores and carparks for leasing purposes. In managing our investment property portfolio, we will take into account the estimated long-term growth potential, the overall market conditions and our cash flows and financial condition. As at 31 December 2012, we held an aggregate GFA of approximately 87,567 sq.m. completed investment properties for rental purpose.

Land Bank

It remains an ongoing effort of the Group to expand its land reserve. We believe our insight into the development trends in our target regions will enable us to acquire land at a price not yet reflecting the full value of the site. During the year under review, we made significant progress in a number of our urban redevelopment projects in Shenzhen, Zhuhai, Dongguan and Guangzhou, including the completion of re-zoning approval process of Phase 1 of Shenzhen Kaisa City Plaza, the largest residential and commercial complex and urban redevelopment project already launched in Shenzhen and one of the 60 landmark projects highlighted in Shenzhen Municipal Government's 12th Five-Year Plan and with a total GFA of approximately one million sq.m.

In addition, during the year under review, we purchased a total of 21 land parcels through government-held public tenders, auctions or listing-for-sale and in the secondary market through acquisition of equity interest. The aggregate consideration for the acquisition of the interests in the above 21 parcels of land was approximately RMB4,519.6 million, with an average land cost per total planned GFA of approximately RMB1,858 per sq.m. The total planned GFA per maximum allowed plot ratio attributable to the Group is up to approximately 2,432,677 sq.m. As at 31 December 2012, the Group had a total land bank of approximately 23.9 million sq.m., which is sufficient for the Group's development needs for the next five years. The 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 2012	Changsha	100%	21,770/(2)	87,079	237.0	Residential and commercial
May 2012	Guangzhou	51%	15,178/(1)	23,222	280.0	Residential
June 2012	Shanghai	100%	23,307/(1)	58,268	407.3	Residential
June 2012	Shanghai	100%	70,318/(1)	84,381	405.0	Residential
June 2012	Wuhan	100%	64,090/(1)	153,816	266.0	Residential
July 2012	Huludao	100%	260,718/(4)	573,580	195.6	Residential and commercial
July 2012	Taizhou	51%	192,505/(2)	196,355	132.4	Residential and commercial
July 2012	Dalian	100%	26,610/(1)	119,700	814.0	Residential and commercial
August 2012	Jiangyin	100%	41,440/(1)	74,592	109.4	Residential
August 2012	Jiangyin	100%	35,801/(1)	114,563	161.1	Residential
October 2012	Dandong	100%	133,340/(2)	293,326	400.0	Residential and commercial
October 2012	Chongqing	60%	84,980/(1)	178,458	205.5	Residential and commercial
November 2012	Shanghai	100%	68,870/(1)	137,741	275.5	Residential and commercial
November 2012	Chengdu	80%	120,570/(2)	337,596	630.8	Residential and commercial
Total			1,159,497/(21)	2,432,677	4,519.6	

Outlook

In 2012, the Central Government has introduced easing policies to combat the slowdown in economy. Moreover, growth of the Chinese economy is still one of the fastest globally, coupled with the long-term policy of urbanization, we remain optimistic about the prospects of the Chinese real estate sector. In the interim, the Group will continue to focus on realizing value from its redevelopment project pipeline and the asset-turnover business model, further enhancing the product quality and capitalizing its strong branding, with an aim to maximize the returns to the shareholders of the Company.

FINANCIAL REVIEW

Revenue

Our revenue increased by RMB1,120.3 million, or 10.3%, to RMB11,955.0 million in 2012 from RMB10,834.7 million in 2011. This increase in revenue was primarily attributable to an increase in sales of properties. Our revenue is primarily generated from property development, property investment and property management.

Sales of properties

Our revenue from sales of properties increased by RMB1,022.3 million, or 9.7%, to RMB11,597.9 million in 2012 from RMB10,575.6 million in 2011. This increase was primarily due to an increase in the total delivered GFA from approximately 1,178,108 sq.m. in 2011 to approximately 1,648,128 sq.m. in 2012, partially offset by a decrease in average selling price per sq.m. recognized from RMB8,977 in 2011 to RMB7,037 in 2012. The property projects that contributed substantially to our revenue in 2012 were Guangzhou Monarch Residence, Chengdu Lijing Harbour, Chengdu Kaisa Monarch Residence and Chengdu Modern Town. Our revenue derived from our projects in Greater Shenzhen was RMB3,723.3 million and from outside Greater Shenzhen was RMB7,874.6 million in 2012.

Rental income

Our rental income increased by RMB18.6 million, or 12.3%, to RMB169.6 million in 2012 from RMB151.0 million in 2011. This increase was primarily attributable to additional rental space from a shopping mall located in Dalian city.

Property management services

Our revenue from property management services increased by RMB29.1 million, or 26.9%, to RMB137.2 million in 2012 from RMB108.1 million in 2011. This increase was primarily attributable to additional property management fee derived from our property services for the commercial properties and the residential units delivered in 2012.

Cost of sales

Our cost of sales increased by RMB468.4 million, or 6.2%, to RMB8,069.6 million in 2012 from RMB7,601.2 million in 2011. This increase was primarily attributable to an increase in the total GFA delivered.



Gross profit

As a result of the above, our gross profit increased by RMB651.9 million, or 20.2%, to RMB3,885.4 million in 2012 from RMB3,233.5 million in 2011. Our gross profit margin increased to 32.5% in 2012 from 29.8% in 2011. The increase in gross profit margin was primarily attributable to our lower average construction cost per sq.m., partly offset by our lower average selling price per sq.m. recognized in 2012 as compared to 2011.

Other gains – net

We had other gains – net of RMB226.1 million in 2012, as compared to other gains of RMB43.3 million in 2011. Our other gains in 2012 mainly comprised the gain on disposal of our interest in an associate of RMB242.9 million.

Selling and marketing costs

Our selling and marketing costs increased by RMB173.5 million, or 42.9%, to RMB578.3 million in 2012 from RMB404.8 million in 2011. This increase was primarily due to our strategy of geographical diversification, resulting in an increase in our advertising, staff and other promotional costs incurred for our pre-sale activities for a larger number of our projects during 2012 compared to 2011, as well as the higher agency fee as a result of the increase in contracted sales amount in 2012.

Administrative expenses

Our administrative expenses increased by RMB253.4 million, or 44.8%, to RMB818.4 million in 2012 from RMB565.0 million in 2011. This increase was primarily attributable to increase in staff costs and operating expenses resulting from our business expansion.

Change in fair value of investment properties

The increase in fair value of our investment properties was RMB432.7 million in 2011 and RMB501.1 million in 2012. The increase in fair value of our investment properties in 2011 was primarily attributable to the appreciation in fair value of our investment properties in Shenzhen Kaisa Global Center, Huizhou Kaisa Center Phase 2 and Shenzhen Kaisa Center. The increase in fair value of our investment properties in 2012 was primarily attributable to the appreciation in fair value of our investment properties in Huizhou Kaisa Center Phase 2 and Shenyang Kaisa Center.



Change in fair value of financial derivatives

The increase in fair value of our financial derivatives was RMB54.7 million in 2012. The increase was primarily attributable to the change in fair value of the financial derivative component of the PAG Loan.

Finance income

Our finance income decreased by RMB117.3 million, or approximately 75.6%, to RMB37.8 million in 2012 from RMB155.1 million in 2011. The decrease was primarily due to the lower net exchange gains arising from the U.S. dollar denominated offshore financing as a result of appreciation of the Renminbi against the U.S. dollar in 2012.

Finance costs

Our finance costs decreased by RMB30.8 million, or approximately 44.4%, to RMB38.5 million in 2012 from RMB69.3 million in 2011. The decrease was primarily attributable to a decrease in our average outstanding bank debt balance in 2012 in relation to completed projects.

Income tax expenses

Our income tax expenses increased by RMB227.5 million, or approximately 24.6%, to RMB1,153.2 million in 2012 from RMB925.7 million in 2011. Our effective income tax rate increased to 35.3% in 2012 from 32.8% in 2011. The increase was primarily attributable to a lower portion of our operating profit before taxation in 2012 being derived from net exchange gains arising from the U.S. denominated offshore financing as a result of the appreciation of the RMB against the U.S. dollar which is not subject to income tax.

Profit for the year and total comprehensive income for the year

As a result of the effect of the factors described above, our profit for the year and total comprehensive income for the year increased by RMB216.9 million, or 11.4%, to RMB2,116.2 million in 2012 from RMB1,899.3 million in 2011. Our net profit margin was 17.7% in 2012 and 17.5% in 2011. Our net profit margin (excluding exchange differences and change in fair value of investment properties and financial derivatives, net of deferred tax) was 14.0% in 2012 and 13.3% in 2011.



Liquidity, Financial and Capital Resources

Cash position

As at 31 December 2012, the carrying amount of the Group's cash and bank deposits was approximately RMB5,352.3 million (31 December 2011: RMB4,486.4 million), representing an increase of 19.3% as compared to that as at 31 December 2011. Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. Such guarantee deposits will be released after pre-sold properties are completed or their property ownership certificates are issued, whichever is the earlier. Additionally, as at 31 December 2012, certain of the Group's cash was deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties. The aggregate of the above guarantee deposits amounted to approximately RMB669.8 million as at 31 December 2012.

Senior notes

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

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

Convertible bonds

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

Senior bonds

On 15 March 2011, the Company issued RMB2.0 billion USD settled 8.5% senior secured guaranteed bonds due 2014 (the "Bonds") for the purpose of financing new land bank in the PRC and real estate projects. On 8 January 2013, the Company successfully issued US\$500 million 10.25% senior notes due 2020 to refinance the Bonds.

Exchangeable term loan

To refinance the Group's trust loans and to finance the Group's property projects, on 23 May 2012, the Company entered into a facility agreement with PA International Opportunity VI Limited, as the lender, for an exchangeable term loan in the aggregate principal amount of US\$120.0 million at an annual interest rate of 13.5% with a tenor of 27 months (the "Exchangeable Term Loan"), and a call option deed with the lender as the grantee. Upon exercise of the call option, the lender will become a minority shareholder of Fenglong Group Co. Ltd., currently a wholly owned subsidiary of the Group. The Exchangeable Term Loan was fully drawn down during the year. Subsequently, on 8 January 2013, the Company successfully issued US\$500 million 10.25% senior notes due 2020 to refinance the Exchangeable Term Loan.

Senior notes 2012

On 18 September 2012, the Company issued US\$250 million 12.875% senior notes due 2017 (the “Senior Notes 2012”) for the purpose of funding our existing and new property projects and refinancing our existing indebtedness and general corporate use.

Borrowings and charges on the Group’s assets

The Group had aggregate borrowings as at 31 December 2012 of approximately RMB15,407.7 million, of which approximately RMB3,150.3 million will be repayable within 1 year, approximately RMB11,772.9 million will be repayable between 2 and 5 years and approximately RMB484.5 million will be repayable over 5 years. As at 31 December 2012, the Group’s bank loans of approximately RMB3,408.8 million were secured by plant and equipment, land use rights, investment properties, properties under development and completed properties held for sale of the Group with total carrying amount of approximately RMB9,221.1 million. The carrying amounts of all the Group’s bank loans are denominated in RMB except for the Senior Notes with a carrying amount of RMB4,035.0 million, the Convertible Bonds with a carrying amount of RMB1,324.6 million, the Bonds with a carrying amount of RMB2,012.0 million, the Exchangeable Term Loan with a carrying amount of RMB674.6 million, the Senior Notes 2012 with a carrying amount of RMB1,577.9 million and other offshore banking facilities with an aggregate carrying amount of RMB983.7 million as at 31 December 2012 which were denominated in USD. The Senior Notes, the Convertible Bonds, the Bonds, the Exchangeable Term Loan and Senior Notes 2012 are secured by the share pledge of certain of the Group’s subsidiaries incorporated outside of the PRC, and joint and several guarantees given by certain subsidiary companies of the Group. The Group’s domestic bank loans carried a floating interest rate linking up with the base lending rate of the People’s Bank of China. Our interest rate risk is mainly from the floating interest rate of domestic bank loans.





Gearing

As at 31 December 2012, the Group's net debts (total borrowings net of cash and cash equivalent and restricted cash) over total equity was 66.8% (31 December 2011: 76.6%). The Group's net current assets increased by 15.5% from RMB17,657.2 million as at 31 December 2011 to RMB20,397.0 million as at 31 December 2012, and the current ratio decreased from 2.0 times as at 31 December 2011 to 1.7 times as at 31 December 2012.

Cost of borrowings

In 2012, the Group's total cost of borrowings was RMB1,641.7 million, representing an increase of RMB362.2 million or 28.3% as compared to the year 2011. The increase was primarily attributable to the higher average debt balance in the year as compared to that in 2011.

Foreign currency risks

The Group's property development projects are all located in China and most of the related transactions are settled in RMB. The Company and certain of the Group's intermediate holding companies operate in Hong Kong have recognized assets and liabilities in currencies other than RMB. As at 31 December 2012, the Group had cash balances denominated in USD of approximately US\$17.1 million, and in HK dollar of approximately HK\$278.4 million, the Senior Notes in USD with a carrying amount of US\$642.0 million, the Exchangeable Term Loan in USD with a carrying amount of US\$107.3 million, the Senior Notes 2012 in USD with a carrying amount of USD251.0 million and other offshore banking facilities with a carrying value of US\$156.5 million which are subject to foreign currency exposure. The Group does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should such need arise.

Financial guarantees

As at 31 December 2012, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by domestic banks to our customers amounting to approximately RMB6,786.2 million (31 December 2011: approximately RMB3,679.3 million). Pursuant to the terms of the guarantees, upon default in mortgage payments by a purchaser, we would be responsible for repaying the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchaser to the bank, but we would be entitled to assume legal title to and possession of the related property. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage.

Material acquisitions and disposals of assets

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

Employees and remuneration policy

As at 31 December 2012, the Group had approximately 8,656 employees (31 December 2011: approximately 6,633 employees). The remuneration of employees was based on their performance, skills, knowledge, experience and market trend. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. In addition to basic salaries, employees may be offered with discretionary bonus and cash awards based on individual performance.



PROJECT PORTFOLIO

Total GFA of approximately

23.9 million sq.m.

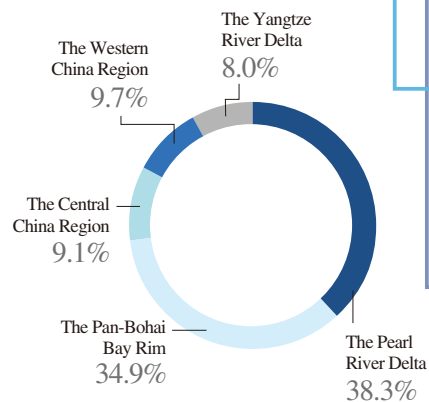


CITIES WE ENTERED INTO BEFORE 2012

- | | |
|--------------|--------------|
| 1 SHENYANG | 13 HANGZHOU |
| 2 ANSHAN | 14 WUHAN |
| 3 BENXI | 15 NANCHONG |
| 4 LIAOYANG | 16 CHENGDU |
| 5 PANJIN | 17 CHANGSHA |
| 6 HULUDAO | 18 ZHUZHOU |
| 7 YINGKOU | 19 GUANGZHOU |
| 8 WEIFANG | 20 HUIZHOU |
| 9 JIANGYIN | 21 DONGGUAN |
| 10 CHANGZHOU | 22 FOSHAN |
| 11 TAICANG | 23 ZHUHAI |
| 12 SHANGHAI | 24 SHENZHEN |

NEWLY ENTERED CITIES

- 25 DANDONG
- 26 DALIAN
- 27 TAIZHOU
- 28 CHONGQING



WE HAVE ACCUMULATED SUBSTANTIAL EXPERIENCE IN DEVELOPING **71 PROJECTS**. THE MAP BELOW SHOWS THE GEOGRAPHICAL COVERAGE OF OUR PROPERTY DEVELOPMENT PROJECTS AS AT 31 DECEMBER 2012.

**THE PEARL RIVER DELTA —
SHENZHEN, GUANGZHOU, FOSHAN, DONGGUAN, HUIZHOU, ZHUHAI**

Shenzhen Woodland Height, Shenzhen Mocha Town, Shenzhen Kaisa Center, Shenzhen Lake View Place, Shenzhen Xiangrui Garden, Shenzhen Mingcui Garden, Shenzhen Jincui Garden, Shenzhen Shangpin Garden, Shenzhen Kaisa Global Center, Shenzhen Metro City, Shenzhen Kaisa City Plaza, Shenzhen Kaisa Metropolitan Homeland, Shenzhen Dapeng Project, Guangzhou Jinmao, Guangzhou Kaisa Plaza, Guangzhou Monarch Residence, Guangzhou Tianhe Project, Foshan Shunde Kaisa Mocha Town, Foshan Shunde Kaisa Shangpin Garden, Foshan Shunde Kaisa Golden World, Dongguan Zhongyang Haomen, Dongguan Dongjiang Haomen, Dongguan Shui'an Haomen, Dongguan Dijingwan, Dongguan Le Grand Bleu, Dongguan Oasis Town, Huizhou Jincheng Heights, Huizhou Kaisa Center, Huizhou Yuan Zhou Project, Huizhou Riverbank New Town, Zhuhai Lake View Waldorf Garden, Zhuhai Golden World



**THE YANGTZE RIVER DELTA —
JIANGYIN, CHANGZHOU, TAIZHOU, SHANGHAI, TAICANG, HANGZHOU**

Jiangyin Lake View Place, Jiangyin Gushan Mocha Town, Jiangyin Kaisa Plaza, Jiangyin Zhouzhuang Golden World, Jiangyin Changjing Lake View Waldorf, Jiangyin Tonghui Garden, Jiangyin Fuqiao Homeland, Changzhou Phoenix Lake No.1, Taizhou Kaisa Mansion No.1, Shanghai Shanhuwan Garden, Shanghai Shangpin Garden, Shanghai Xiangyi Garden, Shanghai Xuhang Project, Taicang Lake View Waldorf, Hangzhou Jade Dragon Court



**THE WESTERN CHINA REGION —
CHENGDU, NANCHONG, CHONGQING**

Chengdu Kaisa Monarch Residence, Chengdu Lijing Harbour, Chengdu Modern Town, Chengdu Kaisa Mansion No. 8, Nanchong Kaisa Plaza, Nanchong Monarch Residence, Chongqing Banan Longzhouwan Project



**THE CENTRAL CHINA REGION —
CHANGSHA, ZHUZHOU, WUHAN**

Changsha Lake View Place, Changsha Kaisa Times Square, Zhuzhou Golden World, Wuhan Golden World



**THE PAN-BOHAI RIM —
SHENYANG, YINGKOU, ANSHAN, BENXI, PANJIN, HULUDAO, WEIFANG,
LIAOYANG, DANDONG, DALIAN**

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



SELECTED PROPERTY PROJECT INFORMATION – AS AT 31 DECEMBER 2012

No.	Project	Address	Location	Type ^(b)
The Pearl River Delta				
1	Shenzhen Woodland Height	Junction of Shenhui Road and Lilang Road, Buji Town, Longgang District	Shenzhen	Residential
2	Shenzhen Mocha Town	Busha Road, Longgang District	Shenzhen	Residential
3	Shenzhen Kaisa Center ^(c)	East of Shuangbu Nan Road and North of Nanyuan Road, Futian District	Shenzhen	Residential
4	Shenzhen Lake View Place	Junction of Xincheng Road and Pingxi Road, Longgang District	Shenzhen	Residential
5	Shenzhen Xiangrui Garden	North of Beihuan Highway, Nanshan District	Shenzhen	Residential
6	Shenzhen Mingcui Garden	Ping'an Avenue, Liang'anlian Community, Pinghu Street, Longgang District	Shenzhen	Residential
7	Shenzhen Jincui Garden	Cuizhu Road, Luohu District	Shenzhen	Residential
8	Shenzhen Shangpin Garden	Bantian Street, Longgang District	Shenzhen	Residential
9	Shenzhen Kaisa Global Center	Shentan Avenue, Futian District	Shenzhen	Commercial
10	Shenzhen Metro City ^(c)	Nanmendun, Buji Town, Longgang District	Shenzhen	Residential
11	Shenzhen Kaisa City Plaza	Banxiaogang Avenue, Longgang District	Shenzhen	Residential
12	Shenzhen Kaisa Metropolitan Homeland ^(c)	Mumianwan, Longgang Avenue, Buji, Longgang District	Shenzhen	Residential
13	Shenzhen Dapeng Project	Yingbin Avenue, Dapeng New District	Shenzhen	Residential
14	Guangzhou Jinmao ^(c)	No. 191 Tiyu West Road, Tianhe District	Guangzhou	Commercial
15	Guangzhou Kaisa Plaza	No. 78 Huangpu Avenue West, Zhujiang New Town, Tianhe District	Guangzhou	Commercial
16	Guangzhou Monarch Residence	No. 99 Jiangnan Avenue Central, Haizhu District	Guangzhou	Residential
17	Guangzhou Tianhe Project	No. 555 Huangpu Avenue, Financial Town, Tianhe District	Guangzhou	Residential
18	Foshan Shunde Kaisa Mocha Town	Lot No. 1, South of the Central Region, Xingtian Town, Shunde District	Foshan	Residential
19	Foshan Shunde Kaisa Shangpin Garden	Lot No. BJ-C-19, Beijiao New Town, Shunde District	Foshan	Residential
20	Foshan Shunde Kaisa Golden World	West of Waihuang Road, Ronggui Town, Shunde District	Foshan	Residential
21	Dongguan Zhongyang Haomen	Wangwuzhou Village, Shilong Town	Dongguan	Residential
22	Dongguan Dongjiang Haomen	South side of Dongjiang Avenue, Yangwu Village and Qishi Village, Qishi Town	Dongguan	Residential
23	Dongguan Shui'an Haomen	Fengshen Avenue, Fenggang Town	Dongguan	Residential
24	Dongguan Dijingwan	Adjacent to Government Square, Xincheng District, Shilong Town	Dongguan	Residential
25	Dongguan Le Grand Bleu	Qisha Village, Shahtan Town	Dongguan	Residential
26	Dongguan Oasis Town	Xiping Community, Nancheng District, Dongguan	Dongguan	Residential
27	Huizhou Jincheng Heights	Gutang'ao Miaozakeng	Huizhou	Residential
28	Huizhou Kaisa Center	No. 18 Sub-district, Jiangbei, Huicheng District	Huizhou	Commercial
29	Huizhou Yuan Zhou Project	Tanjiao Section, Liangwu Gaotou Village, Yuanzhou Town, Boluo County	Huizhou	Residential
30	Huizhou Riverbank New Town	Jiangnan Section, Cuiweiyuan Village Committee, Hengkeng, Laoyang Town, Boluo County	Huizhou	Residential
31	Zhuhai Lake View Waldorf Garden	Shangsha Street, Wanzai, Xiangzhou District	Zhuhai	Residential
32	Zhuhai Golden World	North of Huangyuan Avenue, South of Wangbao Reservoir, Jintaisi, Doumen Town, Doumen District, Wanzai	Zhuhai	Residential
The Western China Region				
33	Chengdu Kaisa Monarch Residence	Erjiangsi Village, Huayang Town, Shuangliu County	Chengdu	Residential
34	Chengdu Lijing Harbour	Group 1 and 2, Huaifeng Village, Yangquan Street, Wenjiang District	Chengdu	Residential
35	Chengdu Modern Town	Yingchuanjiao, Dongsheng Sub-district Office, Shuangliu County	Chengdu	Commercial
36	Chengdu Kaisa Mansion No.8	Norqian District, Sanzhiou, Dongsheng Street, Shuangliu County	Chengdu	Residential
37	Nanchong Kaisa Plaza	North of Zhongyang East Road, Shunqing District	Nanchong	Residential
38	Nanchong Monarch Residence	Lot No. 2, Wangjiaba, Bingjiang Road, Shunqing District	Nanchong	Residential
39	Chongqing Banan Longzhouwan Project	Longzhouwan Street, Banan District	Chongqing	Residential
The Pan-Bohai Bay Rim				
40	Shenyang Kaisa Center	East of Qingnian Avenue, Shenhe District	Shenyang	Commercial
41	Yingkou Dragon Bay	Junction of Xinlin Road and Bohai Street, Laobian District	Yingkou	Residential
42	Yingkou Monarch Residence	West of Xuefu Road, East of Shifu Road, South of New Donghai Street, Laobian District	Yingkou	Residential
43	Anshan Lake View Waldorf	Shengli Bei Road, Lishan District	Anshan	Residential
44	Anshan Monarch Residence	South of Ziyou Dong Street, East of Anqian Road	Anshan	Residential
45	Anshan Yaguang Project ^(c)	Renmin Road, Texti District	Anshan	Residential
46	Benxi Lake View Place	Binhe Bei Road, Mingshan District	Benxi	Residential
47	Panjin Kaisa Center	East of Xianghai Avenue, Xinglongtai District	Panjin	Residential
48	Huludao Suizhong Kaisa Dongdaihe	South of Binhai Road, Laohu Village, Wanjin Town, Binhai Economic Zone, Suizhong County	Huludao	Residential
49	Weifang Kaisa Golden World	North of Bailanghe Reservoir Dam, South of Weijiao Road	Weifang	Residential
50	Liaoyang Gongchangling Project	Gongchangling District	Liaoyang	Residential
51	Dandong Project	South of Huanghai Street, Zhenxing District, Dandong City	Dandong	Residential
52	Dalian Kaisa Center	Donggang Business District, Zhongshan District	Dalian	Commercial
The Central China Region				
53	Changsha Lake View Place	Jinping Village, Tiaoma County	Changsha	Residential
54	Changsha Kaisa Times Square	Yingnan Dong Road, Furong District	Changsha	Residential
55	Zhuzhou Golden World	Liuyu Central Business Area, Tianyuan District	Zhuzhou	Residential
56	Wuhan Golden World	Junction of Baisha Road and Qingling Dong Road, Qingling County, Hongshan District	Wuhan	Residential
The Yangtze River Delta				
57	Jiangyin Lake View Place	South of Xinhua Road, West of Dongwuhuan Road and North of Renmin Dong Road	Jiangyin	Residential
58	Jiangyin Gushan Mocha Town	South of Golden Gushan Garden and West Xingfu Avenue, Gushan Town	Jiangyin	Residential
59	Jiangyin Kaisa Plaza	Intersection of Nanwuhuan Road and Renmin Dong Road, Chengjiang Avenue	Jiangyin	Residential
60	Jiangyin Zhouzhuang Golden World	East of Zhouxi Dong Road, Zhouzhuang Town	Jiangyin	Residential
61	Jiangyin Changjiang Lake View Waldorf	East of Xinglong Road, South of Dongshun Road, Changjiang Town	Jiangyin	Residential
62	Jiangyin Tonghui Garden	South of Tongfu Road, West of Tongjiang Road, North of Tonghui Road	Jiangyin	Residential
63	Jiangyin Fuzhao Homeland	South of Binjiang Road, West of Tongfu Road, North of Chengxi Road	Jiangyin	Residential
64	Changzhou Phoenix Lake No.1	South of Qingyang Road, Xuejia Town, Xinbei District	Changzhou	Residential
65	Taizhou Kaisa Mansion No.1	West of No. 11 Road, North of Chertzuang Road, Jiangyan Economic Development Zone, Taizhou	Taizhou	Residential
66	Shanghai Shanhuwan Garden	No.4333 Alley, Haima Road, Haiwan Town, Fengxian District	Shanghai	Residential
67	Shanghai Shangpin Garden	Malu Town, Jiading District	Shanghai	Residential
68	Shanghai Xiangyi Garden	Intersection of Juting Road and Nanning Road, Zhuanghang Town, Fengxian District	Shanghai	Residential
69	Shanghai Xuhang Project	Xuhang Town, Jiading District	Shanghai	Residential
70	Taicang Lake View Waldorf	Limin Community, Science-Education New Town	Taicang	Residential
71	Hangzhou Jade Dragon Court	Intersection of Bajiao Road and Jishan Road, Zhuan Tang Town, Xihu District	Hangzhou	Residential
Total^(b)				

- Note:
- Residential properties include apartments, serviced apartments and townhouses, often with complementary commercial facilities, restaurants and community facilities.
 - The projects are renovation developments of once distressed assets and partially completed properties.
 - Including
 - Shenzhen Dapeng Project;
 - Guangzhou Tianhe Project;
 - a site area of 750,842 sq.m. for Huizhou Riverbank New Town;
 - a site area of 248,883 sq.m. for Yingkou Dragon Bay;
 - a site area of 177,548 sq.m. for Yingkou Monarch Residence;
 - a site area of 366,775 sq.m. for Anshan Lake View Waldorf;
 - Anshan Monarch Residence;
 - Anshan Yaguang Project;
 - a site area of 22,244 sq.m. for Panjin Kaisa Center;
 - a site area of 360,423 sq.m. for Huludao Suizhong Kaisa Dongdaihe;



Project Phase	Site Area (sq.m.)	Total GFA (sq.m.)	Total GFA			Interest Attributable to us
			Completed Properties (sq.m.)	Properties under Development (sq.m.)	Properties held for Future Development (sq.m.)	
1-8	160,514	580,135	580,135 ⁽ⁱ⁾	-	-	100%
1-7	185,724	735,299	735,299	-	-	100%
-	5,966	98,241	98,241 ⁽ⁱⁱ⁾	-	-	100%
1-5	182,064	388,626	388,626	-	-	100%
-	57,984	143,796	143,796	-	-	100%
1-4	102,439	394,663	379,574	15,089	-	100%
-	9,066	105,830	105,830	-	-	100%
-	45,829	231,572	231,572	-	-	100%
-	14,411	142,000	-	-	142,000 ⁽ⁱⁱⁱ⁾	89%
-	5,241	124,479	124,479	-	-	100%
1-3	179,642	973,600	-	253,800	719,800	80%
-	19,393	96,941	-	96,941	-	100%
1-2	48,256	130,520	-	-	130,520 ⁽ⁱⁱⁱ⁾	100%
-	14,192	233,322	233,322 ^(iv)	-	-	100%
-	7,106	117,522	117,522	-	-	100%
-	7,707	56,666	56,666	-	-	100%
-	15,178	45,534	-	-	45,534 ^(iv)	51%
1-2	71,200	234,422	234,422	-	-	100%
-	32,819	98,021	98,021	-	-	100%
1-4	197,584	493,961	-	337,919	156,042	100%
1-4	82,742	377,480	270,997	106,483	-	100%
1-3	86,324	243,659	96,270	90,193	57,196	100%
1-2	70,734	200,386	107,281	93,105	-	80%
-	46,474	155,432	155,432	-	-	100%
1-5	239,050	525,934	-	-	525,934	100%
-	65,020	120,531	-	-	120,531	100%
-	89,998	267,995	-	-	267,995	100%
1-3	70,859	734,076	104,644 ^(v)	450,720 ^(vi)	178,712	100%
-	20,400	61,200	-	-	61,200 ^(v)	100%
1-10	1,663,969	4,326,238	72,789	390,824	3,862,625 ^(vii)	100%
1-3	164,354	550,431	-	180,316	370,115	100%
1-4	192,711	256,305	27,156	132,365	96,784	100%
1-6	182,666	931,313	299,649	631,664	-	100%
1-7	180,071	761,542	761,542	-	-	100%
1-2	133,269	362,420	362,420	-	-	100%
1-6	120,570	421,995	-	114,052	307,943	80%
-	29,541	116,390	116,390	-	-	100%
1-5	188,246	601,402	-	601,402	-	100%
1-2	84,959	297,357	-	-	297,357	60%
-	21,423	292,331	-	292,331 ^(viii)	-	100%
1-3	469,552	1,408,656	-	347,443	1,061,213 ^(ix)	77%
1-3	249,470	873,145	-	233,745	639,400 ^(ix)	100%
1-3	477,463	1,359,251	-	267,627	1,091,624 ^(ix)	100%
1-3	308,956	926,868	-	-	926,868 ^(ix)	100%
-	9,783	76,200	-	-	76,200 ^(ix)	100%
-	122,200	356,824	-	323,120	33,704	100%
1-2	52,812	380,092	-	170,717	209,375 ^(ix)	71%
1-2	1,114,491	1,738,871	-	577,576	1,161,295 ^(ix)	100%
1-4	164,469	246,703	-	131,112	115,591	100%
-	372,427	256,975	-	-	256,975 ^(ix)	100%
1-3	133,340	293,326	-	-	293,326 ^(ix)	100%
-	26,610	119,700	-	-	119,700	100%
1-4	673,536	1,683,840	311,802	332,209	1,039,829	100%
-	21,770	87,079	-	-	87,079	100%
1-3	222,177	509,709	342,448	30,115	137,146	100%
1-3	182,840	505,576	-	185,976	319,600	100%
1-3	225,530	272,274	272,274	-	-	100%
1-4	76,465	132,849	132,849	-	-	100%
1-3	158,241	424,359	104,745	319,614 ^(x)	-	100%
1-2	103,589	220,546	110,587	109,959	-	100%
1-2	93,275	149,763	-	149,763	-	100%
-	41,440	74,592	-	-	74,592 ^(xi)	100%
-	35,801	114,563	-	-	114,563 ^(xi)	100%
1-2	101,819	256,342	22,436	233,906	-	100%
1-3	192,505	385,010	-	-	385,010	51%
1-4	104,796	140,151	140,151	-	-	100%
-	23,307	58,268	-	-	58,268	100%
-	70,318	84,381	-	-	84,381	51%
1-2	68,870	137,741	-	-	137,741 ^(xii)	100%
1-3	87,741	201,346	201,346	-	-	100%
-	39,376	98,041	-	98,041	-	100%
	11,090,664	30,602,608	7,540,713	7,298,127	15,763,768	

(xi) Liaoyang Gongchangling Project;

(xii) Dandong Project;

(xiii) Jiangyin Tonghui Garden;

(xiv) Jiangyin Fufiao Homeland;

(xv) Shanghai Xuhang Project;

for which as at December 31, 2012, we have not obtained the land use rights certificates, but have entered into land grant contracts or obtained confirmation from the relevant land and resources bureau that

we have been selected as the winner of the public listing-for-sale process.

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

5 Including completed properties sold.

6 Including certain commercial spaces held for investment. Such commercial spaces are held either under long term lease (for Shenzhen Woodland Height, with GFA of approximately 12,886 sq.m.) or medium

term lease (for Shenzhen Kaisa Center and Phase 1 of Huizhou Kaisa Center, with GFA attributable to the Group of approximately 19,170 sq.m. and 12,008 sq.m., respectively).

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

8 Including certain office and commercial spaces held for investment. Such office and commercial spaces are held either under long term lease (for Phase 2 of Huizhou Kaisa Center with GFA of approximately

146,278 sq.m.) or medium term lease (for Shenzhen Kaisa Global Center, Shenzhen Kaisa City Plaza, Jiangyin Kaisa Plaza and Shenyang Kaisa Center, with GFA of approximately 125,705 sq.m., 252,170

sq.m., 67,915 sq.m. and 113,219 sq.m., respectively).

9 As of December 31, 2012, completed properties held for sale had a total GFA of approximately 790,433 sq.m..

PROPERTIES UNDER DEVELOPMENT – AS AT 31 DECEMBER 2012

The table below sets forth certain information of our property projects or project phases under development as at 31 December 2012. We have obtained land use rights certificates and construction works commencement permits for all of our properties under development.

Project	City	Project Phase	Total GFA or Estimated Total GFA (sq.m.)	Saleable GFA or Estimated Total Saleable GFA (sq.m.)
Shenzhen Mingcui Garden	Shenzhen	4	15,089	15,089
Shenzhen Kaisa Metropolitan Homeland	Shenzhen	–	96,941	85,574
Shenzhen Kaisa City Plaza	Shenzhen	1	253,800	246,410
Foshan Shunde Kaisa Golden World	Foshan	1	145,390	123,582
Foshan Shunde Kaisa Golden World	Foshan	2	75,173	63,897
Foshan Shunde Kaisa Golden World	Foshan	3	117,355	99,752
Dongguan Zhongyang Haomen	Dongguan	4	106,483	90,511
Dongguan Dongjiang Haomen	Dongguan	2	90,193	90,193
Dongguan Shui'an Haomen	Dongguan	2	93,105	79,139
Huizhou Kaisa Center	Huizhou	2	450,720	383,112
Huizhou Riverbank New Town	Huizhou	2	69,751	59,288
Huizhou Riverbank New Town	Huizhou	3	321,073	272,912
Zhuhai Lake View Waldorf Garden	Zhuhai	1	180,316	153,269
Zhuhai Golden World	Zhuhai	1	79,213	67,331
Zhuhai Golden World	Zhuhai	2	53,152	45,179
Chengdu Kaisa Monarch Residence	Chengdu	3	149,845	109,998
Chengdu Kaisa Monarch Residence	Chengdu	4	149,856	117,764
Chengdu Kaisa Monarch Residence	Chengdu	5	185,750	141,469
Chengdu Kaisa Monarch Residence	Chengdu	6	146,213	124,281
Chengdu Kaisa Mansion No.8	Chengdu	1	114,052	96,944
Nanchong Monarch Residence	Nanchong	1	132,626	112,732
Nanchong Monarch Residence	Nanchong	2	119,153	89,702
Nanchong Monarch Residence	Nanchong	3	113,395	89,569
Nanchong Monarch Residence	Nanchong	4	96,458	77,070
Nanchong Monarch Residence	Nanchong	5	139,770	118,804
Shenyang Kaisa Center	Shenyang	–	292,331	248,481
Yingkou Dragon Bay	Yingkou	1	347,443	295,327
Yingkou Monarch Residence	Yingkou	1	233,745	198,683
Anshan Lake View Waldorf	Anshan	1	267,627	227,483
Benxi Lake View Place	Benxi	–	323,120	274,652
Panjin Kaisa Center	Panjin	1	170,717	122,338
Huludao Suizhong Kaisa Dongdaihe	Huludao	1	577,576	519,818
Weifang Kaisa Golden World	Weifang	1	131,112	111,445
Changsha Lake View Place	Changsha	2	230,541	230,541
Changsha Lake View Place	Changsha	3	101,669	86,419
Zhuzhou Golden World	Zhuzhou	2	30,115	25,598
Wuhan Golden World	Wuhan	1	185,976	185,976
Jiangyin Kaisa Plaza	Jiangyin	1	112,131	95,311
Jiangyin Kaisa Plaza	Jiangyin	3	207,483	176,361
Jiangyin Zhouzhuang Golden World	Jiangyin	2	109,959	93,465
Jiangyin Changjing Lake View Waldorf	Jiangyin	1	55,349	53,953
Jiangyin Changjing Lake View Waldorf	Jiangyin	2	94,414	80,252
Changzhou Phoenix Lake No.1	Changzhou	1	100,714	85,607
Changzhou Phoenix Lake No.1	Changzhou	2	133,192	113,213
Hangzhou Jade Dragon Court	Hangzhou	–	98,041	83,335
Total			7,298,127	6,261,829

Commencement Time	Status of Pre-sale permit	Estimated Completion Time	Interest Attributable to us
June 2011	Not yet obtained	2013 2nd quarter	100%
March 2012	Yes	2013 3rd quarter	100%
July 2011	Not yet obtained	2013 4th quarter	80%
May 2011	Yes	2013 3rd quarter	100%
August 2011	Yes	2013 3rd quarter	100%
October 2011	Not yet obtained	2014 2nd quarter	100%
September 2011	Not yet obtained	2013 4th quarter	100%
December 2010	Yes	2013 2nd quarter	100%
March 2012	Not yet obtained	2014 3rd quarter	80%
April 2011	Yes	2013 4th quarter	100%
April 2011	Yes	2013 1st quarter	100%
October 2011	Not yet obtained	2013 3rd quarter	100%
March 2011	Not yet obtained	2013 1st quarter	100%
March 2011	Yes	2013 2nd quarter	100%
August 2011	Not yet obtained	2013 2nd quarter	100%
August 2011	Yes	2013 2nd quarter	100%
October 2011	Yes	2013 3rd quarter	100%
May 2012	Yes	2013 4th quarter	100%
June 2012	Yes	2014 4th quarter	100%
December 2012	Not yet obtained	2013 4th quarter	80%
September 2011	Yes	2013 2nd quarter	100%
September 2011	Yes	2013 2nd quarter	100%
December 2011	Yes	2013 4th quarter	100%
July 2012	Yes	2014 2nd quarter	100%
November 2012	Yes	2014 4th quarter	100%
May 2012	Yes	2014 4th quarter	100%
July 2011	Yes	2013 2nd quarter	77%
June 2011	Yes	2013 2nd quarter	100%
October 2011	Yes	2013 2nd quarter	100%
September 2011	Yes	2013 2nd quarter	100%
March 2012	Yes	2013 4th quarter	71%
October 2011	Yes	2013 3rd quarter	100%
November 2012	Not yet obtained	2015 4th quarter	100%
January 2011	Yes	2013 2nd quarter	100%
November 2011	Yes	2013 4th quarter	100%
October 2011	Yes	2013 2nd quarter	100%
August 2012	Yes	2013 3rd quarter	100%
January 2011	Yes	2013 3rd quarter	100%
October 2011	Yes	2013 4th quarter	100%
May 2011	Not yet obtained	2013 4th quarter	100%
August 2011	Yes	2013 1st quarter	100%
June 2012	Not yet obtained	2013 3rd quarter	100%
June 2011	Yes	2013 2nd quarter	100%
June 2011	Yes	2013 2nd quarter	100%
February 2012	Yes	2013 3rd quarter	100%

PROPERTIES HELD FOR FUTURE DEVELOPMENT – AS AT 31 DECEMBER 2012

The table below sets forth certain information of our property projects held for future development as at 31 December 2012.

Project
Shenzhen Kaisa Global Center
Shenzhen Kaisa City Plaza
Shenzhen Dapeng Project
Guangzhou Tianhe Project
Foshan Shunde Kaisa Golden World
Dongguan Dongjiang Haomen
Dongguan Le Grand Bleu
Dongguan Oasis Town
Huizhou Jincheng Heights
Huizhou Kaisa Center
Huizhou Yuan Zhou Project
Huizhou Riverbank New Town
Zhuhai Lake View Waldorf Garden
Zhuhai Golden World
Chengdu Kaisa Mansion No.8
Chongqing Banan Longzhouwan Project
Yingkou Dragon Bay
Yingkou Monarch Residence
Anshan Lake View Waldorf
Anshan Monarch Residence
Anshan Yaguang Project
Benxi Lake View Place
Panjin Kaisa Center
Huludao Suizhong Kaisa Dongdaihe
Weifang Kaisa Golden World
Liaoyang Gongchangling Project
Dandong Project
Dalian Kaisa Center
Changsha Lake View Place
Changsha Kaisa Times Square
Zhuzhou Golden World
Wuhan Golden World
Jiangyin Tonghui Garden
Jiangyin Fuqiao Homeland
Taizhou Kaisa Mansion No.1
Shanghai Shangpin Garden
Shanghai Xiangyi Garden
Shanghai Xuhang Project
Total

Note:

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

Location	Project Phase	Estimated Total GFA (sq.m.)	Estimated Completion Time ⁽¹⁾
Shenzhen	–	142,000	2016
Shenzhen	2-4	719,800	2014
Shenzhen	1-2	130,520	2014
Guangzhou	–	45,534	2014
Foshan	4	156,042	2014
Dongguan	3	57,196	2013
Dongguan	1-5	525,934	2014
Dongguan	–	120,531	2014
Huizhou	–	267,995	2014
Huizhou	3	178,712	2015
Huizhou	–	61,200	2014
Huizhou	4-10	3,862,625	2014
Zhuhai	2-3	370,115	2014
Zhuhai	3-4	96,784	2014
Chengdu	2-6	307,943	2013
Chongqing	1-2	297,357	2015
Yingkou	2-3	1,061,213	2014
Yingkou	2-3	639,400	2014
Anshan	2-3	1,091,624	2014
Anshan	1-3	926,868	2014
Anshan	–	76,200	2013
Benxi	–	33,704	2014
Panjin	2	209,375	2014
Huludao	1-2	1,161,295	2014
Weifang	2-4	115,591	2014
Liaoyang	–	256,975	2014
Dandong	1-3	293,326	2014
Dalian	–	119,700	2015
Changsha	4	1,039,829	2014
Changsha	–	87,079	2014
Zhuzhou	3	137,146	2014
Wuhan	2-3	319,600	2014
Jiangyin	–	74,592	2014
Jiangyin	–	114,563	2014
Taizhou	1-2	385,010	2014
Shanghai	–	58,268	2014
Shanghai	–	84,381	2014
Shanghai	1-2	137,741	2015
		15,763,768	

THE PEARL RIVER DELTA



SHENZHEN

Shenzhen Kaisa Metropolitan Homeland (深圳佳兆業新都匯家園)

Shenzhen Kaisa Metropolitan Homeland is located at Longgang Avenue, Buji, Longgang District, Shenzhen. It is directly connected to the Mumianwan metro station, which is only 15 minutes away from Luohu district. This project occupies an aggregate site area of approximately 19,393 sq.m. with a total GFA of approximately 96,941 sq.m.. It is a residential project with commercial space.



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

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

THE PEARL RIVER DELTA**Shenzhen Kaisa City Plaza
(深圳佳兆業城市廣場)**

Shenzhen Kaisa City Plaza is an urban redevelopment project and is located at Banxuegang Avenue, Longgang District, Shenzhen. This project occupies an aggregate site area of approximately 179,642 sq.m. with a total GFA of approximately 973,600 sq.m. The project has currently obtained the final approval from the relevant department of Shenzhen Government and can be used for commercial and residential purposes. This project is expected to be a large scale integrated residential, commercial and hotel project, with a kindergarten, a nine year integrated curriculum school and other ancillary facilities. The project is divided into three phases and is expected to comprise 29 high-rise buildings.

**Shenzhen Dapeng Project
(深圳大鵬項目)**

Shenzhen Dapeng Project is located at Yingbin Avenue, Dapeng New District, Shenzhen. This project occupies an aggregate site area of approximately 48,256 sq.m. with a total GFA of approximately 130,520 sq.m.. This project is expected to be a residential project with commercial space.



THE PEARL RIVER DELTA



HUIZHOU

Huizhou Kaisa Center (惠州佳兆業中心)

Huizhou Kaisa Center is located in Jiangbei, Huicheng District, Huizhou. It is in the vicinity of Huizhou Municipal Government building, sport stadium, exhibition center and Dongguan-Huizhou intercity rail transit which is under construction. This project occupies an aggregate site area of approximately 70,859 sq.m. with a total GFA of approximately 734,076 sq.m. Huizhou Kaisa Center is expected to be a residential-commercial integrated project which comprises primarily high-rise apartment buildings and commercial properties and will be one of the largest city complexes in Huizhou as well as South China region. The project is divided into three phases with residential properties, commercial properties, hotel and other ancillary facilities.



Huizhou Riverbank New Town (惠州東江新城)

Huizhou Riverbank New Town is located in Boluo County, Huizhou and adjacent to Binjiang Park. This project occupies an aggregate site area of approximately 1,663,969 sq.m. with a total GFA of approximately 4,326,238 sq.m. This project is expected to be a residential-commercial integrated project, mainly comprising villas, townhouses, multi-level and high-rise residential, hotel and commercial ancillary properties. The project is expected to be divided into 10 phases.

THE PEARL RIVER DELTA**GUANGZHOU****Guangzhou Tianhe Project**
(廣州天河項目)

Guangzhou Tianhe Project is located at the intersection of Huangpu Avenue and Chebei Road in Tianhe District in Guangzhou. The project occupies an aggregate site area of approximately 15,178 sq.m. with a total GFA of approximately 45,534 sq.m., including residential space of approximately 41,350 sq.m. and commercial space of 4,184 sq.m.

Guangzhou Monarch Residence
(廣州君匯上品園)

Guangzhou Monarch Residence is located at Jiangnan Avenue Central, Haizhu District. This project occupies an aggregate site area of approximately 7,707 sq.m. with a total GFA of approximately 56,666 sq.m. This project is an integrated residential complex comprising high-rise apartment buildings and commercial facilities.



THE PEARL RIVER DELTA



DONGGUAN

Dongguan Oasis Town (東莞城市綠洲花園)

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



Dongguan Le Grand Bleu (東莞沙田碧海雲天花園)

Dongguan Le Grand Bleu is an urban redevelopment project and is located at Shatian Town, Dongguan, which is the intersection of east coast of Shiziyang of Pearl River Delta and river mouth of straight stream of Dongjiang. This project occupies an aggregate site area of approximately 239,050 sq.m. with an expected total GFA of approximately 525,934 sq.m. This project is expected to be a residential complex and is divided into five phases.

THE PEARL RIVER DELTA

ZHUHAI

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

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



THE WESTERN CHINA REGION



CHONGQING

Chongqing Banan Longzhouwan Project (重慶巴南龍州灣項目)

Chongqing Banan Longzhouwan Project is located at Longzhouwan Street, Banan District, Chongqing. The project occupies an aggregate site area of approximately 84,959 sq.m. with a total GFA of approximately 297,357 sq.m.. This residential project is expected to be divided into 2 phases.



CHENGDU

Chengdu Kaisa Mansion No.8 (成都佳兆業8號)

Chengdu Kaisa Mansion No.8 is located at Dongsheng Street, Shuangliu County, Chengdu. The project occupies an aggregate site area of approximately 120,570 sq.m. with a total GFA of approximately 421,995 sq.m.. This residential project is expected to be divided into 6 phases.



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

Chengdu Kaisa Monarch Residence is located in Huayang Town, Shuangliu County, Chengdu. This project occupies an aggregate site area of approximately 182,666 sq.m. with a total GFA of approximately 931,313 sq.m. Chengdu Kaisa Monarch Residence is expected to be a residential project which comprises mainly high-rise apartment buildings. The project is also expected to include one clubhouse and a kindergarten and is divided into six phases.

THE PAN-BOHAI BAY RIM

DALIAN

Dalian Kaisa Center (大連佳兆業中心)

Dalian Kaisa Center is located at Donggang Business District, Zhongshan District, Dalian. The project occupies an aggregate site area of approximately 26,610 sq.m. with a total GFA of approximately 119,700 sq.m.. The commercial project is in the vicinity of metro station in Dalian's CBD.



SHENYANG

Shenyang Kaisa Center (瀋陽佳兆業中心)

Shenyang Kaisa Center is located in Qingnian Avenue, Shenhe District, Shenyang, which is at the core of Jinlang Commercial Circle. This project occupies an aggregate site area of approximately 21,423 sq.m. with a total GFA of approximately 292,331 sq.m. This project is expected to be a residential-commercial project which comprises apartment buildings, office buildings and commercial properties.



THE PAN-BOHAI BAY RIM



ANSHAN

Anshan Lake View Waldorf (鞍山水岸华府)

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

HULUDAO

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

Huludao Suizhong Kaisa Dongdaihe is located at Binhai Economic Zone, Suizhong County, Huludao connecting the major routes between northern and northeast China and is in the vicinity of the scenic region of Shanhaiguan and occupies a quality coastline of 4km that enjoy a splendid natural environment. This project occupies an aggregate site area of approximately 1,114,491 sq.m. with an expected total GFA of approximately 1,738,871 sq.m. This project is expected to be a large scale residential-commercial complex and is divided into two phases.

THE CENTRAL CHINA REGION

WUHAN

Wuhan Golden World (武漢金城天下)

Wuhan Golden World is located at the junction of Baisha Road and Qingling East Road, Qingling County, Hongshan District, Wuhan. This project occupies an aggregate site area of approximately 182,840 sq.m. with a total GFA of approximately 505,576 sq.m. This project is expected to be a residential complex and is divided into three phases.



CHANGSHA

Changsha Kaisa Times Square (長沙佳兆業時代廣場)

Changsha Kaisa Times Square is located at Yingpan Road, Furong District in Changsha. The project occupies an aggregate site area of approximately 21,770 sq.m. with a total GFA of approximately 87,079 sq.m. This project will be developed into a residential project with commercial space.



Changsha Lake View Place (長沙水岸新都)

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



THE YANGTZE RIVER DELTA



SHANGHAI

Shanghai Shangpin Garden (上海尚品雅苑)

Shanghai Shangpin Garden is located at Malu Town, Jiading District in Shanghai. The project occupies an aggregate site area of approximately 23,307 sq.m. with a total GFA of approximately 58,268 sq.m. This project is expected to be a residential project.



Shanghai Xiangyi Garden (上海香溢雅苑)

Shanghai Xiangyi Garden is located at Nanting Road, Zhuanghang Town, Fengxian District in Shanghai. The project occupies an aggregate site area of approximately 70,318 sq.m., with a total GFA of approximately 84,381 sq.m. This project is expected to be a residential project.



Shanghai Xuhang Project (上海徐行項目)

Shanghai Xuhang Project is located at Xuhang Town, Jiading District, Shanghai. This project occupies an aggregate site area of approximately 68,870 sq.m. with a total GFA of approximately 137,741 sq.m.. This project is expected to be a residential project.

THE YANGTZE RIVER DELTA

HANGZHOU

Hangzhou Jade Dragon Court (杭州玫瑰雅苑)

Hangzhou Jade Dragon Court is located at south of Zhennan Road, Zhijiang Holiday Resort Area in Hangzhou. This project occupies an aggregate site area of approximately 39,376 sq.m. with a total GFA of approximately 98,041 sq.m. This project is expected to be a residential complex.



JIANGYIN

Jiangyin Kaisa Plaza (江陰佳兆業廣場)

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



DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The board of directors (the “Board”) of the Company consists of nine directors (the “Directors”), three of whom are independent non-executive Directors. The Board has the general powers and duties for the management and conduct of our business. We have entered into service contracts with each of our Directors.

The table below sets forth certain information regarding our Directors:

Name	Age	Position
KWOK Ying Shing	48	Chairman and Executive Director
KWOK Ying Chi	46	Vice Chairman and Executive Director
SUN Yuenan	49	Vice Chairman and Executive Director
TAM Lai Ling	49	Vice Chairman and Executive Director
CHEN Gengxian	41	Vice Chairman and Executive Director
JIN Zhigang	36	Chief Executive Officer and Executive Director
ZHANG Yizhao	42	Independent Non-Executive Director
RAO Yong	54	Independent Non-Executive Director
FOK Hei Yu	42	Independent Non-Executive Director

Chairman and Executive Director

KWOK Ying Shing (郭英成), Mr. Kwok, aged 48, is our Chairman and was appointed as a Director on 8 August 2007 and re-designated as executive Director on 17 November 2009. He is one of the founders of our Group and has been our Chairman and a Director since our inception in 1999. Mr. Kwok is primarily responsible for overall strategy, investment planning and human resource strategy of our Group. Mr. Kwok has extensive experience in real estate development and investment management. In 1999, Mr. Kwok formulated our vision of developing large-scale residential properties in suburban areas with access to public transport and other urban facilities in select cities in China. Since then, he has led us in the development and completion of various projects, including Woodland Height, Mocha Town and Lake View Place. In 2003, through Mr. Kwok’s direction, we adopted a new development model of acquiring and renovating distressed and uncompleted properties. With this development model, we renovated and brought to market Shenzhen Kaisa Center, once a distressed and partially completed property in Shenzhen. Mr. Kwok is currently an executive vice president of Shenzhen Overseas Chinese International Association. He is the brother of Mr. Kwok Ying Chi and Mr. Kwok Chun Wai.

Executive Directors

KWOK Ying Chi (郭英智), Mr. Kwok, aged 46, is our Vice Chairman and was appointed as a Director on 8 August 2007 and re-designated as executive Director on 17 November 2009. He has been a Vice Chairman and a Director since our inception in 1999. Mr. Kwok is primarily responsible for overall project planning. Since 1999, Mr. Kwok has been in charge of project planning and management for our property developments. Mr. Kwok has led the implementation of our business expansion strategy, through which we established our presence in select cities in China. He is the brother of Mr. Kwok Ying Shing and Mr. Kwok Chun Wai.

SUN Yuenan (孫越南), Mr. Sun, aged 49, is our Vice Chairman and was appointed as an executive Director on 17 November 2009. He has been a Vice Chairman since September 2009. Mr. Sun is primarily responsible for investment and management of the Group's commercial real estate business. Mr. Sun joined us in July 2001 as chief administrative director of Shenzhen Kaisa Property and has held various positions within our Group, including senior vice president of our Group, deputy general manager of Shenzhen Kaisa Property and general manager of Guangzhou Jinmao Property. Mr. Sun has extensive regulatory and business administration experience in the real estate industry. From 1993 to 2001, Mr. Sun served in various positions, including deputy chief of administrative office, deputy chief of legal division and deputy chief of personnel division, in Hengyang Municipal Bureau of Land Resources, which oversaw land resources in the city of Hengyang, Hunan Province. Mr. Sun received a bachelor's degree in law from the Correspondence Institute of the Academy of the Central Committee of the Communist Party of China in December 2001.

TAM Lai Ling (譚禮寧), Dr. Tam, aged 49, is our Vice Chairman and was appointed as an executive Director on 8 March 2010. Dr. Tam is primarily responsible for formulation of investment and financing strategies of the Group. He was an executive director and the chief financial officer of one of the leading property developers in the People's Republic of China prior to joining the Group. From December 2007 to November 2008, Dr. Tam was an executive director of SPG Land (Holdings) Limited where he was responsible for the corporate finance activities and investor relations of the Company. From April 2005 to November 2007, Dr. Tam was the deputy managing director and the chief financial officer of Hopson Development Holdings Ltd., where he was responsible for formulating the financing strategy of that company, as well as the execution of the financing strategy. Dr. Tam also served as an independent non-executive director of Tsingtao Brewery Company Limited. From March 1998 to April 2005, Dr. Tam worked for ICEA Capital Limited. He was appointed as its managing director (investment banking division) in May 2002. During his employment with ICEA Capital Limited, Dr. Tam executed a wide variety of corporate finance transactions, including mergers and acquisitions, and debt and equity financings. Prior to that, Dr. Tam also worked for major international investment banks in the area of corporate finance, and a multi-national oil company in the area of business development. Dr. Tam received his bachelor's degree in science from the University College London, University of London, and a Ph.D. from the University of Cambridge. He is also a Chartered Financial Analyst.

CHEN Gengxian (陳耿賢), Mr. Chen, aged 41, has ceased to be a Co-Chief Operating Officer and has been appointed as the Vice Chairman of the Company with effect from 8 February 2012. He was appointed as our executive Director on 17 November 2009. Mr. Chen is primarily responsible for the Group's overall operation management. Mr. Chen has more than 11 years of real estate industry experience. He joined us in June 1999 and has held various positions within our Group, including vice president, deputy general manager, executive director and chairman of Kaisa Property (Shenzhen) Co., Ltd. Mr. Chen completed the part-time program of administrative management in Northeastern Normal University, China in February 2007.

JIN Zhigang (金志剛), Mr. Jin, aged 36, is our Chief Executive Officer and was appointed as an executive Director on 8 February 2012. He is primarily responsible for our operation management. Mr. Jin joined us in 2004 as sales and marketing director. From December 2002 to December 2004, Mr. Jin held various positions, including general manager of Sales Center in Shenzhen Large Industrial Corporation Limited. During the period from July 1999 to November 2002, he served in China Overseas Construction (Shenzhen) Co., Ltd as sales manager. Mr. Jin graduated from Department of International Economics and International Trade, School of Economics, Peking University and obtained a bachelor's degree in economics.

Independent Non-Executive Directors

ZHANG Yizhao (張儀昭), Mr. Zhang, aged 42, is an independent non-executive Director of our Company. He was appointed as our independent non-executive Director on 17 November 2009. Mr. Zhang is currently assisting some Chinese companies for their preparation of oversea listing, and an independent non-executive director of China Green Agriculture Inc. (OTC QX: CEAI), China Education Alliance, Inc. (NYSE Amex: CEU) and China Carbon Graphite Group (OTC BB: CHGI) respectively. Mr. Zhang has over 16 years of experience in accounting and internal control, corporate finance, and portfolio management. Previously, Mr. Zhang held senior positions in Universal Travel Group (NYSE: UTA), Energroups Holdings Corporation (OTC BB: ENHD), Shengtai Pharmaceutical Inc. (OTC BB: SGTI), Chinawe Asset Management Corporation (OTC BB: CHWE), China Natural Resources Incorporation (NASDAQ CM: CHNR) and Kasen International Holdings Limited (HK Stock Code: 0496). Mr. Zhang also had experiences in portfolio management and asset trading in Guangdong South Financial Services Corporation from 1993 to 1999. He is a certified public accountant of the state of Delaware, the United States, and a member of the American Certified Accountants (AICPA). Mr. Zhang graduated with a bachelor's degree in economics from Fudan University, Shanghai in 1992 and received an MBA degree with financial analysis and accounting concentrations from the State University of New York at Buffalo, United States in 2003.

RAO Yong (饒永), Mr. Rao, aged 54, is an independent non-executive Director of our Company. He was appointed as our independent non-executive Director on 17 November 2009. Mr. Rao is currently a director of Shenzhen Pengcheng Certified Public Accountants Co. Ltd. He is a member of the Chinese Institute of Certified Public Accountants (CICPA) and a certified public valuer in China. Mr. Rao has over 27 years of experience in accounting and auditing. Mr. Rao was a director of the Audit Bureau of Shenzhen City from 1991 to 1997 and a head of the Audit Bureau of Wuzhou City, Guangxi Province from 1987 to 1990. Mr. Rao has also been a director of The Chinese Institute of Certified Public Accountants since 1996, a director of the Shenzhen Institute of Certified Public Accountants since 1996 and its president since 2005, a forensic accounting expert of Shenzhen City since 2002 and the deputy secretary-general of the Asset Evaluation Association of Shenzhen City since 1997. Mr. Rao received a diploma in accounting from Guangxi College of Finance and Economics, China in July 1980.

FOK Hei Yu (霍義禹), Mr. Fok, aged 42, is an independent non-executive Director of our Company. He was appointed as our independent non-executive Director on 17 November 2009. Mr. Fok is currently a senior managing director of FTI Consulting, a global advisory firm assisting companies to protect and enhance enterprise value. From 1997 to 2010, Mr. Fok was an executive director of Ferrier Hodgson, an international financial and restructuring advisory firm. He is a member of the Hong Kong Institute of Certified Public Accountants, the Australian Society of Certified Practising Accountants and the Hong Kong Institute of Directors. Mr. Fok graduated from Australian National University with a bachelor's degree in commerce in 1995. He is also a non-executive director of Delong Holdings Limited and Emerson Radio Corp, which are listed on SGX-ST and the New York Stock Exchange, respectively.

Senior Management

Our senior management members are Kwok Ying Shing, Kwok Ying Chi, Sun Yuenan, Tam Lai Ling, Chen Gengxian, Jin Zhigang, Ji Jiaming, Gao Feng, Guo Huasu, Han Zhenjie, Luo Liangshang, Wei Na, Xing Tao, Zhang Ji and Cheung Hung Kwong. Kwok Ying Shing, Kwok Ying Chi, Sun Yuenan, Tam Lai Ling, Chen Gengxian and Jin Zhigang are also our executive directors. See the paragraphs headed “Chairman and Executive Director” and “Executive Directors” above for the description of their experience. The table below sets forth certain information regarding our senior management members (excluding executive Directors):

Name	Age	Position
JI Jiaming	51	Vice Chairman
GAO Feng	40	Vice President
GUO Huasu	36	Vice President
HAN Zhenjie	44	Vice President
LUO Liangshang	44	Vice President
WEI Na	39	Vice President
XING Tao	48	Vice President
ZHANG Ji	40	Vice President
CHEUNG Hung Kwong, Jim	45	Chief Financial Officer and Company Secretary

JI Jiaming (季加銘), Mr. Ji, aged 51, is our Vice Chairman and was appointed as an executive Director on 5 June 2012 and resigned as executive Director on 24 December 2012. Mr. Ji is primarily responsible for formulating the Group’s strategy. Mr. Ji has extensive experience in enterprise management, strategy formulation and engineering management. From December 1980 to May 2012, Mr. Ji served as the board chairman of China Construction Municipal Construction Corporation Limited, the general manager and deputy general manager of China Architecture First Building (Group) Corporation Limited, and held various positions in China Construction First Building Development Corporation, including board chairman. Mr. Ji obtained his master’s degree in business administration from Capital University of Economics and Business in March 2002.

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

GUO Huasu (郭華蘇), Mr. Guo, aged 36, was appointed as Vice President of our Group in May 2011. Mr. Guo is primarily responsible for our capital management, operation planning and management, human resources and administration management. Mr. Guo joined us in 2007 as assistant to general manager. Prior to joining us, Mr. Guo served in Huabao International Holdings Ltd. and Feishang Group Ltd. and was primarily responsible for business development and investment management. Mr. Guo graduated from Finance and Banking Institute of China and obtained a bachelor’s degree of economics in 1999.

HAN Zhenjie (韓振捷), Mr. Han, aged 44, is our Vice President. He was appointed as an executive Director and regional president on 24 November 2010 and resigned as executive Director on 24 December 2012. Mr. Han is primarily responsible for the Group’s design management of hotel and commercial projects. Mr. Han has been the vice president of the Group since February 2007. He rejoined the Group in January 2007 as deputy general manager of Kaisa Property (Shenzhen) Co., Ltd. Mr. Han has been a PRC

registered First Class Architect since 2000. Mr. Han has over 11 years of experience in architecture. From 2005 to 2006, he served as vice president of design in Fantasia Group (China) Co., Ltd., a property development company. From 2002 to 2005, he held various positions in our Group, including chief architect, manager of design department, project manager of the Mocha Town project and director of design. From 2000 to 2002, Mr. Han served as deputy general manager and deputy chief architect in Shenzhen Huaxin Architects Engineers & Consultants International Co., Ltd. From 1997 to 2000, he served in Citymark Aecom Co., Ltd., Shenzhen, as manager at the construction division responsible for construction drawing and design. Mr. Han graduated with a bachelor's degree in engineering from Tsinghua University, China in 1991.

LUO Liangshang (羅良尚), Mr. Luo aged 44, is a Vice President of our Group and was appointed in May 2012. Mr. Luo is primarily responsible for our engineering and procurement management. Mr. Luo joined us in July 2009 as director of engineering. Prior to joining us, he served in Guangzhou Vanke Real Estate Company Limited as general manager of Eastern Region from May 2007 to July 2009. From January 2004 to May 2007, Mr. Luo served in Guangdong Pearl River Engineering General Contracting Company as director. From November 2001 to December 2003, Mr. Luo served in The First Construction Engineering Limited Company (Xi'an) of China Construction Third Engineering Bureau as general manager. Mr. Luo graduated from Chongqing College of Architecture and Engineering with a bachelor's degree of industrial and civil construction in 1992, and obtained his master's degree in architecture and civil engineering field from Tsinghua University in 2002.

WEI Na (魏娜), Ms. Wei aged 39, is a Vice President of our Group and was appointed in July 2012. Ms. Wei is primarily responsible for the Group's merger and acquisition activities. Prior to joining us in February 2006, from September 2005 to January 2006, she served as a lawyer with Guangdong Sincere Partners & Attorneys. From April 2004 to September 2005, Ms. Wei served as a lawyer with Hills & Co. Law Firm. From August 1995 to April 2004, Ms. Wei served as a lawyer with Great Wall Law Firm. Ms. Wei graduated from Inner Mongolia University in July 1995 with a bachelor's degree in law and obtained a master's degree in law from Tsinghua University in January 2005.

XING Tao (邢濤), Mr. Xing, aged 48, was appointed as our Vice President in October 2010. Mr. Xing is primarily responsible for our design management. Prior to joining us in April 2010, from September 2001 to May 2010, Mr. Xing was a vice president in Horoy Holdings Limited, a real estate company. From February 1992 to September 2001, Mr. Xing was a technical manager in Western Real Estate Company of Shenzhen Wabo Group. From July 1986 to February 1992, Mr. Xing was a construction supervisor in the Shenzhen branch of Design & Research Institute of Wuhan Iron & Steel Group. In 1986, Mr. Xing received a higher diploma in architecture from Jiangnan University.

ZHANG Ji (張驥), Mr. Zhang, aged 40, was appointed as Vice President of our Group in September 2009. He is primarily responsible for our accounting and financial management. Mr. Zhang joined us in June 2009 as assistant to the president. Prior to joining us, Mr. Zhang was deputy general manager in Horoy Holdings Limited, a real estate company, from June 2007 to June 2009. He served as director of finance in Shenzhen Feishang Business Development Co., Ltd., an investment holding company engaged in long-term investment in metal and transportation industries, from June 2005 to May 2007. From July 2000 to June 2005, Mr. Zhang was director of finance in Shenzhen Hongkai (Group) Co. Ltd., a real estate company. From January 1998 to June 2000, he worked in an international accounting firm in Shenzhen. Mr. Zhang graduated with a bachelor's degree in accounting from Xi'an Highway University, China in 1993.

CHEUNG Hung Kwong (張鴻光), Mr. Cheung, aged 45, was appointed as Chief Financial Officer of our Group in October 2009 and has been the company secretary and a joint authorized representative of our Company since November 2009. Mr. Cheung is primarily responsible for our corporate finance and investor relations. Mr. Cheung joined us in July 2008 as finance director. He has been a member of the American Institute of Certified Public Accountants (AICPA) since August 1996 and a chartered financial analyst qualified by the CFA Institute in the U.S. since September 2000. Mr. Cheung has over 15 years of experience in audit, accounting and corporate finance. From March 2003 to March 2008, Mr. Cheung served in Boto International Holdings Limited, a festival product manufacturing company, and held various positions, including financial controller, chief financial officer and consultant. From 1994 to 2003, he worked for PricewaterhouseCoopers. Mr. Cheung graduated from University of Hong Kong with a bachelor's degree (with honors) in physics and mathematics in 1990 and obtained a master's degree (with distinction) in quantum fields and fundamental forces from Imperial College of Science, Technology and Medicine, University of London in 1992. Mr. Cheung is currently an independent non-executive director and Chairman of the audit committee of China Aluminum International Engineering Corporation Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 2068).

Company Secretary

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

CORPORATE SOCIAL RESPONSIBILITY REPORT

As a listed company, our Group has actively shouldered its social responsibilities throughout the past years. Its contribution to the disabled and orphans, poverty alleviation, improvement of livelihood and support for educational, sporting and cultural activities has received high recognition from the community.

In 2012, in addition to public facilities, urban facilities, education and culture, Kaisa has paid special attention to the vulnerable groups in our society. The goal of Kaisa's charity works is not only limited to direct donation of money and resources, but to leverage, on an ongoing basis, on Kaisa's own brand recognition to foster the development of charitable events through normalized, systematic and standardized operation mechanism.

Up to now, our Group has sponsored nearly 50 charity projects, with donation aggregating over RMB300 million. Our Group has also established a charity platform of "Three Funds and One Foundation" (三金一會), comprising Kaisa Medical Workers Caring Fund (佳兆業白衣天使基金), Kaisa Yushu Education Fund (佳兆業玉樹助學基金), Kaisa Sanitation Workers Caring Fund (佳兆業環衛工關愛基金) and Kaisa Public Welfare Foundation (佳兆業公益基金會). Over years, our Group has received over 100 awards from various authorities and organizations and our compassionate image and passion for charity have both enhanced Kaisa's reputation.

Charity

In April 2012, our Group was named one of the TOP 50 on "China Charity List 2012" published by Forbes China, representing the awareness and recognition of our contribution to charity by the public. Our Group also raised funds for charitable events by taking the initiative to participate in various charitable activities, such as the first "Walks for Millions" in Shenzhen organized by the Community Chest (公益金百萬行) and the China Charity fair (中國公益慈展會).

Medical

In August and September 2012, as part of the "Kaisa Medical Workers Caring Project" (佳兆業白衣天使關愛工程), our Group organized two "Job Tension Relief Workshop" (職業減壓工作坊), showing love and care to the medical workers in Shenzhen through physical, cultural and spiritual means and relieving their pressure. The project has gained positive responses and comments from the medical professionals in various hospitals in Shenzhen. In addition, our Group's senior management showed their continuous care and support for medical sector by visiting and comforting the medical professionals.



Kaisa Group participated in the China Charity Fair



Job Tension Relief Workshop of Kaisa Medical Workers Caring Project

Education

Supporting students in poverty and caring for education are important means in our fulfillment of corporate citizenship. In August 2012, our staff travelled over 7,000 miles away to Yushu, Qinghai to issue monetary grants to 150 students in poverty. This was the first sponsorship of “Kaisa Yushu Education Fund” (佳兆業玉樹助學基金) granted since our charity donation to construct camp schools. In September 2012, our Group sponsored the “Teacher Festival and Outstanding Teacher Award Presentation Ceremony 2012” (2012年教師節暨優秀教師表彰大會) of Mocha Town School, sending festive greetings and complimentary gifts to the teaching staffs.

Environmental Protection

With a view to enhancing city environment, support environmental protection and promote sustainable development of the city, our Group has made generous donations on a number of occasions. In August 2012, to support the “City Green Building Enhancement Program” (城市綠化提升活動) organized by the Shenzhen Government, our Group donated a sum of RMB2 million to help improving greening as well as quality of the ecological environment in Shenzhen. The donation will be fully applied towards city green building in Shenzhen. In September 2012, our Group made donation of another RMB5 million to restore the surrounding environment for 47 schools in Buji, Shenzhen. In October 2012, our Group actively participated in the protection of marine ecological environment by initiating the “Dapeng Coral Conservation Program” (潛愛大鵬珊瑚保育計劃) of Kaisa Public Welfare Foundation.

Concern for Social Vulnerable Groups

In July 2012, our Group jointly established Kaisa Sanitation Workers Caring Fund (佳兆業環衛工關愛基金) with Shenzhen Caring Action Foundation (深圳市關愛行動公益基金會) and donated RMB1 million to support and award the excellence and poverty alleviation work conducted by sanitation workers in Shenzhen. Kaisa Sanitation Workers Caring Fund is the third named fund of Kaisa Group under Shenzhen Caring Action Foundation, following Kaisa Medical Workers Caring Fund and Kaisa Yushu Education Fund. The fund aims to promote the community spirit of “Caring, Thanksgiving and Contributing”.

Caring for Staffs

Our Group always regards people as the most valuable resources for its development. Our Group recruits professionals with different expertise and skills extensively, providing them with encouraging and challenging job duties and working environment, trainings and learning opportunities throughout their career development, as well as competitive remuneration and benefits and vibrant experience for spending their leisure time. Our Group also values the importance of sharing of knowledge and mutual learning, encourages staffs for continuous personal improvement and greater achievement, thereby achieving a win-win situation for both our staff and the Company.



Kaisa sponsored “Dapeng Cup” Green Marathon Tournament



Dapeng Coral Conservation Program



Showing love and care to an injured medical worker in Shenzhen Peng Cheng Hospital



Kaisa Sanitation Workers Caring Fund

CORPORATE GOVERNANCE REPORT

The board is pleased to present this Corporate Governance Report for the year ended 31 December 2012.

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

The Company is committed to achieving high standards of corporate governance. An internal corporate governance policy was adopted by the Board aiming at providing greater transparency, quality of disclosure as well as more effective risk and internal control. The execution and enforcement of the Company's corporate governance system is monitored by the Board with regular assessments. The Company believes that its commitment to high-standard practices will translate into long-term value and ultimately maximise returns to shareholders. The Company's management pledges to building long-term interests for shareholders via, for example, conducting business in a socially responsible and professional manner. The Board continues to monitor and review the Company's corporate governance practices to ensure compliance.

For the year ended 31 December 2012, the Board is of the view that, for the period from 1 January 2012 to 31 March 2012, the Company has complied with the code provisions on the Code on Corporate Governance Practices (the "Old Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and for the period from 1 April 2012 till 31 December 2012, the Company has complied with the code provisions included in the amendments made to the Old Code which took effect since 1 April 2012 (the "Code"), save for the deviations which are explained below.

Code A.6.7

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

Code E.1.2

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

(A) THE BOARD OF DIRECTORS

Board Composition

As at 31 December 2012, our Board consists of nine Directors including Mr. KWOK Ying Shing (chairman), Mr. KWOK Ying Chi (vice chairman), Mr. SUN Yuenan (vice chairman), Dr. TAM Lai Ling (vice chairman), Mr. CHEN Gengxian (vice chairman), Mr. JIN Zhigang (chief executive officer) as the Executive Directors and Mr. ZHANG Yizhao, Mr. RAO Yong and Mr. FOK Hei Yu as the Independent Non-Executive Directors. The overall management of the Company's operation is vested in the Board. Mr. KWOK Ying Shing is the brother of Mr. KWOK Ying Chi.

During the financial year ended 31 December 2012, in compliance with the new requirement under Rule 3.10(A) of the Listing Rules that the number of independent non-executive Directors must represent at least one-third of the Board, Mr. Ji Jiaming and Mr. Han Zhenjie resigned from the Board effective on 24 December 2012. Subsequent to these resignations, the Company has three independent non-executive Directors representing one-third of the members of the Board. In addition, as required under Rule 3.10 of the Listing Rules, at least one of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise.

Directors' Responsibilities

The Board takes on the responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitor the performance of the senior executives. The Directors have to make decisions objectively in the interests of the Company. As of 31 December 2012, the Board comprises nine Directors, including six executive Directors and three independent non-executive Directors. Their names and biographical details are set in the section entitled "Directors and Senior Management" in this annual report.

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

Delegation by the Board

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

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2012.

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

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

Directors' Responsibilities for Financial Statements

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

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

Chairman and Chief Executive Officer

Under provision A.2.1 of the Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. For the year ended 31 December 2012, in order to reinforce their respective independence, accountability and responsibility, the roles of the chairman and the chief executive officer have been performed by Mr. KWOK Ying Shing and Mr. JIN Zhigang, respectively.

The chairman plays a leadership role and is responsible for the effective functioning of the Board in accordance with the good corporate governance practice adopted by the Company. He is also responsible for instilling corporate culture and developing strategic plans for the Company. Under provisions A.2.1 and A.2.2 of the Code, the chairman would ensure that all Directors are properly briefed on issues arising at Board meetings and would be responsible for ensuring that Directors receive adequate information, which must be complete and reliable, in a timely manner. On the other hand, the chief executive officer primarily focuses on developing and implementing objectives and policies approved and delegated by the Board. The chief executive officer is also responsible for the Group's day-to-day management and operations and the formulation of the organization structure, control systems and internal procedures and processes of the Company for the Board's approval.

Independent Non-Executive Directors

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

All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board.

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

For the year ended 31 December 2012, all independent non-executive Directors of the Company had confirmed their independence to the Company in accordance with Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Board Meetings

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

For the year ended 31 December 2012, the Company has adopted the practice of holding Board meetings regularly for at least four times a year at approximately quarterly intervals. At least 14 days' notice will be given for a regular Board meeting to give all Directors an opportunity to attend. For all other Board meetings, reasonable notice will be given.

Pursuant to code provision A.1.1 of the Code, the Board should meet regularly and board meetings should be held at least four times a year. For the year ended 31 December 2012, it is considered that the Directors are well acknowledged to the business and the operation of the Group.

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

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

The Board procedures are in compliance with the articles of association (the "Articles") the Company, as well as relevant rules and regulations. For the year ended 31 December 2012, there were no significant changes to the Articles.

Appointment, Re-election and Removal of Directors

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

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

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

Training and Support for Directors

Directors must keep abreast of their collective responsibilities. Each newly appointed Director or alternative Director would receive an induction package covering the Group's businesses and the statutory regulatory obligations of a director of a listed company. The Group also provided briefings and other training to develop and refresh Directors' knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to Directors and senior management, where appropriate, to ensure awareness of best corporate governance practices.

A briefing session was organized for Directors on 13 December 2012 to update the Directors on the new amendments to the Code and the associated Listing Rules. In addition, briefings on directors' duties were given to the newly appointed executive Directors.

During the year ended 31 December 2012, the Directors also participated in the following trainings:

Directors	Types of training
Executive Directors	
Mr. KOWK Ying Shing	C
Mr. KWOK Ying Chi	C
Mr. SUN Yuenan	C
Dr. TAM Lai Ling	C
Mr. JI Jiaming (appointed on 5 June 2012 and resigned on 24 December 2012)	A,C
Mr. CHEN Gengxian	C
Mr. HAN Zhenjie (resigned on 24 December 2012)	C
Mr. JIN Zhigang (appointed on 8 February 2012)	A,C
Independent Non-Executive Directors	
Mr. ZHANG Yizhao	B,C
Mr. RAO Yong	C
Mr. FOK Hei Yu	A,C

A: attending seminars and/or conferences and/or forums

B: giving talks at seminars and/or conferences and/or forums

C: reading newspapers, journals, Company newsletters and updates relating to the economy, general business, real estate or Directors' duties and responsibilities, etc.

Board Committees

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

Nomination Committee

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

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

The Nomination Committee comprises Mr. KWOK Ying Shing as the chairman, Mr. ZHANG Yizhao, Mr. RAO Yong and Mr. FOK Hei Yu as members.

The Nomination Committee was primarily responsible for the following duties during the year ended 31 December 2012:

- to review the structure, size and composition of the Board (including the skills, knowledge and experience) and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on selection of individuals nominated for directorships;
- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer of the Company; and
- to assess the independence of independent non-executive Directors.

Audit Committee

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

The Audit Committee consists of three members, all of whom are independent non-executive Directors. The Audit Committee comprises Mr. RAO Yong as chairman, Mr. ZHANG Yizhao and Mr. FOK Hei Yu as members. The Committee has recommended the Board to re-appoint Messrs. PricewaterhouseCoopers as the Company's external auditor for the financial year ending 31 December 2013 at the forthcoming AGM.

The Audit Committee was primarily responsible for the following duties during the year ended 31 December 2012:

- to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to develop and implement policy on engaging an external auditor to supply non-audit services;
- to review and monitor integrity of the Company's financial statements, annual report and accounts and half-year reports and to review significant financial reporting judgements contained in them;
- to review the Company's financial controls, internal control and risk management systems;
- to discuss the internal control system with management of the Company and ensure that the management has performed its duty to have an effective internal control system;
- to review the financial and accounting policies and practices of the Company and its subsidiaries; and
- to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and management's response, and to ensure that the Board provides a timely response to the issues raised.

Remuneration Committee

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

The Remuneration Committee was primarily responsible for the following duties during the year ended 31 December 2012:

- to make recommendations to the Board on the Company's policy and structure for all remunerations of Directors and senior management of the Company and on the establishment of formal and transparent procedures for developing policies on all such remunerations;
- to have the delegated responsibilities to determine the specific remuneration packages of all executive Directors and senior management members of the Company;
- to review and approve performance-based remunerations by reference to corporate goals and objectives resolved by the Board from time to time;
- to review and approve compensation payable to executive Directors and senior management of the Company in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is fair and not excessive for the Company;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is reasonable and appropriate; and
- to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The remuneration policy of the Group and details of the remuneration of the Directors are set out in the section headed "Report of the Directors" and note 27 to the financial statements. During the year ended 31 December 2012, the Remuneration Committee determined the remuneration packages of the executive Directors and senior management members of the Company, and reviewed the collective performance and individual performance as well as the performance-based bonus payment of them.

Meeting Attendance

The attendance of individual members of the Board at Board meetings, meetings of the Board committees and general meetings during the year ended 31 December 2012, as well as the number of such meetings held, is set out as follows:

Meetings attended/held

Directors	Board	Nomination Committee	Audit Committee	Remuneration Committee	General Meetings
Executive Directors					
Mr. KWOK Ying Shing	9/9	3/3		3/3	0/1
Mr. KWOK Ying Chi	9/9				0/1
Mr. SUN Yuenan	9/9				0/1
Dr. TAM Lai Ling	9/9				1/1
Mr. JI Jiaming*	8/9				0/1
Mr. CHEN Gengxian	9/9				0/1
Mr. HAN Zhenjie*	8/9				0/1
Mr. JIN Zhigang	8/9				0/1
Independent Non-Executive Directors					
Mr. ZHANG Yizhao	9/9	3/3	2/2	3/3	0/1
Mr. RAO Yong	9/9	3/3	2/2	3/3	0/1
Mr. FOK Hei Yu	9/9	3/3	2/2	3/3	0/1

* These Directors resigned with effect from 24 December 2012.

(B) FINANCIAL REPORTING AND INTERNAL CONTROL

Financial Reporting

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

The working scope and reporting responsibilities of Messrs. PricewaterhouseCoopers, the Company's external auditor, are set out on page 83 of the "Independent Auditor's Report" in this annual report.

External Auditors' Remuneration

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

During the year under review, the fee payable to Messrs. PricewaterhouseCoopers in respect of its audit services and non-audit services provided to the Company were RMB4.1 million and RMB1.9 million, respectively.

Internal Control

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

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

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

(C) COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, shareholders can contact the Computershare Hong Kong Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

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

Shareholder(s) holding not less than one-twentieth of the paid up capital of the Company can make a requisition to convene an extraordinary general meeting pursuant to Section 113 of the Companies Ordinance of Hong Kong (the "Ordinance"). The requisition must state the objects of the meeting, and must be signed by the relevant shareholder(s) and deposited at the registered office of the Company. Besides, Section 115A of the Ordinance provides that (i) shareholder(s) representing not less than one-fortieth of the total voting rights of all shareholders of the Company or (ii) not less than 50 shareholders holding the shares in the Company on which there has been paid up an average sum of not less than HK\$2,000 per shareholder can put forward proposals for consideration at a general meeting of the Company by depositing a requisition in writing signed by the relevant shareholder(s) at the registered office of the Company.

As at 31 December 2012, the Company had a diversified shareholding structure and had maintained sufficient public float as required under the Listing Rules.

REPORT OF THE DIRECTORS

The Board presents the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries are principally engaged in property development, property investment and property management. The activities and particulars of the Company's subsidiaries are set out in note 39 to the consolidated financial statements. An analysis of the Group's turnover and operating profit for the year by principal activities is set out in note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 87 in this annual report.

DIVIDENDS

The Board does not recommend the payment of any dividends for the year ended 31 December 2012.

PROPERTY AND EQUIPMENT

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

SHARE CAPITAL

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

RESERVES

Details of the movements in reserves of the Group during the year is set out in the consolidated statement of changes in equity. As at 31 December 2012, the distributable reserves of the Company amounted to approximately RMB639,687,000 (31 December 2011: RMB538,098,000).

SENIOR NOTES

On 28 April 2010, the Company issued senior notes due 2015 in the principal amount of US\$350 million at a coupon rate of 13.5% per annum for the purpose of, among others, debt prepayment, financing property projects and for general corporate use. On 14 June 2011, the Company issued additional 13.5% senior notes due 2015 in the aggregate principal amount of US\$300 million (collectively, the “Senior Notes”) for the purpose of financing the acquisition of the new land bank in the PRC and real estate projects. On 29 August 2011, the Company repurchased from open market an aggregate amount of US\$2 million of the Senior Notes. The repurchased Senior Notes were subsequently cancelled.

On 18 September 2012, the Company issued senior notes due 2017 in the principal amount of US\$250 million at a coupon rate of 12.875% per annum for the purpose of, among others, funding existing and new property projects and refinancing the Group’s existing indebtedness and for general corporate purposes.

Further details of the Senior Notes of the Company are set out in note 19 to the consolidated financial statements.

CONVERTIBLE BONDS

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

SENIOR SECURED GUARANTEED BONDS

On 15 March 2011, the Company issued RMB2 billion USD settled 8.5% senior secured guaranteed bonds due 2014 for the purpose of financing the acquisition of new land bank and property projects in the PRC.

BORROWINGS

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

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

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

CHARITABLE DONATIONS

The charitable donations made by the Group during the year amounted to RMB17.8 million (2011: RMB14.5 million).

DIRECTORS

During the year ended 31 December 2012 and up to the date of this report, the Directors were as follows:

Executive Directors

Mr. KWOK Ying Shing

Mr. KWOK Ying Chi

Mr. SUN Yuenan

Dr. TAM Lai Ling

Dr. HUANG Chuanqi (resigned on 8 February 2012)

Mr. CHEN Gengxian

Mr. HAN Zhenjie (resigned on 24 December 2012)

Mr. JIN Zhigang (appointed on 8 February 2012)

Mr. JI Jiaming (appointed on 5 June 2012 and resigned on 24 December 2012)

Independent Non-Executive Directors

Mr. ZHANG Yizhao

Mr. RAO Yong

Mr. FOK Hei Yu

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

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

The biography of all the Directors and members of the senior management of the Company are set out on pages 50 to 55.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors (save for Mr. KWOK Ying Shing and Mr. KWOK Ying Chi) has entered into service contract with the Company for a term of three years, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing. Each of the independent non-executive Directors has entered into letter of appointment with the Company and is appointed for a period of one year commencing on the date of listing, which will continue subject to re-election at the Company's general meeting, and such letter of appointment could be terminated by giving not less than three months' prior notice in writing. None of the Directors has entered into a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

(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 “Shares”) in respect of which options may be granted under the Pre-IPO Share Option Scheme is 50,000,000. A total of 50,000,000 options were granted under the Pre-IPO Share Option Scheme to the Directors and certain employees on 9 December 2009 with an exercise price of HK\$3.105 per Share, representing a 10% discount to the global offering price of HK\$3.45 per Share. No further options may be offered under the Pre-IPO Share Option Scheme. As consideration for the grant, HK\$1.00 is payable by a grantee to the Company upon acceptance of an option offer. For the year ended 31 December 2012, none of the options was exercised or cancelled, and 35,450,000 options were lapsed. As at 31 December 2012, there were no outstanding share options under the Pre-IPO Share Option Scheme. The summary below sets out the details of options granted pursuant to the Pre-IPO Share Option Scheme:

Grantee	Balance as of 1 January 2012	Grant during the year ended 31 December 2012	Exercised		Balance as of 31 December 2012
			during the year ended 31 December 2012	Lapsed during the year ended 31 December 2012 (Note 1)	
SUN Yuenan	3,000,000	–	–	(3,000,000)	–
TAM Lai Ling	–	–	–	–	–
HUANG Chuanqi (Note 2)	–	–	–	–	–
CHEN Gengxian	2,850,000	–	–	(2,850,000)	–
HAN Zhenjie (Note 2)	1,750,000	–	–	(1,750,000)	–
JIN Zhigang (Note 3)	1,900,000	–	–	(1,900,000)	–
JI Jiaming (Notes 2 and 3)	–	–	–	–	–
ZHANG Yizhao	500,000	–	–	(500,000)	–
RAO Yong	500,000	–	–	(500,000)	–
FOK Hei Yu	750,000	–	–	(750,000)	–
Other Employee	24,200,000	–	–	(24,200,000)	–
Total	35,450,000	–	–	(35,450,000)	–

Note:

- 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 ended on 8 December 2012; (ii) up to one-third of the options granted to a grantee less the number of options that has been exercised (rounded down to the nearest whole number) at any time during the period commencing from the second business day after the publication of the audited financial statements of the Company for the year ended 31 December 2010 and ended on 8 December 2012; and (iii) up to one third of the options granted to a grantee less the number of options that has been exercised (rounded down to the nearest whole number) at any time during the period commencing from the second business day after the publication of the audited financial statements of the Company for the year ended 31 December 2011 and ended on 8 December 2012.
- Mr. HUANG Chuanqi, Mr. HAN Zhenjie and Mr. JI Jiaming resigned as an executive Director with effect from 8 February 2012, 24 December 2012 and 24 December 2012, respectively.
- Mr. JIN Zhigang and Mr. JI Jiaming were appointed as an executive Director with effect from 8 February 2012 and 5 June 2012, respectively.

(II) Share Option Scheme

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

(1) Purpose of the Share Option Scheme

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

(2) Participants of the Share Option Scheme

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

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

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

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

As at 31 December 2012, a total of 531,540,000 options were granted under the Share Option Scheme. For the year ended 31 December 2012, a total of 450,000 options were exercised, no options were cancelled, and a total of 32,760,000 options were forfeited/lapsed. The number of options available for issue under the Share Option Scheme was 1,924,000 as at 31 December 2012. A total of 326,790,000 options were granted during the year ended 31 December 2012.

(4) Maximum entitlement of each Participant

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

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

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

(6) Payment on acceptance of option offer

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

(7) Basis of determining the subscription price

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

(8) Remaining life of the Share Option Scheme

The Share Option Scheme will remain valid until 9 December 2019 after which no further options may be granted. In respect of all options which remain exercisable on such date, the provisions of the Share Option Scheme shall remain in full force and effect. The summary below sets out the details of options granted as at 31 December 2012 pursuant to the Share Option Scheme:

Grantee	Balance as of 1 January 2012	Grant during the year ended 31 December 2012	Exercised during the year ended 31 December 2012	Forfeited/ Lapsed during the year ended 31 December 2012	Balance as of 31 December 2012
SUN Yuenan	10,000,000	10,020,000	–	–	20,020,000
TAM Lai Ling	40,000,000	15,030,000	–	–	55,030,000
HUANG Chuanqi (Note 1)	10,000,000	980,000	–	–	10,980,000
CHEN Gengxian	10,000,000	10,020,000	–	–	20,020,000
HAN Zhenjie (Note 2)	3,000,000	4,510,000	–	–	7,510,000
JIN Zhigang	4,500,000	10,020,000	–	–	14,520,000
JI Jiaming (Note 2)	–	10,020,000	–	–	10,020,000
ZHANG Yizhao	500,000	500,000	–	–	1,000,000
RAO Yong	500,000	500,000	–	–	1,000,000
FOK Hei Yu	750,000	500,000	–	–	1,250,000
Other Employees	94,400,000	264,690,000	(450,000)	(32,760,000)	325,880,000
Total	173,650,000	326,790,000	(450,000)	(32,760,000)	467,230,000

Note:

- (1) Dr. HUANG Chuanqi resigned as an executive Director with effect from 8 February 2012. 980,000 options were granted to him during the year ended 31 December 2012 in his capacity as a consultant to the Company.
- (2) Mr. JI Jiaming was appointed as an executive Director with effect from 5 June 2012. Both of Mr. HAN Zhenjie and Mr. JI Jiaming resigned as an executive Director with effect from 24 December 2012. Subsequent to their resignation as executive Directors, Mr. HAN Zhenjie remained as a vice president and Mr. JI Jiaming remained as a vice chairman of the Company.

As at 31 December 2012, a total of 79,010,000 options were exercisable.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

Directors' and Chief Executive's Interests in Securities

As at 31 December 2012, the interests and short positions of Directors and chief executive of the Company and their associates in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to 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 (%)
KWOK Ying Shing	Settlor/Beneficiary of the Kwok Family Trust	3,062,318,701	–	3,062,318,701	62.43 (Note 3)
KWOK Ying Chi	Settlor/Beneficiary of the Kwok Family Trust	3,062,318,701	–	3,062,318,701	62.43 (Note 3)
SUN Yuenan	Personal	–	20,020,000	20,020,000	0.41 (Note 4)
TAM Lai Ling	Personal	–	55,030,000	55,030,000	1.12 (Note 4)
CHEN Gengxian	Personal	–	20,020,000	20,020,000	0.41 (Note 4)
JIN Zhigang	Personal	–	14,520,000	14,520,000	0.30 (Note 4)
ZHANG Yizhao	Personal	–	1,000,000	1,000,000	0.02 (Note 4)
RAO Yong	Personal	–	1,000,000	1,000,000	0.02 (Note 4)
FOK Hei Yu	Personal	–	1,250,000	1,250,000	0.03 (Note 4)

Note:

- (1) These interests refer to the Shares that are beneficially owned through the Kwok Family Trust, a trust established for the benefit of the Kwok family. See “Substantial Shareholders”.
- (2) These shares refer to the Shares underlying options that have been granted under the Pre-IPO Share Option Scheme and/or the Share Option Scheme.
- (3) The percentage has been calculated based on 4,905,390,000 Shares in issue as at 31 December 2011.
- (4) The percentage has been calculated based on 4,905,840,000 Shares in issue as at 31 December 2012.

(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 associated corporation (%)
KWOK Ying Shing (Note)	Da Chang	Settlor/Beneficiary of the Kwok Family Trust	1	100
	Da Feng	Settlor/Beneficiary of the Kwok Family Trust	1	100
	Da Zheng	Settlor/Beneficiary of the Kwok Family Trust	1	100
	ChangYu	Settlor/Beneficiary of the Kwok Family Trust	1,000	100
KWOK Ying Chi (Note)	Da Chang	Settlor/Beneficiary of the Kwok Family Trust	1	100
	Da Feng	Settlor/Beneficiary of the Kwok Family Trust	1	100
	Da Zheng	Settlor/Beneficiary of the Kwok Family Trust	1	100
	ChangYu	Settlor/Beneficiary of the Kwok Family Trust	1,000	100

Note:

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

(iii) Long positions in the Senior Notes

Name of Director	Capacity	As at	Purchased	Disposed	As at	Approximate percentage of the issued debentures (%)
		1 January 2012	during the year ended 31 December 2012	during the year ended 31 December 2012	31 December 2012	
KWOK Ying Shing (Note 1)	Interest in controlled corporation	USD3,800,000	-	(USD3,800,000)	-	-
KWOK Ying Chi (Note 1)	Interest in controlled corporation	USD3,800,000	-	(USD3,800,000)	-	-

Note:

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

Save as disclosed above, as at 31 December 2012, none of the Directors knew of any person (not being a Director or chief executives of the Company) who had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations as recorded in the register which were required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. None of the Directors or their spouse or their children under the age of 18, had been granted any right to subscribe for the equity or debt securities of the Company or any of its associated corporations, or had exercised any such right during the year ended 31 December 2012.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 38 to the consolidated financial statements, no contract of significance to which the Company, its holding company or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2012.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group for the year ended 31 December 2012 are set out in notes 38 to the consolidated financial statements, which are in compliance with the requirements of the Listing Rules.

REMUNERATION POLICY

The remuneration policy (which includes the payment of the emoluments to the employees) of the employees of the Group is set up by the Remuneration Committee on the basis of the employees' performance, qualifications and experiences. Details of the remuneration of the Directors are set out in note 27 to the consolidated financial statements, having regard to the Company's operating results, individual performance of the Directors and comparable market statistics. The Company has adopted share option schemes as an incentive to Directors and eligible employees, details of the share option schemes are set out in note 36 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

Purchases

– the largest supplier	13%
– five largest suppliers in aggregate	34%

At no time during the year ended 31 December 2012, a Director, an associate of a Director or a shareholder of the Company (who to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in any of the Group's five largest suppliers or customers.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO") shows that, as at 31 December 2012, the following shareholders, other than those disclosed in the section headed "Directors' and Chief Executive's Interests in Securities," had notified the Company of its interests or short positions in the Shares or underlying Shares which would fail to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at 31 December 2012, so far as the Directors were aware, persons other than the Directors or chief executive of the Company, who had an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of substantial shareholder	Capacity	Type of interests	Number of shares (Note 1)	Approximate percentage of the issued share capital of the Company (%)
Da Chang	Beneficial owner	Corporation	1,000,307,622 (L) (Note 2 & 16)	20.40 (L)
Da Feng	Beneficial owner	Corporation	1,035,026,457 (L) (Note 2 & 16)	21.10 (L)
Da Zheng	Beneficial owner	Corporation	1,026,984,622 (L) (Note 2, 16 & 18)	20.93 (L)
Chang Yu	Interest in a controlled corporation	Corporation	3,062,318,701 (L) (Note 2, 16 & 18)	62.43 (L)
Good Health	Interest in a controlled corporation	Corporation	3,058,198,701 (L) (Note 2, 3 & 16)	62.35 (L)
Credit Suisse Trust Limited	Interest in a controlled corporation	Corporation	3,058,198,701 (L) (Note 4 & 16)	62.35 (L)
Kwok Chun Wai	Settlor/Beneficiary of the Kwok Family Trust	Family Trust	3,062,318,701 (L) (Note 4, 16 & 18)	62.43 (L)
TC Group Cayman Investment Holdings, L.P.	Interest in a controlled corporation	Corporation	431,309,914 (L) (Note 5, 6, 16 & 19)	8.79 (L)
TCG Holdings Cayman II, L.P.	Interest in a controlled corporation	Corporation	431,309,914 (L) (Note 5, 6, 16 & 19)	8.79 (L)
Credit Suisse (Hong Kong) Limited	Interest in a controlled corporation	Corporation	300,000,000 (L) 150,000,000 (S) (Note 7 & 17)	6.00 (L) 3.00 (S)
Credit Suisse (International) Holding AG	Interest in a controlled corporation	Corporation	300,000,000 (L) 150,000,000 (S) (Note 7 & 17)	6.00 (L) 3.00 (S)
Credit Suisse AG	Interest in a controlled corporation	Corporation	4,107,726,245 (L) 865,688,491 (S) (Note 7, 15 & 17)	82.15 (L) 17.31 (S)
Carlyle Asia Real Estate GP, L.P.	Interest in a controlled corporation	Corporation	258,785,949 (L) (Note 9, 10, 16 & 19)	5.28 (L)
Carlyle Asia Real Estate II GP, L.P.	Interest in a controlled corporation	Corporation	258,785,949 (L) (Note 8, 16 & 19)	5.28 (L)

Name of substantial shareholder	Capacity	Type of interests	Number of shares (Note 1)	Approximate percentage of the issued share capital of the Company (%)
Carlyle Asia Real Estate II, Ltd	Interest in a controlled corporation	Corporation	258,785,949 (L) (Note 8, 16 & 19)	5.28 (L)
Carlyle Asia Real Partners, L.P.	Interest in a controlled corporation	Corporation	258,785,949 (L) (Note 9, 16 & 19)	5.28 (L)
Carlyle Asia Real Estate, Ltd	Interest in a controlled corporation	Corporation	258,785,949 (L) (Note 9, 16 & 19)	5.28 (L)
Carlyle Offshore Partners II, Ltd.	Interest in a controlled corporation	Corporation	431,309,914 (L) (Note 10, 16 & 19)	8.79 (L)
Credit Suisse Holdings (USA), Inc.	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) (Note 11, 15 & 17)	75.83 (L) 14.31 (S)
Credit Suisse (USA) Inc.	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) (Note 11, 15 & 17)	75.83 (L) 14.31 (S)
Credit Suisse Private Equity, Inc.	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) (Note 11, 15 & 17)	75.83 (L) 14.31 (S)
DLJ Real Estate Capital IV, Inc.	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) (Note 12, 15 & 17)	75.83 (L) 14.31 (S)
DLJ Real Estate Capital IV, L.P.	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) (Note 12, 15 & 17)	75.83 (L) 14.31 (S)
DLJ Real Estate Capital Partners IV, L.P.	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) (Note 12, 15 & 17)	75.83 (L) 14.31 (S)
RECP IV Kaisa, LLC	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) (Note 12, 14, 15 & 17)	75.83 (L) 14.31 (S)
Longhill Holding Company Ltd	Interest in a controlled corporation	Corporation	258,785,949 (L) (Note 13, 16 & 19)	5.28 (L)

Notes:

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

16. The percentage has been calculated based on 4,905,390,000 Shares in issue as of 31 December 2011.
17. The percentage has been calculated based on 5,000,000,000 Shares in issue as of 31 December 2009.
18. On 7 June 2012, Mr. KWOK Chun Wai indirectly purchased 2,000,000 Shares (the "Purchase") through Credit Suisse Trust Limited and the intermediate holding companies, namely, Da Zheng and Chang Yu. The Purchase did not constitute a relevant event pursuant to which a mandatory notification to the Stock Exchange is required under the SFO. However, Mr. KWOK Chun Wai, Da Zheng and Chang Yu made a voluntary filing with the Stock Exchange in respect of the Purchase, while Credit Suisse Trust Limited and its nominee, Good Health, did not make any voluntary filing.
19. On 17 December 2012, approximately half of such Shares were sold to the public.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the public float as required by the Listing Rules since the date of listing and up to 31 December 2012.

CORPORATE GOVERNANCE

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

AUDITOR

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

PROFESSIONAL TAX ADVICE RECOMMENDED

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

On behalf of the Board

KWOK Ying Shing

Chairman

Hong Kong, 21 February 2013



羅兵咸永道

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

We have audited the consolidated financial statements of Kaisa Group Holdings Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 84 to 169, which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 February 2013

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	307,948	148,725
Investment properties	7	7,539,500	6,375,100
Land use rights	8	60,485	20,603
Investment in an associate	9	–	298,979
Deferred income tax assets	20	208,941	105,601
		8,116,874	6,949,008
Current assets			
Properties under development	11	31,670,226	22,159,585
Completed properties held for sale	12	3,169,518	1,342,662
Debtors, deposits and other receivables	13	5,843,114	3,697,460
Prepayments for proposed development projects	14	3,608,772	2,915,684
Prepaid taxes		191,806	153,891
Restricted cash	15	669,784	541,030
Cash and cash equivalents	16	4,682,502	3,945,389
		49,835,722	34,755,701
Total assets		57,952,596	41,704,709
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	17	432,246	432,210
Share premium	17	3,817,526	3,816,563
Reserves	18	10,100,417	7,692,893
		14,350,189	11,941,666
Non-controlling interests		703,994	7,786
Total equity		15,054,183	11,949,452

	Note	2012 RMB'000	2011 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	19	12,257,358	11,577,305
Financial derivatives	19(d)	59,084	–
Deferred income tax liabilities	20	1,143,247	1,079,415
		13,459,689	12,656,720
Current liabilities			
Advance proceeds received from customers	21	13,878,568	7,241,863
Advance deposits received	21	3,365,279	–
Accrued construction costs		5,414,517	5,274,097
Income tax payable		1,480,732	989,100
Borrowings	19	3,150,338	2,067,186
Other payables	22	1,697,391	1,522,814
Amounts due to non-controlling interests of subsidiaries		451,899	3,477
		29,438,724	17,098,537
Total liabilities		42,898,413	29,755,257
Total equity and liabilities		57,952,596	41,704,709
Net current assets		20,396,998	17,657,164
Total assets less current liabilities		28,513,872	24,606,172

The notes on pages 90 to 169 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 84 to 169 were approved by the Board of Directors on 21 February 2013 and were signed on its behalf.

Director

Director

BALANCE SHEET

As at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	10	14,832,036	11,890,875
Current assets			
Debtors, deposits and other receivables	13	2,214	2,213
Cash and cash equivalents	16	102,206	510,450
		104,420	512,663
Total assets		14,936,456	12,403,538
EQUITY			
Share capital	17	432,246	432,210
Share premium	17	3,817,526	3,816,563
Reserves	18	993,522	888,762
Total equity		5,243,294	5,137,535
LIABILITIES			
Non-current liabilities			
Borrowings	19	8,299,561	7,256,105
Financial derivatives	19(d)	59,084	–
		8,358,645	7,256,105
Current liabilities			
Other payables	22	9,904	9,898
Borrowings	19	1,324,613	–
		1,334,517	9,898
Total liabilities		9,693,162	7,266,003
Total equity and liabilities		14,936,456	12,403,538
Net current (liabilities)/assets		(1,230,097)	502,765
Total assets less current liabilities		13,601,939	12,393,640

The notes on pages 90 to 169 are an integral part of these financial statements.

The financial statements on pages 84 to 169 were approved by the Board of Directors on 21 February 2013 and were signed on its behalf.

Director

Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Revenue	5	11,955,020	10,834,726
Cost of sales	24	(8,069,591)	(7,601,182)
Gross profit		3,885,429	3,233,544
Other gains-net	23	226,051	43,309
Selling and marketing costs	24	(578,325)	(404,841)
Administrative expenses	24	(818,386)	(565,048)
Change in fair value of investment properties	7	501,075	432,712
Change in fair value of financial derivatives	19(d)	54,710	-
Operating profit		3,270,554	2,739,676
Share of result from an associate	9	(462)	(542)
Finance income		37,811	155,121
Finance costs		(38,501)	(69,287)
Finance (costs)/income-net	25	(690)	85,834
Profit before income tax		3,269,402	2,824,968
Income tax expenses	28	(1,153,225)	(925,690)
Profit and total comprehensive income for the year		2,116,177	1,899,278
Profit attributable to:			
Equity holders of the Company		2,072,219	1,900,954
Non-controlling interests		43,958	(1,676)
		2,116,177	1,899,278
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
- Basic	29	0.422	0.388
- Diluted	29	0.406	0.372

The notes on pages 90 to 169 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	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 17)	(note 17)	(note 18)			
Balance as at 1 January 2011	432,150	3,815,214	5,741,093	9,988,457	4,936	9,993,393
Total comprehensive income for the year	–	–	1,900,954	1,900,954	(1,676)	1,899,278
Transactions with owners in their capacity as owners:						
Capital injection by non-controlling interests	–	–	–	–	26	26
Partial disposal of a subsidiary (note 35(a))	–	–	–	–	4,500	4,500
Exercise of shares options (note 17(a))	60	1,349	(211)	1,198	–	1,198
Share-based payments	–	–	51,057	51,057	–	51,057
Balances as at 31 December 2011	432,210	3,816,563	7,692,893	11,941,666	7,786	11,949,452
Balance as at 1 January 2012	432,210	3,816,563	7,692,893	11,941,666	7,786	11,949,452
Total comprehensive income for the year	–	–	2,072,219	2,072,219	43,958	2,116,177
Transactions with owners in their capacity as owners:						
Dividend paid to non-controlling interests	–	–	–	–	(50,000)	(50,000)
Acquisition of non-controlling interests (note 34(a))	–	–	–	–	(26)	(26)
Capital injection by non-controlling interests	–	–	–	–	19,700	19,700
Disposal of subsidiaries (note 35(b))	–	–	(23,341)	(23,341)	–	(23,341)
Deemed disposal of subsidiaries without loss of control (note 35(c))	–	–	104,950	104,950	460,595	565,545
Partial disposal of a subsidiary without loss of control (note 35(a))	–	–	196,503	196,503	203,497	400,000
Acquisition of subsidiaries (note 34(b))	–	–	–	–	18,484	18,484
Exercise of shares options (note 17(b))	36	963	(264)	735	–	735
Share-based payments	–	–	57,457	57,457	–	57,457
Balances as at 31 December 2012	432,246	3,817,526	10,100,417	14,350,189	703,994	15,054,183

The notes on pages 90 to 169 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	30	1,648,659	(2,210,711)
Income tax paid		(905,664)	(743,422)
Interest paid		(1,468,363)	(1,095,597)
Net cash used in operating activities		(725,368)	(4,049,730)
Cash flows from investing activities			
Purchase of property and equipment		(73,260)	(69,749)
Additions to investment properties		(531,261)	(473,188)
Acquisition of subsidiaries, net of cash acquired	34(b)	(831,288)	(1,170,407)
Acquisition of non-controlling interests	34(a)	(26)	–
Proceeds from disposal of an associate		442,160	–
Payment for consideration payable related to purchase of subsidiaries and an associate		(186,105)	(303,398)
Proceeds from disposal of property and equipment	30	463	181
Repurchase of Senior Note	19(a)	–	(11,390)
Interest received		21,964	20,959
Net cash used in investing activities		(1,157,353)	(2,006,992)
Cash flows from financing activities			
Proceeds from borrowings		2,931,000	5,652,251
Repayments of borrowings		(3,533,450)	(3,633,859)
Proceeds from issuance of Senior Note	19(a)	1,528,155	1,780,785
Proceeds from issuance of Senior Secured Guaranteed Bonds	19(c)	–	1,911,737
Proceeds from issuance of Exchangeable Term Loan	19(d)	756,989	–
Capital injection by non-controlling interests		19,700	26
Proceeds from partial disposal of a subsidiary without loss of control	35(a)	400,000	4,500
Proceeds from deemed disposal of subsidiaries without loss of control	35(c)	565,545	–
Dividend paid to non-controlling interests		(50,000)	–
Proceeds from exercise of share options	17	735	1,198
Net cash generated from financing activities		2,618,674	5,716,638
Net increase/(decrease) in cash and cash equivalents		735,953	(340,084)
Cash and cash equivalents at beginning of year		3,945,389	4,339,600
Exchange adjustments		1,160	(54,127)
Cash and cash equivalents at end of year	16	4,682,502	3,945,389

The notes on pages 90 to 169 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

These consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors of the Company on 21 February 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

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

(i) New and amended standards adopted by the Group

In December 2010, the HKICPA amended HKAS 12 “Income taxes” to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

The board of directors considers the Group’s business model is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, the presumption is rebutted and related deferred tax is not remeasured upon the adoption of this amendment. There are no significant impact on the Group’s results of operations and financial position.

There are no other amended standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

- (ii) **New standards, amendments to standards and interpretation that have been issued but were not yet effective**
The following new/revised standards, amendments and interpretations have been issued but were not effective for the financial year beginning on 1 January 2012 and have not been adopted early by the Group:

		Effective for the accounting period beginning on or after
HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income	1 July 2012
HKAS 19 (Revised 2011)	Employee Benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate Financial Statements	1 January 2013
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures	1 January 2013
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 1 (Amendment)	Government Loans	1 January 2013
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosures of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures	1 January 2015
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities	1 January 2014
HKFRSs (Amendment)	Annual improvements 2009–2011 Cycle	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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

(b) Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances where it does not have more than 50% of voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

(i) Business combinations

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation *(Continued)*

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This means that the amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iv) Separate financial statements

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

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

(c) Associate

Associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associate is accounted for using equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in an associate includes goodwill identified on acquisition.

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

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

(c) Associate (*Continued*)

The Group determines at each reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to ‘share of result from an associate’ in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group’s financial statements only to the extent of unrelated investor’s interest in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of an associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investment in associate is recognised in profit or loss.

(d) Segment reporting

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

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in Renminbi, which is the functional currency of the Company and the presentation currency of the Company and the Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within ‘finance income or cost’. All other foreign exchange gains and losses are presented in profit or loss within ‘other gains – net’.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation *(Continued)*

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

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

(iv) Disposal of foreign operation and partial disposal

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

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

(f) Impairment of non-financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

(g) Land use rights

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

(h) Property and equipment

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

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

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

Hotel properties	20–25 years
Buildings	20–25 years
Motor vehicles	5–10 years
Furniture, fitting and equipment	3–8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "other gains-net" in profit or loss.

(i) Investment properties

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

Investment property comprises land and buildings held under operating leases.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

(i) Investment properties (*Continued*)

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

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

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

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

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

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

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

If the land use rights and the attached properties for own-use become an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of the land use rights and the attached properties under HKAS 16.

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

For a transfer from completed properties for sale to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

(j) **Financial assets**

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

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

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method, less any provision for impairment.

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

(k) **Impairment of financial assets carried at amortised cost**

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

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value using an observable market price.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(l) Properties under development

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

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

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

(m) Completed properties held for sale

Completed properties remaining unsold at the end of each reporting period are stated as inventory (or current assets held for sale) at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

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

(n) Trade and other receivables

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

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

(o) Cash and cash equivalents

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

Restricted cash are not included in cash and cash equivalents.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

(p) Share capital

Ordinary shares are classified as equity.

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

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

(q) Trade and other payables

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

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

(r) Borrowings

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

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

(s) Senior Notes and Senior Secured Guaranteed Bonds

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

(t) Convertible bonds

(i) Convertible bonds with equity component

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Convertible bonds *(Continued)*

(i) Convertible bonds with equity component *(Continued)*

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

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

(ii) Convertible bonds without equity component

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

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

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

(u) Borrowing costs

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

(v) Current and deferred income tax

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

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

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

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

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

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

(w) Employee benefits

(i) Employee leave entitlements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

(w) Employee benefits (*Continued*)

(ii) Retirement benefits

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

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

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

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

(iii) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(iv) Share-based payments

The Group operates equity-settled share option schemes. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market performance vesting conditions. Non-market performance vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

(w) Employee benefits (*Continued*)

(iv) Share-based payments (*Continued*)

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

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries undertakings, with a corresponding credit to equity in the parent entity accounts.

(x) Provisions, contingent liabilities and contingent assets

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

(y) Revenue recognition

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

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

(i) Sales of properties

(1) *Completed properties held for sale*

Revenue from sales of completed properties held for sale is recognised when the risks and rewards of properties are transferred to the purchasers, which occurs when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured.

(2) *Properties under development and proposed development projects*

Revenue from sales of properties under development and proposed development projects is recognised when the risks and rewards of properties or projects are transferred to the purchasers, which occurs when the relevant properties or projects have been delivered to the purchasers and collectability of related receivables is reasonably assured.

Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet as advance proceeds received under current liabilities.

(ii) Rental income

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

(iii) Property management

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

(iv) Hotel operation income

Hotel revenue from room rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Revenue recognition *(Continued)*

(v) Catering income

Revenue from restaurant operations is recognised when food, beverages and services are delivered or rendered to customers and collectability of the related receivables is reasonably assured.

(vi) Interest income

Interest income is recognised using the effective interest method.

(z) Leases

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

(i) The Group is the lessee

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

(ii) The Group is the lessor

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

(aa) Financial guarantee liabilities

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

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

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

3 FINANCIAL RISK MANAGEMENT

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

The Group's major financial instruments include debtors, deposits and other receivables, cash and cash equivalents, restricted cash, accrued construction costs, other payables, purchase consideration of subsidiaries, financial derivatives and borrowings. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

(a) Financial risk factors

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

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

(i) Market risk

(1) Foreign currency exchange risk

The Group

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

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

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

As at 31 December 2012, if RMB had strengthened/weakened by 5% against HKD and USD, with all other variables held constant, the Group's post-tax profit for the year would have been approximately RMB332,885,000 higher/lower (2011: RMB202,542,000, higher/lower), mainly as a result of net foreign exchange gains/losses on translation of HKD and USD denominated bank deposits and bank borrowings.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(1) Foreign currency exchange risk (Continued)

The Company

As at 31 December 2012, if RMB had strengthened/weakened by 5% against HKD and USD, with all other variables held constant, the Company's post-tax profit for the year would have been approximately RMB294,574,000 higher/lower (2011: RMB165,931,000, higher/lower), mainly as a result of net foreign exchange gains/losses on translation of HKD and USD denominated bank deposits and bank borrowings.

(2) Interest rate risk

The Group

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

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

As at 31 December 2012, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Group's post-tax profit for the year would have been RMB32,417,000 higher/lower (2011: RMB28,460,000 higher/lower).

The Company

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

As at 31 December 2012, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Company's post-tax profit for the year would have been RMB1,018,000 higher/lower (2011: RMB4,526,000 higher/lower).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(ii) Credit risk

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

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

The credit risk on liquid funds is limited because the counterparties are state-owned financial institutions and reputable banks with high credit rankings.

The Group has arranged bank financing for certain purchasers of property units for an amount up to 70% of the total purchase price of the property, and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly low.

(iii) Liquidity risk

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

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

The Group

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2012					
Borrowings	4,866,436	7,171,382	7,406,172	651,443	20,095,433
Accrued construction costs	5,414,517	-	-	-	5,414,517
Other payables	1,697,391	-	-	-	1,697,391
Amount due to non-controlling interests of subsidiaries	451,899	-	-	-	451,899
Total	12,430,243	7,171,382	7,406,172	651,443	27,659,240
At 31 December 2011					
Borrowings	3,756,535	2,732,236	10,949,001	776,450	18,214,222
Accrued construction costs	5,274,097	-	-	-	5,274,097
Other payables	1,522,814	-	-	-	1,522,814
Amount due to non-controlling interests of a subsidiary	3,477	-	-	-	3,477
Total	10,556,923	2,732,236	10,949,001	776,450	25,014,610

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The Company

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
At 31 December 2012				
Borrowings	2,612,754	4,308,111	6,356,788	13,277,653
Other payables	9,904	-	-	9,904
Total	2,622,658	4,308,111	6,356,788	13,287,557
At 31 December 2011				
Borrowings	810,129	810,129	8,522,620	10,142,878
Other payables	9,898	-	-	9,898
Total	820,027	810,129	8,522,620	10,152,776

(b) Capital risk management

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

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management (Continued)

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

The gearing ratios of the Group at 31 December 2012 and 2011 were as follows:

	2012 RMB'000	2011 RMB'000
Total borrowings (note 19)	15,407,696	13,644,491
Less: cash and cash equivalents (note 16) and restricted cash (note 15)	(5,352,286)	(4,486,419)
Net debt	10,055,410	9,158,072
Total equity	15,054,183	11,949,452
Gearing ratio	66.8%	76.6%

The decrease in the gearing ratio during 2012 was primarily resulted from using the Group's internally generated funds to finance its operations.

(c) Fair value estimation

According to HKFRS 7, financial instruments measured in the balance sheet at fair value are required to disclose the fair value measurements by level of the following fair value measurement hierarchy:

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

The carrying amounts of the Group's current financial assets, including debtors, deposits and other receivables, restricted cash and cash and cash equivalents, and the Group's current financial liabilities including current borrowings, accrued construction costs, other payables and amounts due to non-controlling interests of subsidiaries approximate their fair values due to their short maturities.

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

As at 31 December 2012, the Group's derivative financial instruments are categorised as level 3 financial instruments. The following table presents the changes in level 3 instruments for the year ended 31 December 2012.

	Derivative financial instruments RMB'000
Opening balance	–
Addition	114,357
Gains recognised in profit or loss	(54,710)
Exchange difference	(563)
Closing balance	59,084

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

(a) Fair value of investment properties

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

(b) Provision for properties under development and completed properties held for sale

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

As at 31 December 2012, based on management's best estimates, the Group has made a provision of RMB41,210,000 (2011:Nil) for completed properties held for sales.

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

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

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

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

If those undistributed earnings of the PRC subsidiaries are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred income tax liability would have been increased by the same amount of approximately RMB294,232,000 (2011: RMB344,426,000).

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

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The executive directors assess the performance of the single operating segment based on a measure of profit before share of result from an associate, finance income, finance costs and income tax expenses.

The executive directors consider the business from services perspective only. From services perspective, management assesses the performance of sales of properties, rental income, hotel and catering operations and property management services and regards these being the reportable segments. No geographical segment analysis is presented as the majority of the assets and operation of the Group are located in the PRC, which is considered as one geographical location in an economic environment with similar risk and returns.

5 SEGMENT INFORMATION (Continued)

Revenue for the year consists of the following:

	2012 RMB'000	2011 RMB'000
Turnover		
Sales of properties		
– Completed properties held for sale	9,528,507	10,065,614
– Properties under development and proposed development projects	2,069,370	510,000
Rental income	169,561	151,024
Property management services	137,180	108,088
Hotel and catering operations	50,402	–
	11,955,020	10,834,726

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2012 is as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering RMB'000	Others RMB'000	Total RMB'000
Revenue	11,597,877	169,561	137,180	50,402	–	11,955,020
Segment results before change in fair values of investment properties and financial derivatives	2,893,682	1,819	22,211	(31,838)	(171,105)	2,714,769
Change in fair value of investment properties (note 7)	–	501,075	–	–	–	501,075
Change in fair value of financial derivatives (note 19(d))	–	54,710	–	–	–	54,710
Segment results	2,893,682	557,604	22,211	(31,838)	(171,105)	3,270,554
Share of result from an associate	(462)	–	–	–	–	(462)
Finance income						37,811
Finance costs						(38,501)
Finance costs – net						(690)
Profit before income tax						3,269,402
Income tax expenses						(1,153,225)
Profit for the year						2,116,177
Other information:						
Depreciation (note 6)	25,671	3,094	1,064	6,402	5,711	41,942
Amortisation of land use rights (note 8)	852	–	–	652	–	1,504

5 SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	91,944,113	8,754,775	1,825,485	182,753	55,698,761	(100,854,038)	57,551,849
Unallocated							400,747
Total assets							57,952,596
Segment liabilities	63,297,796	3,385,844	923,284	111,307	37,174,026	(80,025,519)	24,866,738
Unallocated							18,031,675
Total liabilities							42,898,413
Other information: Capital expenditure (notes 6 and 7)	31,043	540,319	4,055	23,616	5,488	-	604,521

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2011 is as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Others RMB'000	Total RMB'000
Revenue	10,575,614	151,024	108,088	-	10,834,726
Segment results before change in fair value of investment properties	2,857,963	23,382	17,850	(592,231)	2,306,964
Change in fair value of investment properties (note 7)	-	432,712	-	-	432,712
Segment results	2,857,963	456,094	17,850	(592,231)	2,739,676
Share of result from an associate	(542)	-	-	-	(542)
Finance income					155,121
Finance costs					(69,287)
Finance income – net					85,834
Profit before income tax					2,824,968
Income tax expenses					(925,690)
Profit for the year					1,899,278
Other information:					
Depreciation (note 6)	16,600	3,325	3,135	7,150	30,210
Amortisation of land use rights (note 8)	791	-	-	-	791

5 SEGMENT INFORMATION (Continued)

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

No inter-company transfers or transactions are entered during the year ended 31 December 2012 and 2011.

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, advance deposits received, accrued construction costs, financial derivatives, other payables and amounts due to non-controlling interests of subsidiaries. They exclude deferred income tax liabilities, income tax payable and borrowings.

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

6 PROPERTY AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Total RMB'000
At 1 January 2011				
Cost	63,796	32,749	60,164	156,709
Accumulated depreciation	(13,324)	(14,658)	(22,587)	(50,569)
Net book amount	50,472	18,091	37,577	106,140
Year ended 31 December 2011				
Opening net book amount	50,472	18,091	37,577	106,140
Acquisition of subsidiaries (note 34)	–	–	2,585	2,585
Transfer from completed properties held for sale	2,665	–	–	2,665
Additions	633	20,442	48,674	69,749
Disposals	–	(388)	(1,816)	(2,204)
Depreciation	(3,475)	(6,619)	(20,116)	(30,210)
Closing net book amount	50,295	31,526	66,904	148,725
At 31 December 2011				
Cost	67,094	51,514	92,707	211,315
Accumulated depreciation	(16,799)	(19,988)	(25,803)	(62,590)
Net book amount	50,295	31,526	66,904	148,725

6 PROPERTY AND EQUIPMENT (Continued)

	Hotel properties RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Total RMB'000
Year ended 31 December 2012					
Opening net book amount	–	50,295	31,526	66,904	148,725
Disposal of subsidiaries	–	–	(101)	(31)	(132)
Transfer between categories	8,576	(8,576)	–	–	–
Transfer from completed properties held for sale	110,888	5,165	–	–	116,053
Transfer from investment properties (note 7)	–	12,743	–	–	12,743
Additions	–	–	13,525	59,735	73,260
Disposals	–	–	(552)	(207)	(759)
Depreciation	(2,174)	(3,746)	(8,599)	(27,423)	(41,942)
Closing net book amount	117,290	55,881	35,799	98,978	307,948
At 31 December 2012					
Cost	119,464	74,916	63,979	151,743	410,102
Accumulated depreciation	(2,174)	(19,035)	(28,180)	(52,765)	(102,154)
Net book amount	117,290	55,881	35,799	98,978	307,948

As at 31 December 2012, buildings with net book amounts totaling RMB35,376,000 (2011: RMB16,485,000) were pledged as collateral for the Group's borrowings (note 19).

Depreciation expense of RMB41,942,000 (2011: RMB30,210,000) has been charged in administrative expenses during the year.

7 INVESTMENT PROPERTIES

	Under construction RMB'000 (note)	Completed RMB'000	Total RMB'000
As at 1 January 2011	3,636,100	1,847,900	5,484,000
Additions	473,188	–	473,188
Disposals	–	(14,800)	(14,800)
Increase in fair value	371,912	60,800	432,712
As at 31 December 2011	4,481,200	1,893,900	6,375,100
Additions	531,261	–	531,261
Transfer from completed properties held for sale	–	150,000	150,000
Transfer to property and equipment (note 6)	–	(12,743)	(12,743)
Transfer to land use rights (note 8)	–	(5,193)	(5,193)
Increase in fair value	370,539	130,536	501,075
As at 31 December 2012	5,383,000	2,156,500	7,539,500

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

	2012 RMB'000	2011 RMB'000
Rental income	120,937	111,106
Direct operating expenses arising from investment properties that generate rental income	39,312	43,714

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

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

- (i) Current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- (ii) Discounted cash flow projections based on reliable estimates of future cash flows;

7 INVESTMENT PROPERTIES (Continued)

- (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.

As at 31 December 2012, the key assumptions adopted in the valuation in determining fair value were in the following ranges for the Group's portfolio of properties:

	2012 RMB'000	2011 RMB'000
Capitalisation rate	3.5–7.0%	4.5–7.0%
Discount rate	6.2%–6.4%	6.1–6.9%
Expected vacancy rate	0.0%–5.0%	5.0%
Monthly rental (RMB/sqm/month)	91–435	173–419
Budgeted construction cost (RMB/sqm)	2,500–7,100	2,500–7,100
Anticipated developer's profit margin	15.0%–25.0%	12.0–25.0%
En-bloc property sale discount	7.0%	5.0–7.0%

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

	2012 RMB'000	2011 RMB'000
In the PRC, held on:		
Leases of over 50 years	327,600	1,012,000
Leases of between 10 to 50 years	7,211,900	5,363,100
	7,539,500	6,375,100

As at 31 December 2012, the investment properties with carrying values totaling RMB1,907,100,000 (2011: RMB2,292,300,000) were pledged as collateral for the Group's borrowings (note 19).

8 LAND USE RIGHTS

	2012 RMB'000	2011 RMB'000
At beginning of year	20,603	18,379
Transfer from completed properties held for sale	36,193	4,553
Transfer from investment properties (note 7)	5,193	–
Additions	–	1,726
Disposals	–	(3,264)
Amortisation – expensed in administrative expenses	(1,504)	(791)
At end of year	60,485	20,603
In the PRC, held on:		
Leases of over 50 years	6,429	9,115
Leases of between 10-50 years	54,056	11,488
	60,485	20,603

As at 31 December 2012, land use rights with net book amounts totaling RMB15,821,000 (2011: RMB5,380,000) were pledged as collateral for the Group's borrowings (note 19).

9 INVESTMENT IN AN ASSOCIATE

	2012 RMB'000	2011 RMB'000
Unlisted shares, share of net assets	–	298,979

9 INVESTMENT IN AN ASSOCIATE (Continued)

The Group's interest in its associate, of which is unlisted, is as follows:

Name	Particulars of registered capital RMB'000	Place of incorporation	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Net loss RMB'000	Interest indirectly held %
31 December 2011							
Xing Huo Ju Long Technology Investment Co., Ltd. 星火巨龍科技投資有限公司	68,000	PRC	139,049	115,242	–	542	49%

Note: On 15 December 2012, the Group disposed the associate with cash consideration of RMB688,240,000 to an independent third party (note 23).

10 SUBSIDIARIES

	Company	
	2012 RMB'000	2011 RMB'000
Non-current assets		
Unlisted shares, at cost	7	7
Share options issued on behalf of subsidiaries (note 18(c))	187,508	130,051
Due from a subsidiary (note b)	14,644,521	11,760,817
	14,832,036	11,890,875

Notes:

- (a) Details of the subsidiaries are set out in note 39.
- (b) The balance due from a subsidiary represents equity funding by the Company to a subsidiary as the Company does not expect repayment in the foreseeable future.

11 PROPERTIES UNDER DEVELOPMENT

	2012 RMB'000	2011 RMB'000
Amount comprises:		
Construction costs	13,705,311	9,163,779
Interest capitalised	1,659,038	912,618
Land use rights	16,305,877	12,083,188
	31,670,226	22,159,585

The properties under development are all located in the PRC.

As at 31 December 2012, properties under development of approximately RMB7,176,079,000 (2011: RMB9,178,530,000) were pledged as collateral for the Group's borrowings (note 19).

12 COMPLETED PROPERTIES HELD FOR SALE

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

As at 31 December 2012 and 2011, completed properties held for sale of approximately RMB86,678,000 (2011: RMB47,036,000) were pledged as collateral for the Group's bank borrowings (note 19).

13 DEBTORS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Trade receivables (note a)	1,296,022	842,679	–	–
Other receivables	234,400	258,897	–	–
Other deposits	329,323	189,731	2,214	2,213
Prepayments	139,580	90,533	–	–
Deposits for land acquisitions (note b)	3,462,425	2,121,917	–	–
Prepaid other taxes	381,364	193,703	–	–
	5,843,114	3,697,460	2,214	2,213

13 DEBTORS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes:

- (a) Trade receivables mainly arose from sale of properties. The ageing analysis of trade receivables of the Group by due date is as follows:

	2012 RMB'000	2011 RMB'000
Not yet due (note i)	1,070,450	375,900
Within 90 days (note ii)	182,748	466,779
91-180 days (note ii)	42,824	-
	1,296,022	842,679

- (i) As at 31 December 2012, the balance represented receivables from sales of commercial properties, properties under development and proposed development projects from independent third parties. These receivables are repayable within one year after the completion of certain legal documents, which is expected to be settled before the end of 2013.
- (ii) As at 31 December 2012, the balance primarily represented receivables from sales of residential properties from independent third parties. Generally, no credit terms are granted to these customers. The Group considered the above receivables were past due but not impaired as majority of the balances are due from customers in the process of applying mortgage loans (see note 3(a)(ii)). These relate to a number of independent customers for whom there is no recent history of default.
- (b) Deposits for land acquisitions arise from the acquisition of land in various regions in the PRC. These deposits would be converted into land use rights when the rights to use the lands have been obtained.
- (c) As at 31 December 2012, there is no provision made for trade and other receivables and no trade and other receivables were impaired.
- (d) The maximum credit risk exposure is the amount shown on the balance sheet.
- (e) The carrying amounts of the Group's receivables are mainly denominated in Renminbi.

14 PREPAYMENTS FOR PROPOSED DEVELOPMENT PROJECTS

The Group has entered into a number of contractual arrangements relating to redevelopment of certain areas, transfer of projects and other development projects with independent third parties and has made prepayments in accordance with the terms of these respective contracts. These prepayments would be converted into properties under development upon the completion of the contracts.

15 RESTRICTED CASH

Restricted cash mainly comprised of:

- (a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of presale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for construction materials and construction fees of the relevant property projects when approvals are obtained from local State-Owned Land and Resource Bureau. As at 31 December 2012, such guarantee deposits amounted to RMB157,060,000 (2011: RMB68,669,000). They will be released after pre-sale properties are completed or their property ownership certificates are issued, whichever is the earlier.
- (b) As at 31 December 2012, the Group's cash of RMB327,769,000 (2011: RMB321,322,000) was deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities (note 32) granted by the banks to the purchasers of the Group's properties.
- (c) As at 31 December 2012, the Group's cash of RMB184,955,000 (2011: RMB151,039,000) was deposited in certain banks as guarantee deposits for issuance of notes payables.

16 CASH AND CASH EQUIVALENTS

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Denominated in – RMB	5,019,310	3,704,694	719	2
Denominated in – HKD	225,733	388,389	3,574	130,428
Denominated in – USD	107,243	393,336	97,913	380,020
Less: Restricted cash (note 15)	5,352,286 (669,784)	4,486,419 (541,030)	102,206 –	510,450 –
Cash at bank and in hand	4,682,502	3,945,389	102,206	510,450

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

17 SHARE CAPITAL AND SHARE PREMIUM

	Note	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised:						
Ordinary share of HK\$0.10 each						
As at 1 January 2011, 31 December 2011 and 2012						
		50,000,000,000	5,000,000	4,405,545	–	4,405,545
Issue and fully paid:						
At 1 January 2011						
		4,904,670,000	490,467	432,150	3,815,214	4,247,364
Exercise of share options						
	(a)	720,000	72	60	1,349	1,409
As at 31 December 2011						
		4,905,390,000	490,539	432,210	3,816,563	4,248,773
At 1 January 2012						
		4,905,390,000	490,539	432,210	3,816,563	4,248,773
Exercise of share options						
	(b)	450,000	45	36	963	999
As at 31 December 2012						
		4,905,840,000	490,584	432,246	3,817,526	4,249,772

Notes:

- (a) For the year ended 31 December 2011, 720,000 shares were issued upon exercise of share options. Total proceeds were HK\$1,439,000 (equivalent to approximately RMB1,198,000). The weighted average share price at the time of exercise was HK\$2.54 per share. The related transactions costs were from the proceeds received.
- (b) For the year ended 31 December 2012, 450,000 shares were issued upon exercise of share options. Total proceeds were HK\$899,000 (equivalent to approximately RMB735,000). The weighted average share price at the time of exercise was HK\$2.41 per share. The related transactions costs were from the proceeds received.

18 RESERVES

	Group							
	Merger	Exchange	Statutory	Share	Capital	Conversion	Retained	Total
	reserve	reserve	reserves	option	reserve	option	earnings	
(note a)		(note b)	(note c)		(note 19(b))			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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 year	-	-	-	-	-	-	1,900,954	1,900,954
Exercise of share options (note 17(a))	-	-	-	(211)	-	-	-	(211)
Share-based payments (note c)	-	-	-	51,057	-	-	-	51,057
Transfer to statutory reserves	-	-	147,185	-	-	-	(147,185)	-
Balance at 31 December 2011	382	24,835	461,590	129,840	(394,475)	220,824	7,249,897	7,692,893
Profit for the year	-	-	-	-	-	-	2,072,219	2,072,219
Partial disposal of a subsidiary without loss of control (note 35(a))	-	-	-	-	196,503	-	-	196,503
Disposal of subsidiaries (note 35(b))	-	-	(23,341)	-	-	-	-	(23,341)
Deemed disposal of subsidiaries without loss of control (note 35(c))	-	-	-	-	104,950	-	-	104,950
Exercise of shares options (note 17(b))	-	-	-	(264)	-	-	-	(264)
Share-based payments (note c)	-	-	-	57,457	-	-	-	57,457
Share options lapsed	-	-	-	(54,022)	-	-	54,022	-
Transfer to statutory reserve	-	-	66,936	-	-	-	(66,936)	-
Balance at 31 December 2012	382	24,835	505,185	133,011	(93,022)	220,824	9,309,202	10,100,417

	Company			
	Share	Conversion	Retained	Total
	option	option	earnings	
reserve	reserves			
(note c)	(note 19(b))			
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2011	78,994	220,824	847,335	1,147,153
Profit for the year	-	-	(309,237)	(309,237)
Exercise of share option (note 17(a))	(211)	-	-	(211)
Share-based payments (note c)	51,057	-	-	51,057
Balance at 31 December 2011	129,840	220,824	538,098	888,762
Profit for the year	-	-	47,567	47,567
Exercise of share options (note 17(b))	(264)	-	-	(264)
Share-based payments (note c)	57,457	-	-	57,457
Share options lapsed	(54,022)	-	54,022	-
Balance at 31 December 2012	133,011	220,824	639,687	993,522

18 RESERVES (Continued)

Notes:

- (a) The merger reserve of the Group represents the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the group reorganisation in December 2007 and the nominal value of the share capital of the Company issued in exchange thereof. The reorganisation qualifies as common control combinations and has been accounted for using merger accounting.
- (b) In accordance with the relevant rules and regulations in the PRC and the provision of the articles of association of the PRC companies comprising the Group, before 1 January 2006, the local investment enterprises were required to appropriate at each year end 10% and 5% to 10% of the profit for the year after setting off the accumulated losses brought forward (based on figures reported in the statutory financial statements) to the statutory surplus reserve and the statutory public welfare fund (collectively the “Statutory Reserves”), respectively. After 1 January 2006, the local investment enterprises are allowed to appropriate 10% of the net profit to the Statutory Reserves until the accumulated appropriation exceeds 50% of the register capital.

For Chinese-foreign entities, in accordance with the Law of the PRC on Chinese-foreign Equity Joint Venture Enterprises, the percentage of profits to be appropriated to the Statutory Reserves are solely determined by the board of directors of these enterprises.

In accordance with the Laws of the PRC on Enterprises Operated Exclusively with Foreign Capital and the companies’ articles of association, an appropriation to the Statutory Reserves, after net of accumulated losses of previous years, have to be made prior to profit distribution to the investor. The appropriation for the Statutory Reserve of these foreign investment enterprises shall be no less than 10% of the net profit until the accumulated appropriation exceeds 50% of the registered capital.

For the year ended 31 December 2012, the board of directors of the Company’s subsidiaries in the PRC, including both local and foreign investment enterprises, appropriated RMB66,936,000 (2011: RMB147,185,000) to the Statutory Reserves.

- (c) Share option reserve represents value of employee services in respect of share options granted under the Pre-IPO Share Option Scheme (note 36(a)) and share option scheme (note 36(b)). All outstanding share options granted under Pre-IPO Share Option Scheme lapsed on 9 December 2012.

19 BORROWINGS

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Borrowings included in non-current liabilities:				
Bank borrowings – secured (note e)	2,029,250	3,132,251	–	–
Bank borrowings – unsecured	1,928,547	1,188,949	–	–
Senior Notes (note a)	5,612,915	3,994,995	5,612,915	3,994,995
Convertible Bonds (note b)	–	1,277,876	–	1,277,876
Senior Secured Guaranteed Bonds (note c)	2,012,020	1,983,234	2,012,020	1,983,234
Exchangeable Term Loan (note d)	674,626	–	674,626	–
	12,257,358	11,577,305	8,299,561	7,256,105
Borrowings included in current liabilities:				
Bank borrowings – secured (note e)	1,379,500	1,903,950	–	–
Bank borrowings – unsecured	446,225	163,236	–	–
Convertible bonds (note b)	1,324,613	–	1,324,613	–
	3,150,338	2,067,186	1,324,613	–
Total borrowings	15,407,696	13,644,491	9,624,174	7,256,105

19 BORROWINGS (Continued)

Notes:

(a) Senior Notes

On 28 April 2010, the Company issued 13.5% senior note due 2015 in an aggregate principal amount of US\$350,000,000 (equivalent to approximately RMB2,389,205,000) at 100% of face value (the “Senior Note 2010”). On 14 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”). On 18 September 2012, the Company issued additional 12.875% senior note due 2017 in an aggregate principal amount of US\$250,000,000 (equivalent to approximately RMB1,581,225,000) at 100% of face value (the “Senior Note 2012”) (collectively, the “Senior Notes”).

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

	Senior Note 2012 RMB'000	Senior Note 2011 RMB'000	Senior Note 2010 RMB'000
Nominal value	1,581,225	1,944,000	2,389,205
Less: transaction costs	(53,070)	(163,215)	(55,698)
Net proceeds	1,528,155	1,780,785	2,333,507

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

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

	Group and Company	
	2012 RMB'000	2011 RMB'000
Carrying amount as at 1 January	3,994,995	2,320,552
Additions	1,528,155	1,780,785
Repurchase	–	(11,390)
Accrued interest (note 25)	662,218	470,280
Coupon payment	(552,668)	(398,862)
Exchange difference	(19,785)	(166,370)
Closing amount as at 31 December	5,612,915	3,994,995

(b) Convertible Bonds

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

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

At the option of bond holders, the aggregate amount of RMB1,500,000,000 will be convertible into fully paid shares with a par value of HK\$0.1 each of the Company. The Convertible Bonds will mature in five years (December 2015) from the issue date at 100% of the nominal value or can be converted into ordinary shares of the Company on or after 30 January 2011 at an initial conversion price of HK\$2.82 per share at a fixed exchange rate of RMB1.00 to HK\$1.1656. In addition, at the option of the Group or the bondholders, all outstanding principal of the Convertible Bonds can be redeemed after 20 December 2013.

19 BORROWINGS (Continued)

Notes: (Continued)

(b) Convertible Bonds (Continued)

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

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

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

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

	RMB'000	
Face value of the Convertible Bond on issue	1,500,000	
Less: Equity component	(220,824)	
Transaction costs	(47,209)	
Liability component on initial recognition	1,231,967	
	2012	2011
	RMB'000	RMB'000
Carrying amount as at 1 January	1,277,876	1,236,827
Accrued interest (note 25)	168,737	162,721
Coupon payment	(122,000)	(121,672)
Carrying amount as at 31 December	1,324,613	1,277,876

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

The fair value of the liability component of the Convertible Bonds at 31 December 2012 amounted to RMB1,661,250,000 (2011: RMB1,102,500,000). The fair value is calculated using the market price of the Convertible Bonds on the balance sheet date (or the nearest day of trading).

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

(c) Senior Secured Guaranteed Bonds

On 15 March 2011, the Company issued RMB denominated US\$ settled 8.5% Senior Secured Guarantee Bonds due 2014 in an aggregate principal amount of RMB2,000,000,000 at 100% of face value (the "Senior Secured Guaranteed Bonds"). The net proceeds, after deducting the direct issuance costs, amounted to approximately RMB1,911,737,000. The Senior Secured Guaranteed Bonds will mature on 15 March 2014 (note 19(k)).

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

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

19 BORROWINGS (Continued)

Notes: (Continued)

(c) Senior Secured Guaranteed Bonds (Continued)

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

	RMB'000	
Nominal value	2,000,000	
Less: transaction costs	(88,263)	
Net proceeds	1,911,737	
	2012	2011
	RMB'000	RMB'000
Carrying amount as at 1 January/issue date	1,983,234	1,911,737
Accrued interest (note 25)	201,619	158,387
Coupon payment	(172,833)	(86,890)
Carrying amount as at 31 December	2,012,020	1,983,234

(d) Exchangeable Term Loan

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

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

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

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

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

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

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

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

19 BORROWINGS (Continued)

Notes: (Continued)

(d) Exchangeable Term Loan (Continued)

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

	RMB'000	
Face value of the Exchangeable Term Loan on issue		758,988
Less: Financial derivative component		(114,357)
Transaction costs		(1,999)
<hr/>		
Liability component on initial recognition		642,632
<hr/>		
	Liability Component RMB'000	Derivative Component RMB'000
<hr/>		
Carrying amount as at issue date	642,632	114,357
Accrued interest (note 25)	87,804	–
Coupon payment	(51,784)	–
Change in fair value	–	(54,710)
Exchange difference	(4,026)	(563)
<hr/>		
Carrying amount as at 31 December 2012	674,626	59,084

As at 31 December 2012, there was no conversion or redemption of the Exchangeable Term Loan (note 19(k)).

- (e) The Group's bank borrowings of RMB3,408,750,000 (2011: RMB5,036,201,000) were jointly secured by certain properties, investment properties, land use rights, properties under development and completed properties held for sale of the Group (notes 6, 7, 8, 11 and 12).
- (f) Bank borrowings are guaranteed by:

	2012 RMB'000	2011 RMB'000
Group companies		
– Secured	3,126,000	4,119,950
– Unsecured	2,374,771	1,352,185
<hr/>		
	5,500,771	5,472,135

19 BORROWINGS (Continued)

Notes: (Continued)

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

	6 months or less RMB'000	6-12 months RMB'000	1-5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Group					
Borrowings included in non-current liabilities:					
At 31 December 2012	1,428,546	2,179,250	8,649,562	–	12,257,358
At 31 December 2011	2,359,109	1,812,090	7,406,106	–	11,577,305
Borrowings included in current liabilities:					
At 31 December 2012	823,135	2,327,203	–	–	3,150,338
At 31 December 2011	1,117,186	950,000	–	–	2,067,186
Company					
Borrowings included in non-current liabilities:					
At 31 December 2012	–	–	8,299,561	–	8,299,561
At 31 December 2011	–	–	7,256,105	–	7,256,105
Borrowings included in current liabilities:					
At 31 December 2012	–	1,324,613	–	–	1,324,613
At 31 December 2011	–	–	–	–	–

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

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Between 1 and 2 years	5,294,956	1,649,297	2,686,646	–
Between 2 and 5 years	6,477,902	9,380,758	5,612,915	7,256,105
Over 5 years	484,500	547,250	–	–
	12,257,358	11,577,305	8,299,561	7,256,105

19 BORROWINGS (Continued)

Notes: (Continued)

- (i) The effective interest rates at each of the balance sheet dates were as follows:

	Group		Company	
	2012	2011	2012	2011
Bank borrowings, included in non-current liabilities	6.5%	6.5%	–	–
Bank borrowings, included in current liabilities	9.6%	11.6%	–	–
Senior Notes 2010	14.1%	14.1%	14.1%	14.1%
Senior Notes 2011	16.5%	16.5%	16.5%	16.5%
Senior Notes 2012	13.8%	–	13.8%	–
Convertible Bonds	13.1%	13.1%	13.1%	13.1%
Senior Secured Guaranteed Bonds	10.4%	10.4%	10.4%	10.4%
Exchangeable Term Loan	22.5%	–	22.5%	–

- (j) The carrying amounts of the Group's borrowings are denominated in RMB except for Senior Notes, Exchangeable Term Loan and bank borrowings of USD156,500,000 (equivalent to RMB983,681,000) (2011: USD156,500,000 (equivalent to RMB986,091,000)), which are denominated in USD, and approximate to their fair value.
- (k) On 3 January 2013, subsequent to the year ended 31 December 2012, the Company issued 10.25% senior note due 2020 in an aggregate principal amount of US\$500,000,000 (equivalent to approximately RMB3,142,750,000) at 100% of face value (the "Senior Note 2013"). The Company used the net proceeds of the Senior Note 2013 to repay the whole outstanding principal, accrued interests and early prepayment fee of Exchangeable Term Loan, and the Senior Secured Guaranteed Bonds, for a total of approximately RMB2,884,618,000 on 10 January 2013. The derivative instrument of Exchangeable Term Loan was terminated accordingly.

20 DEFERRED INCOME TAX

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

	Group	
	2012 RMB'000	2011 RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	98,796	85,561
– to be recovered within 12 months	110,145	20,040
	208,941	105,601
Deferred income tax liabilities:		
– to be settled after more than 12 months	(1,143,247)	(1,079,415)
The net movement on the deferred income tax is as follows:		
Beginning of the year	(973,814)	(896,162)
Recognised in the consolidated statement of comprehensive income (note 28)	39,508	(77,652)
End of the year	(934,306)	(973,814)

20 DEFERRED INCOME TAX (Continued)

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

Deferred income tax assets:

	Group Tax losses RMB'000
At 1 January 2011	75,075
Charged to the consolidated statement of comprehensive income	30,526
At 31 December 2011	105,601
Charged to the consolidated statement of comprehensive income	164,777
At 31 December 2012	270,378

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise tax losses amounting to RMB830,232,000 (2011: RMB373,066,000) that can be carried forward against future taxable income. These tax losses have no expiry date except that approximately RMB675,588,000 (2011: RMB234,307,000) will expiry from 2013 to 2017.

Deferred income tax liabilities:

	Group Revaluation arising from investment properties RMB'000
At 1 January 2011	971,237
Charged to the consolidated statement of comprehensive income	108,178
At 31 December 2011	1,079,415
Charged to the consolidated statement of comprehensive income	125,269
At 31 December 2012	1,204,684

At 31 December 2012, the unrecognised deferred income tax liabilities were RMB294,232,000 (2011: RMB195,529,000), relating to withholding tax that would be payable for undistributed profits of PRC subsidiaries, as the Directors consider that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these PRC subsidiaries as at 31 December 2012 amounted to RMB5,884,645,000 (2011: RMB3,910,572,000).

21 ADVANCE PROCEEDS AND ADVANCE DEPOSITS RECEIVED

	2012 RMB'000	2011 RMB'000
Advance proceeds received from customers (note a)	13,878,568	7,241,863
Advance deposits received from:		
– customers (notes b(i) and (ii))	1,790,824	–
– non-controlling interest (note b(iii))	1,574,455	–
	3,365,279	–
	17,243,847	7,241,863

Notes:

- (a) The amount represents deposits and installments received on properties sold to independent third parties after the issuance of pre-sale certificates by local government authorities.
- (b) The amounts represent deposits received from independent third parties and non-controlling interests of a project company on a number of individual property projects of which the pre-sales certificates have yet to be issued by the respective local government authorities.
- (i) Deposits totalling of RMB1,300,000,000 received from two independent third parties for purchasing property units of three different projects at certain discounts on the sale price which will be determined upon purchase. Should the independent third parties do not proceed with the purchase, the deposits are refundable within a specified period of time according to the agreement.
- (ii) Deposits of RMB490,824,000 received from an independent third party for purchasing properties at a pre-determined price upon purchases. Should the independent third party does not proceed with the purchase, the deposits are refundable within 3 years from 20 August 2012, the date of deposits received, according to the agreement.
- (iii) Deposits received from a non-controlling interest of a project company for purchasing properties at a price reference to market which will be determined upon purchases. Should the non-controlling interest does not proceed with the purchase, the deposits are refundable within a specified period of time according to the agreement.

22 OTHER PAYABLES

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Other payables and accruals (note a)	1,209,797	878,312	9,904	9,898
Note payables	208,367	209,707	–	–
Consideration payable related to purchase of subsidiaries	170,808	298,913	–	–
Consideration payable related to purchase of an associate	–	6,000	–	–
Other taxes payables	108,419	129,882	–	–
	1,697,391	1,522,814	9,904	9,898

Notes:

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

23 OTHER GAINS – NET

	2012 RMB'000	2011 RMB'000
Forfeited customer deposits	3,357	2,181
Consultation service income	20,291	–
Gain on disposal of an associate	242,861	–
Investment return from an infrastructure project	–	32,375
Impairment loss on completed properties held for sale	(41,210)	–
Others	752	8,753
	226,051	43,309

24 EXPENSES BY NATURE

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

	2012 RMB'000	2011 RMB'000
Auditor's remuneration	5,000	5,000
Advertising and other promotional costs	372,426	290,417
Agency fee	48,861	42,827
Business taxes (note)	538,426	568,625
Cost of properties sold	7,358,403	6,933,997
Depreciation (note 6)	41,942	30,210
Amortisation of land use rights (note 8)	1,504	791
Donations	17,789	14,455
Legal and professional fees	33,139	24,391
Operating lease rental	27,343	21,878
Staff costs – including directors' emoluments (note 26)	507,543	306,911
Office expenses	89,052	63,443
Travelling	26,265	21,145
Others	398,609	246,981
	9,466,302	8,571,071

Note:

The PRC companies comprising the Group are subject to business taxes or value-added tax on their revenues at the following rates:

Category	Rate
Sale of properties	5%
Rental income	5%
Property management	5%
Hotel and catering operations	5%

25 FINANCE (COSTS)/INCOME – NET

	2012 RMB'000	2011 RMB'000
Finance income:		
Interest income on bank deposits	21,964	20,959
Net exchange gains	15,847	134,162
	37,811	155,121
Finance costs:		
– Bank borrowings	521,352	488,174
– Senior Notes (note 19(a))	662,218	470,280
– Convertible Bonds (note 19(b))	168,737	162,721
– Senior Secured Guaranteed Bonds (note 19(c))	201,619	158,387
– Exchangeable Term Loan (note 19(d))	87,804	–
Total interest expense	1,641,730	1,279,562
Less: interest capitalised (note)	(1,603,229)	(1,210,275)
	38,501	69,287
Finance (costs)/income-net	(690)	85,834

Note: The capitalisation rate of borrowings is 10.41% (2011: 8.87%) for the year.

26 STAFF COSTS – INCLUDING DIRECTORS’ EMOLUMENTS

	2012 RMB’000	2011 RMB’000
Wages and salaries	374,551	198,003
Pension costs – statutory pension	21,338	13,920
Medical benefits	9,537	5,570
Share-based payments	57,457	51,057
Other allowances and benefits	44,660	38,361
	507,543	306,911

27 DIRECTORS’ AND SENIOR MANAGEMENT’S REMUNERATION

(a) Directors’ emoluments

Details of emoluments paid to each director for the year ended 31 December 2012 are as follows:

Name of director	Year ended 31 December 2012						
	Fees	Salary	Discretionary bonuses	Other benefits	Contribution to pension scheme	Share option benefits (note vi)	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Mr. Chen Gengxian	-	2,147	-	30	29	2,613	4,819
Mr. Fok Hei Yu	-	244	-	-	-	165	409
Mr. Han Zhenjie (note i)	-	1,896	-	30	29	970	2,925
Dr. Huang Chuanqi (note ii)	536	-	-	5	1	1,495	2,037
Mr. Jin Zhigang (note iii)	-	1,521	-	30	17	1,858	3,426
Mr. Ji Jiaming (note iv)	-	1,842	-	-	-	1,239	3,081
Mr. Kwok Ying Shing	-	3,414	-	-	11	-	3,425
Mr. Kwok Ying Chi	-	1,805	-	-	11	-	1,816
Mr. Rao Yong	-	244	-	-	-	131	375
Mr. Sun Yuenan	-	1,483	-	30	29	2,613	4,155
Dr. Tam Lai Ling	3,252	-	1,919	78	11	4,754	10,014
Mr. Zhang Yizhao	-	244	-	-	-	131	375
	3,788	14,840	1,919	203	138	15,969	36,857

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

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

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

Notes:

- (i) Resigned on 24 December 2012
- (ii) Resigned on 8 February 2012
- (iii) Appointed on 8 February 2012
- (iv) Appointed on 5 June 2012 and resigned on 24 December 2012
- (v) Resigned on 11 February 2011
- (vi) Share option benefits represent fair value of share options granted to the relevant Director which was charged to the consolidated statement of comprehensive income in accordance with HKFRS 2.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included 5 directors (2011: 5), whose emoluments are reflected in note (a) above.

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

	2012	2011
HK\$3,000,001 to HK\$4,000,000	–	–
HK\$4,000,001 to HK\$5,000,000	2	1
HK\$5,000,001 to HK\$10,000,000	2	3
HK\$10,000,001 or above	1	1
	5	5

During the years ended 31 December 2012 and 2011, none of the above individuals has received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office; none of the above individuals has waived or has agreed to waive any emoluments.

28 INCOME TAX EXPENSES

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

PRC enterprise income tax

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

Hong Kong profits tax

No Hong Kong profits tax was provided for the years ended 31 December 2012 and 2011 as the Group has no assessable profits arising in or derived from Hong Kong for the years.

PRC land appreciation tax

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

28 INCOME TAX EXPENSES (Continued)

	2012 RMB'000	2011 RMB'000
Current income tax		
– PRC enterprise income tax	974,782	632,084
– PRC land appreciation tax	224,718	271,870
Overprovision in prior years		
– PRC land appreciation tax	(6,767)	(55,916)
Deferred income tax (note 20)	(39,508)	77,652
	1,153,225	925,690

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

	2012 RMB'000	2011 RMB'000
Profit before income tax	3,269,402	2,824,968
Add: Share of losses from an associate	462	542
	3,269,864	2,825,510
Calculated at PRC foreign enterprise income tax rate of 25% (2011: 24%)	817,466	678,122
Effect of different income tax rates of certain companies	(21,917)	(37,679)
Effect of change in income tax rates of certain companies	(299)	16,267
Income not subject to tax	(19,126)	(20,246)
Expenses not deductible for tax purposes	33,486	41,164
Tax losses not recognised	125,664	32,108
	935,274	709,736
PRC enterprise income tax	935,274	709,736
PRC land appreciation tax	217,951	215,954
	1,153,225	925,690

29 EARNINGS PER SHARE

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

	2012	2011
Profit attributable to equity holders (RMB'000)	2,072,219	1,900,954
Weighted average number of ordinary shares in issue	4,905,400,683	4,904,936,959
Basic earnings per share (RMB)	0.422	0.388

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of RMB2,072,219,000 (2011: RMB1,900,954,000) and the weighted average of 4,905,400,683 shares (2011: 4,904,936,959 shares) in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary share outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2012, the Company has the Convertible Bonds (2011: the Convertible Bonds and share options) that have dilutive potential ordinary shares. The Convertible Bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expenses less the tax effect. For the share options, a calculation is 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 in full of the share options.

	2012	2011
Profit attributable to equity holders (RMB'000)	2,072,219	1,900,954
Adjustment for finance cost on Convertible Bonds	168,737	162,721
Profit used to determine diluted earnings per share (RMB'000)	2,240,956	2,063,675
Weighted average number of ordinary shares in issue	4,905,400,683	4,904,936,959
– Adjustment for Convertible Bonds	620,000,000	620,000,000
– Adjustment for share options (Note)	–	23,825,339
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	5,525,400,683	5,548,762,298
Diluted earnings per share (RMB)	0.406	0.372

Note: For the year ended 31 December 2012, the share options are anti-dilutive.

30 CASH GENERATED FROM/(USED IN) OPERATIONS

	2012 RMB'000	2011 RMB'000
Profit for the year	2,116,177	1,899,278
Adjustments for:		
Income tax expenses (note 28)	1,153,225	925,690
Interest income (note 25)	(21,964)	(20,959)
Interest expense (note 25)	38,501	69,287
Net exchange gains	(27,948)	(112,243)
Depreciation (note 6)	41,942	30,210
Amortisation (note 8)	1,504	791
Share of result for an associate	462	542
Gain on disposal of an associate	(242,861)	–
Loss on disposal of property and equipment (note)	296	2,023
Share-based payments	57,457	51,057
Change in fair value of investment properties	(501,075)	(432,712)
Change in fair value of financial derivative	(54,710)	–
Impairment loss from completed properties held for sale	41,210	–
Changes in working capital:		
Properties under development and completed properties held for sale	(9,113,841)	(9,439,537)
Debtors, deposits and other receivables	(1,873,082)	(1,205,055)
Prepayments for proposed development projects	(693,088)	(1,088,501)
Restricted cash	(128,754)	(10,963)
Advance proceeds received from customers	6,636,705	2,747,510
Advance deposits received	3,365,279	–
Accrued construction costs	140,420	3,951,378
Other payables	264,382	455,493
Amounts due to non-controlling interests of subsidiaries	448,422	(34,000)
Cash generated from/(used in) operations	1,648,659	(2,210,711)

Note:

Loss on disposal of property and equipment are as follows:

	2012 RMB'000	2011 RMB'000
Net book amount disposed	759	2,204
Proceeds received	(463)	(181)
Loss on disposals	296	2,023

31 DIVIDEND

No dividend has been paid or declared by the Company for the years ended 31 December 2012 and 2011.

32 FINANCIAL GUARANTEES CONTRACTS

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

	2012 RMB'000	2011 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the property units	6,786,174	3,679,268

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

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

33 COMMITMENTS

(a) Commitments for property development expenditures

	2012 RMB'000	2011 RMB'000
Contracted but not provided for	20,922,726	18,395,255

Note:

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

33 COMMITMENTS (Continued)

(b) Operating lease commitments

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

	2012 RMB'000	2011 RMB'000
Not later than one year	30,926	30,857
Later than one year and not later than five years	14,796	27,088
	45,722	57,945

(c) Operating lease rentals receivable

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

	2012 RMB'000	2011 RMB'000
Not later than one year	141,392	94,820
Later than one year and not later than five years	361,690	248,328
Later than five years	321,631	178,170
	824,713	521,318

34 ACQUISITIONS

(a) Acquisition of non-controlling interests

Prior to the acquisition, the Group held 60% equity interest in Bakai Investments Limited. On 13 January 2012, the Group acquired the remaining 40% equity interests of Bakai Investments Limited with a cash consideration of US\$4,000 (equivalent to approximately RMB26,000). There are no difference between the purchase consideration paid and the 40% of net assets value of Bakai Investments Limited acquired.

34 ACQUISITIONS (Continued)

(b) Acquisitions of subsidiaries

For the year ended 31 December 2012, the Group acquired controlling equity interests of several subsidiaries at a total consideration of approximately RMB886,000,000. These companies did not operate any business prior to the acquisition and only held parcels of lands. Therefore, the Group considered this would be an acquisition of assets in substance and consideration would be attributable to the carrying value of the lands (included in properties under development).

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

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

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

	2012 RMB'000	2011 RMB'000
Property and equipment	–	2,585
Properties under development	829,636	961,623
Debtors, deposits and other receivables	29,915	10,121
Cash and cash equivalents	2,712	4,753
Other payables	(44,300)	(383,381)
Net assets	817,963	595,701
Less: non-controlling interests	(18,484)	–
Net assets acquired	799,479	595,701
Purchase consideration settled in cash	834,000	1,175,160
Cash and bank balances in subsidiaries acquired	(2,712)	(4,753)
Cash outflow on acquisition	831,288	1,170,407
Total purchase consideration:		
– Cash paid during the year	834,000	1,175,160
– Payable	52,000	181,000
Net book value of net assets acquired shown as above	886,000 (799,479)	1,356,160 (595,701)
Adjustments to the carrying amount of properties under development	86,521	760,459

35 DISPOSALS OF SUBSIDIARIES

(a) Partial disposal of interest in a subsidiary without loss of control

For the year ended 31 December 2012, the Group disposed its 49% issued share capital of Shanghai Jinwan Zhaoye property Development Co., Ltd. (“上海金灣兆業房地產開發有限公司”), a formerly wholly-owned subsidiary of the Group, at a consideration of RMB400,000,000 to an independent third party. As such, the Group recognised an increase in non-controlling interests of RMB203,497,000 and an increase in capital reserve of RMB196,503,000.

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

(b) Disposal of interest in subsidiaries

For the year ended 31 December 2012, the Group disposed its entire issued share capital of certain subsidiaries. Certain of these companies solely held prepayments for proposed development projects, properties under development or completed properties held for sale in the PRC. These companies did not operate any business prior to the disposal and only held assets. Therefore, the Group regarded this disposal as sales of properties and its related net cash inflow of RMB1,936,100,000 as cash generated from operations.

(c) Deemed disposal of interest in subsidiaries without loss of control

For the year ended 31 December 2012, three independent third parties have injected capital into three subsidiaries of the Group for a total consideration of RMB565,545,000. As a result, the Group's shareholdings of these subsidiaries were diluted but without loss of the control. The difference of RMB104,950,000 between the carrying amount of non-controlling interests deemed disposed of and the capital injected was credited as capital reserve in the equity.

36 SHARE OPTION

(a) Pre-IPO Share Option Scheme

Pursuant to the shareholders' resolution passed on 22 November 2010 for adoption of the Pre-IPO Share Option Scheme, options to subscribe for a total of 50,000,000 ordinary shares of the Company have been conditionally granted to 52 eligible participants including directors and selected employees of the Company. The exercise price of HK\$3.105 per share under the Pre-IPO Share Option Scheme is determined at a 10% discount to the global offering price, which was HK\$3.45 per share, excluding brokerage, Securities and Futures Commission transaction levy and the Hong Kong Stock Exchange trading fee.

The share options may be exercised in the following manner: (i) up to one-third of the options granted to a grantee less the number of options that has been exercised (rounded down to the nearest whole number) at any time during the period commencing from the second business day after the publication of the audited financial statements of the Company for the year ended 31 December 2009 and ended 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 ended 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 ended 31 December 2011 and ended 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 expired on or before 9 December 2012, being the expiry of the period of 36 months commencing on the date of listing of the Company.

36 SHARE OPTION (Continued)**(a) Pre-IPO Share Option Scheme (Continued)**

	2012		2011	
	Weighted average exercise price in HK\$ per share	Number	Weighted average exercise price in HK\$ per share	Number
At 1 January	3.105	35,450,000	3.105	39,800,000
Forfeited during the year	–	–	3.105	(4,350,000)
Lapsed during the year	3.105	(35,450,000)	–	–
At 31 December	3.105	–	3.105	35,450,000

As at 31 December 2011, 23,397,000 outstanding options granted under Pre-IPO Share Option Scheme were exercisable. On 9 December 2012, all outstanding options lapsed.

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

Exercise period	Exercise price per share (HK\$)	Number of share options 2011
19 March 2010–9 December 2012	3.105	11,698,500
11 March 2011–9 December 2012	3.105	11,698,500
20 March 2012–9 December 2012	3.105	12,053,000
		35,450,000

The fair value of the options granted determined using the binomial model was HK\$83,870,000 at the grant date. 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.

36 SHARE OPTION *(Continued)*

(b) Share Option Scheme

Pursuant to the shareholders' resolution passed on 22 November 2010, a post-IPO share option scheme (the "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:

	2012		2011	
	Weighted average exercise price in HK\$ per share	Number	Weighted average exercise price in HK\$ per share	Number
At 1 January	2.159	173,650,000	2.144	191,450,000
Granted during the year	1.500	326,790,000	–	–
Exercised during the year	2.000	(450,000)	2.000	(720,000)
Forfeited during the year	1.691	(32,760,000)	2.000	(17,080,000)
At 31 December	1.731	467,230,000	2.159	173,650,000

As at 31 December 2012, 79,010,000 (2011: 46,230,000) outstanding options granted under the Share Option Scheme were exercisable (note).

36 SHARE OPTION (Continued)

(b) Share Option Scheme (Continued)

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

Exercise period	Exercise price per share (HK\$)	Number of share options	
		2012	2011
10/6/2010–9/6/2015	3.105	8,250,000	8,250,000
30/3/2011–29/3/2016	3.105	8,250,000	8,250,000
24/4/2012–23/4/2017	3.105	8,500,000	8,500,000
23/7/2011–22/7/2020	2.000	26,940,000	29,730,000
23/7/2012–22/7/2020	2.000	27,070,000	29,730,000
23/7/2013–22/7/2020	2.000	27,230,000	29,730,000
23/7/2014–22/7/2020	2.000	27,230,000	29,730,000
23/7/2015–22/7/2020	2.000	27,230,000	29,730,000
6/6/2013–5/6/2022	1.500	61,306,000	–
6/6/2014–5/6/2022	1.500	61,306,000	–
6/6/2015–5/6/2022	1.500	61,306,000	–
6/6/2016–5/6/2022	1.500	61,306,000	–
6/6/2017–5/6/2022	1.500	61,306,000	–
		467,230,000	173,650,000

The Company offered to grant Dr. Tam Lai Ling (the “March 2010 Grant”); and several directors and employees (the “July 2010 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. During 2012, the Company further offered to grant several directors and employees (the “June 2012 Grant”) of 326,790,000 shares respectively of HK\$0.10 each in the capital of the Company on 6 June 2012. The valuation was based on a Binomial Model with the following data and assumptions:

	March 2010 Grant	July 2010 Grant	June 2012 Grant
Fair value under binomial model	HK\$22,355,000	HK\$142,362,000	HK\$198,688,000
Closing share price at grant date	HK\$2.56	HK\$1.71	HK\$1.39
Exercise price	HK\$3.105	HK\$2.00	HK\$1.50
Annual risk free interest rate	1.82% – 2.33%	2.29%	1.04%
Expected option life	5–7 years	10 years	10 years
Expected divided yield	Nil	Nil	Nil

The volatility of the share price of the Company was determined based on the movement of the share price during the year of grant. The volatility rates were 44% and 40% per annum for 2012 and 2010 respectively.

37 FINANCIAL INSTRUMENTS BY CATEGORY

	Group		Company	
	Loan and receivables		Loan and receivables	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Debtors, deposits and other receivables, excluding prepayments and prepaid other taxes	5,322,170	3,413,224	2,214	2,213
Restricted cash (note 15)	669,784	541,030	–	–
Cash and cash equivalents (note 16)	4,682,502	3,945,389	102,206	510,450
	10,674,456	7,899,643	104,420	512,663

	Group		Company	
	Loan and receivables		Loan and receivables	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Other financial liabilities at amortised cost				
Accrued construction costs	5,414,517	5,274,097	–	–
Other payables, excluding other tax payables	1,588,972	1,392,932	9,904	9,898
Borrowings (note 19)	15,407,696	13,644,491	9,624,174	7,256,105
Amount due to non-controlling interests of subsidiaries	451,899	3,477	–	–
	22,863,084	20,314,997	9,634,078	7,266,003
Liabilities at fair value through the profit and loss				
Financial derivatives	59,084	–	59,084	–

38 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Controlling shareholders

Mr. Kwok Chun Wai and Mr. Kwok Ying Shing

(b) Key management compensation

	2012 RMB'000	2011 RMB'000
Salaries and other short-term employee benefits	27,217	25,475
Retirement scheme contributions	257	241
Share option benefits	22,026	26,794
	49,500	52,510

(c) Purchasing of services

	2012 RMB'000	2011 RMB'000
Rental expense (note)	1,555	1,222

Notes:

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

39 PARTICULAR OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 December 2012 are set out below:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Established and operate in the PRC, all of which are foreign investment enterprises:				
Shenzhen Naiao Kaisa Property Development Co., Ltd. 深圳市南澳佳兆業房地產開發有限公司	15 February 2004	RMB640,000,000	100%	Property development
Kaisa Group (Shenzhen) Co., Ltd. 佳兆業集團(深圳)有限公司	3 June 1999	RMB2,826,160,000	100%	Property development
Kaisa Technology (Shenzhen) Co., Ltd. 佳兆業科技(深圳)有限公司	27 July 2001	HK\$714,000,000	100%	Property development
Leisure Land Hotel Management (Shenzhen) Co., Ltd. 可域酒店管理(深圳)有限公司	23 May 2005	RMB540,000,000	100%	Property management
Huizhou Canrong Property Co., Ltd. 惠州燦榮房產有限公司	14 January 1994	HK\$31,878,000	100%	Property development
Kaisa Zhiye Development (Shenzhen) Co., Ltd. 佳兆業置業發展(深圳)有限公司	26 March 2004	RMB10,000,000	100%	Property development
Changzhou Kaisa Property Development Co., Ltd. 常州佳兆業房地產開發有限公司	8 December 2010	USD77,000,000	100%	Property development
Zhuzhou Kaisa Zhiye Co., Ltd 株洲佳兆業置業有限公司	13 January 2011	HK\$600,000,000	100%	Property development
Bakai Property Development (Weifang) Co., Ltd 八凱房地產開發(濰坊)有限公司	22 June 2011	USD23,749,658.08	100%	Property development
Leisure Land Hotel Zhiye Management (Suizhong) Co., Ltd 可域酒店置業管理(綏中)有限公司	20 December 2010	HK\$170,000,000	100%	Hotel management

39 PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Zhao Rui Jing Hotel Zhiye Management (Suizhong) Co., Ltd 兆瑞景酒店置業管理(綏中)有限公司	20 December 2010	HK\$68,300,000	100%	Hotel management
Dai River East Property (Suizhong) Co., Ltd 東戴河地產(綏中)有限公司	15 July 2011	HK\$93,070,000	100%	Property development
Kaisa Property (Suizhong) Co., Ltd 佳兆業地產(綏中)有限公司	15 July 2011	HK\$242,650,000	100%	Property development
Wan Tai Chang Property (Anshan) Co., Limited 萬泰昌地產(鞍山)有限公司	16 December 2010	USD10,664,200	100%	Property development
Kaisa Property (Anshan) Co., Ltd. 佳兆業地產(鞍山)有限公司	16 December 2010	USD40,767,500	100%	Property development
Wan Rui Fa Property (Anshan) Co., Ltd 萬瑞發地產(鞍山)有限公司	28 June 2011	USD19,115,864	100%	Property development
Anshan Monarch Residence Property Development Co., Ltd 鞍山君匯上品房地產開發有限公司	28 June 2011	USD24,210,830	100%	Property development
Woodland Height Property (Yingkou) Co., Ltd 桂芳園地產(營口)有限公司	14 December 2010	USD76,580,000	51.69%	Property development
Zhaoruijing Property (Yingkou) Co., Ltd. 兆瑞景地產(營口)有限公司	14 December 2010	USD8,656,200	100%	Property development
Wan Tai Chang Property (Yingkou) Company Limited 萬泰昌地產(營口)有限公司	14 December 2010	USD11,084,500	100%	Property development
Kaisa Property (Yingkou) Co., Ltd. 佳兆業地產(營口)有限公司	14 December 2010	USD36,407,700	100%	Property development

39 PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Kaisa Real Estate (Benxi) Co., Ltd. 佳兆業地產(本溪)有限公司	7 March 2011	HK\$210,000,000	100%	Property development
Cornwell Holdings (Shenzhen) Co., Ltd 冠華基業實業(深圳)有限公司	23 August 2004	RMB550,000,000	100%	Property development
Kaisa Zhiye (Nanchong) Co., Ltd. 佳兆業置業(南充)有限公司	28 December 2010	RMB850,000,000	100%	Property development
Kaisa Property (Wuhan) Co., Ltd 佳兆業地產(武漢)有限公司	1 July 2011	RMB547,528,247	100%	Property development
Zhuhai Kaisa Property Development Co., Ltd 珠海市佳兆業房地產開發有限公司	9 June 2011	RMB330,000,000	100%	Property development
Wan Rui Chang Property Development (Suizhong) Co., Ltd 萬瑞昌房地產開發(綏中)有限公司	1 August 2012	HK\$50,000,000	100%	Property development
Anshan Kaisa Commerce Operation Management Co., Ltd 鞍山市佳兆業商業管理有限公司	26 September 2011	USD16,851,026	100%	Commerce management
Hunan Kaisa Zhiye Co., Ltd 湖南佳兆業置業有限公司	14 September 2007	HK\$100,000,000	100%	Property development
Kaisa Zhiye (Nanchong) Co., Ltd. 佳兆業置業(南充)有限公司	28 December 2010	RMB850,000,000	100%	Property development
Jiangyin Xiangrui Property Development Co., Ltd. 江陰香瑞園房地產開發有限公司	2 April 2011	RMB125,000,000	100%	Property development
Kaisa Property (Liaoyang) Co., Ltd. 佳兆業地產(遼陽)有限公司	24 August 2011	USD14,700,000	100%	Property development

39 PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Established and operate in the PRC, all of which are local investment enterprises:				
Dongguan Yingsheng Property Development Co., Ltd. 東莞市盈盛房地產開發有限公司	3 March 2006	RMB10,000,000	100%	Property development
Shenzhen Jililong Shiye Co., Ltd. 深圳市吉利隆實業有限公司	21 March 1997	RMB12,000,000	100%	Property development
Chengdu Kaisa Property Development Co., Ltd. 成都佳兆業房地產開發有限公司	31 July 2006	RMB10,000,000	100%	Property development
Guangzhou Jinmao Property Development Co., Ltd. 廣州金貿房地產開發有限公司	27 October 2005	RMB202,500,000	100%	Property development
Shenzhen Daye Property Development Co., Ltd. 深圳市大業房地產開發有限公司	26 January 2007	RMB10,000,000	100%	Property development
Shenzhen Longgang Kaisa Property Development Co., Ltd. 深圳市龍崗佳兆業房地產開發有限公司	14 November 2006	RMB204,680,000	100%	Property development
Kaisa Commerce Group Co., Ltd. 佳兆業商業集團有限公司	19 July 2004	RMB401,000,000	100%	Commerce management
Sichuan Kaisa Zhiye Co., Ltd. 四川佳兆業置業有限公司	16 May 2007	RMB10,000,000	100%	Property development
Zhuhai Zhanda Property Development Co., Ltd. 珠海市展大房地產開發有限公司	11 April 1992	RMB50,000,000	100%	Property development
Huizhou Kaisa Property Development Co., Ltd. 惠州市佳兆業房地產開發有限公司	29 January 2007	RMB50,000,000	100%	Property development

39 PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Dongguan Kaisa Property Development Co., Ltd. 東莞市佳兆業房地產開發有限公司	6 September 2004	RMB38,000,000	100%	Property development
Chengdu Nanxing Yinji Property Development Co., Ltd. 成都南興銀基房地產開發有限公司	5 November 2004	RMB420,000,000	100%	Property development
Dongguan Kaisa Property Management Co., Ltd. 東莞市佳兆業物業管理有限公司	18 July 2007	RMB2,500,000	100%	Property development
Guangdong Kaisa Property Development Co., Ltd. 廣東佳兆業房地產開發有限公司	12 July 2007	RMB10,000,000	100%	Property development
Huizhou Jiabo Property Development Co., Ltd. 惠州市佳博房地產開發有限公司	14 September 2007	RMB1,000,000	100%	Property development
Chengdu Kaisa Investment Co., Ltd. 成都佳兆業投資有限公司	22 June 2007	RMB20,000,000	100%	Property development
Guangzhou Kaisa Commerce Operation Management Co., Ltd. 廣州市佳兆業商業經營管理有限公司	11 October 2007	RMB50,000,000	100%	Commerce management
Shenzhen Xingwoer Property Development Co., Ltd. 深圳市興沃爾房地產開發有限公司	29 January 1999	RMB10,000,000	100%	Property development
Dongguan Yingtai Property Development Co., Ltd. 東莞市盈泰房地產開發有限公司	4 January 2007	RMB10,000,000	100%	Property development
Chengdu Kaisa Property Management Co. Ltd. 成都市佳兆業物業管理有限公司	30 January 2008	RMB3,000,000	100%	Property development

39 PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Jiangyin Taichang Property Development Co., Ltd. 江陰市泰昌房地產開發有限公司	22 November 2007	RMB155,000,000	100%	Property development
Shanghai Xinwan Investment Development Co. Ltd. 上海新灣投資發展有限公司	17 January 2007	RMB35,000,000	100%	Property development
Chengdu Kaisa Commerce Operation Management Co., Ltd. 成都市佳兆業商業經營管理有限公司	29 January 2008	RMB2,000,000	100%	Commerce management
Huizhou Huasheng Investment Co., Ltd. 惠州市華盛投資有限公司	29 August 2007	RMB60,000,000	100%	Property development
Boluo Kaisa Property Development Co., Ltd. 博羅縣佳兆業房地產開發有限公司	2 June 2008	RMB10,000,000	100%	Property development
Boluo Kaisa Zhiye Co., Ltd. 博羅縣佳兆業置業有限公司	2 June 2008	RMB10,000,000	100%	Property development
Dongguan Yingyan Property Development Co., Ltd. 東莞市盈雁房地產開發有限公司	4 July 2008	RMB10,000,000	80%	Property development
Shenzhen Golden Bay Resort Co., Ltd. 深圳市金沙灣大酒店有限公司	17 June 1997	RMB50,000,000	100%	Hotel
Shenzhen TianLi'an Industry Development Co., Ltd. 深圳市天利安實業發展有限公司	4 September 2002	RMB46,000,000	100%	Property development
Boji Crafts (Shenzhen) Company Limited 寶吉工藝品(深圳)有限公司	28 December 1988	RMB877,725,000	80%	Property development
Foshan Shunde Huaren Property Investment Co., Ltd. 佛山市順德區華仁房產投資有限公司	7 December 2009	RMB10,000,000	100%	Property development

39 PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Foshan Shunde Kaisa Property Development Co., Ltd. 佛山市順德區佳兆業房地產開發有限公司	2 November 2010	RMB10,000,000	100%	Property development
Kaisa Property (Taichang) Co. Ltd. 佳兆業地產(太倉)有限公司	4 November 2010	RMB420,000,000	100%	Property development
Jiangyin Lake View Waterfront Property Development Co., Ltd. 江陰水岸華府房地產開發有限公司	10 December 2010	RMB20,000,000	100%	Property development
Nanchong Kaisa Property Development Co., Ltd. 南充市佳兆業房地產有限公司	10 December 2010	RMB10,000,000	100%	Property development
Jiangyin Juicui Garden Property Development Co., Ltd. 江陰金翠園房地產開發有限公司	22 February 2011	RMB20,000,000	100%	Property development
Shenzhen Woodland Height Shiye Co., Ltd 深圳市桂芳園實業有限公司	13 October 2003	RMB310,000,000	100%	Property development
Shenzhen Yantian Kaisa Property Development Co., Ltd. 深圳市鹽田佳兆業房地產開發有限公司	19 April 2011	RMB160,000,000	100%	Property development
Hunan Kaisa Property Development Co., Ltd 湖南佳兆業房地產開發有限公司	21 August 2007	RMB220,000,000	100%	Property development
Zhejiang Wufeng Zhiye Co., Ltd. 浙江伍豐置業有限公司	7 January 2010	RMB260,000,000	100%	Property development
Kaisa Dai River East Property Development Co., Ltd 佳兆業東戴河房地產開發有限公司	6 July 2011	RMB50,000,000	100%	Property development

39 PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Kaisa Property (Dalian) Co., Ltd 佳兆業地產(大連)有限公司	28 July 2011	RMB10,000,000	100%	Property development
Foshan Shunde Ideal City Real Estate Investment Co., Ltd. 佛山市順德區理想城房地產投資有限 公司	9 October 2010	RMB360,000,000	100%	Property development
Shenzhen Kaisa Commerce Management Co., Ltd. 深圳市佳兆業商業管理有限公司	13 August 2010	RMB10,000,000	100%	Hotel management
Huizhou Kaisa Commerce Operation Management Co. Ltd. 惠州市佳兆業商業經營管理有限公司	7 April 2009	RMB5,000,000	100%	Commerce management
Dalian Kaisa Commerce Operation Management Co., Ltd 大連市佳兆業商業經營管理有限公司	18 March 2011	RMB20,000,000	100%	Commerce management
Shenzhen Kaisa Media Investment Management Co., Ltd 深圳市佳兆業影院投資管理有限公司	13 July 2011	RMB10,000,000	100%	Commerce management
Shenzhen Kaisa Baihuo Co., Ltd 深圳市佳兆業百貨有限公司	13 June 2002	RMB6,000,000	100%	Commerce management
Dongguan City Oasis Garden Property Development Co., Ltd. 東莞市城市綠洲花園房地產開發有限 公司	21 October 2011	RMB10,000,000	100%	Property development
Anshan Kaisa Baihuo Co., Ltd 鞍山佳兆業百貨有限公司	17 October 2011	RMB8,000,000	100%	Commerce management
Hu Nan Kaisa MengYuan Property Development Co., Ltd 湖南佳兆業夢園房地產開發有限公司	15 March 2012	RMB10,000,000	70%	Property development

39 PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Shen Zhen YueFeng Investment Co., Ltd 深圳市悦峰投资有限公司	25 April 2012	RMB10,000,000	100%	Property development
Kaisa Property (Qingdao) Co., Ltd 佳兆業地產(青島)有限公司	18 May 2012	RMB10,000,000	100%	Property development
Shenzhen Kaisa International Trade City Co., Ltd 深圳市佳兆業國際物聯商貿城有限公司	2 July 2012	RMB10,000,000	100%	Commerce investment
Shenzhen Kaisa Funding Management Co., Ltd 深圳市佳兆業基金管理有限公司	11 July 2012	RMB10,000,000	100%	Equity investment
Chengdu Zhaoruijing Equity Investment Fund Management Co., Ltd 成都市兆瑞景股權投資基金管理有限 公司	11 July 2012	RMB10,000,000	100%	Equity investment
Kaisa Property (Shanghai) Co., Ltd 佳兆業地產(上海)有限公司	17 July 2012	RMB30,000,000	100%	Property development
Wuhan Kaisa Investment Co., Ltd 武漢市佳兆業投資有限公司	13 July 2012	RMB250,000,000	100%	Property development
Shanghai Jinwan Zhaoye Property Development Co., Ltd 上海金灣兆業房地產開發有限公司	2 August 2012	RMB30,000,000	51%	Property development
Shenzhen Kaisa Zhiye Co., Ltd 深圳市佳兆業置業有限公司	7 September 2012	RMB10,000,000	100%	Property development
Jiangyin Binjiangyayuan Property Development Co., Ltd 江陰濱江雅園房地產開發有限公司	14 September 2012	RMB20,000,000	100%	Property development
Shenzhen Kaisa Pinghu Property Development Co., Ltd 深圳市佳兆業平湖房地產開發有限公司	18 October 2012	RMB50,000,000	100%	Property development

39 PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Shenzhen Taixi Zhiye Development Co., Ltd 深圳市泰熙置業發展有限公司	18 October 2012	RMB10,000,000	100%	Property development
Chongqing Shenlian Investment Co., Ltd 重慶深聯投資有限公司	22 August 2012	RMB20,000,000	60%	Property development
Shanghai Jiawan Zhaoye Property Co., Ltd 上海嘉灣兆業房地產有限公司	24 December 2012	RMB30,000,000	100%	Property development
Hunan Mingtai Zhiye Development Co., Ltd 湖南明泰置業發展有限公司	12 October 2000	RMB50,000,000	60%	Property development
Dalian Huapu Zhiye Co., Ltd 大連華普置業有限公司	9 December 2009	RMB50,000,000	100%	Property development
Dalian Huahao Zhiye Co., Ltd 大連華灝置業有限公司	9 December 2009	RMB50,000,000	100%	Property development
Leisure Land Hotel Property Management Jiangyin Co., Ltd 可域酒店置業管理江陰有限公司	15 October 2009	RMB150,000,000	100%	Property development
Jiangsu Kaisa Investment Co., Ltd 江蘇佳兆業投資有限公司	18 May 2010	RMB15,000,000	100%	Property development
Taizhou Kaisa Jiangshan Property Development Co., Ltd 泰州佳兆業江山房地產開發有限公司	13 July 2012	RMB20,000,000	51%	Property development
Guangzhou Yaxiang Property Development Co., Ltd 廣州市雅翔房地產開發有限公司	7 May 2012	RMB10,000,000	51%	Property development
Shenzhen Dapeng Kaisa Property Development Co., Ltd 深圳市大鵬佳兆業房地產開發有限公司	17 November 2000	RMB100,000,000	100%	Property development

39 PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Shenzhen Taijian Construction & Engineering Co., Ltd 深圳市泰建建築工程有限公司	19 July 2007	RMB27,000,000	100%	Construction engineering
Puning Kaisa Investment Consulting Co., Ltd 普寧市佳兆業投資諮詢有限公司	17 August 2011	RMB10,000,000	100%	Property development
Kaisa Financial Investment (Shenzhen) Co., Ltd 佳兆業金融投資(深圳)有限公司	21 July 2011	RMB20,000,000	100%	Finance investment
Haikou Kaisa Property Development Co., Ltd 海口佳兆業房地產開發有限公司	29 April 2010	RMB10,000,000	100%	Property development
Established and operate in the PRC, all of which are Chinese-foreign Equity Joint Venture Enterprises:				
Fenglong Group Co., Ltd. 豐隆集團有限公司	29 October 1993	RMB168,000,000	100%	Property development
Sichuan Tianzi Zhiye Co., Ltd. 四川天姿置業有限公司	15 September 2006	RMB20,000,000	100%	Property development
Huizhou Weitong Property Co., Ltd. 惠州緯通房產有限公司	14 January 1994	HK\$256,026,685	100%	Property development
Huizhou Jinhu Property Co., Ltd. 惠州市金湖房地產有限公司	26 March 1993	RMB100,000,000	100%	Property development
Kaisa Property (Liaoning) Co. Ltd. 佳兆業地產(遼寧)有限公司	28 January 2010	RMB1,086,670,000	100%	Property development
Jiangyin Woodland Height Property Co., Ltd. 江陰桂芳園房地產有限公司	22 March 2010	USD24,280,000	100%	Property development
Kaisa Property Jiangyin Co., Ltd. 佳兆業地產江陰有限公司	15 October 2009	RMB450,000,000	100%	Property development

39 PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Guangdong Guanji Investments Co., Limited 廣東冠基投資有限公司	1 August 2005	RMB5,000,000	80%	Property development
Kaisa Technology (Huizhou) Co., Ltd. 佳兆業科技(惠州)有限公司	24 March 2008	USD37,942,560	100%	Property development
Kaisa Property Management (Shenzhen) Co., Ltd 佳兆業物業管理(深圳)有限公司	20 October 1999	RMB10,000,000	100%	Property management
Kaisa Commerce Property Management (Panjin) Co., Ltd 佳兆業商業置業管理(盤錦)有限公司	16 March 2011	USD51,960,000	71.4657%	Property development

FINANCIAL SUMMARY

CONSOLIDATED BALANCE SHEETS

	31 December				2012 RMB'000
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000	
ASSETS					
Non-current assets					
Property and equipment	76,692	91,731	106,140	148,725	307,948
Investment properties	1,278,400	1,578,600	5,484,000	6,375,100	7,539,500
Land use rights	19,237	18,798	18,379	20,603	60,485
Investments in associates	–	–	299,521	298,979	–
Deferred income tax assets	91,122	119,559	75,075	105,601	208,941
	1,465,451	1,808,688	5,983,115	6,949,008	8,116,874
Current assets					
Properties under development	6,691,753	7,379,830	10,521,175	22,159,585	31,670,226
Completed properties held for sale	1,782,933	1,013,120	603,321	1,342,662	3,169,518
Debtors, deposits and other receivables	1,318,719	2,526,713	2,482,284	3,697,460	5,843,114
Prepayments for proposed development projects	1,144,409	1,383,871	1,827,183	2,915,684	3,608,772
Prepaid taxes	108,821	142,571	135,797	153,891	191,806
Restricted cash	105,836	382,966	530,067	541,030	669,784
Cash and cash equivalents	679,271	3,344,453	4,339,600	3,945,389	4,682,502
	11,831,742	16,173,524	20,439,427	34,755,701	49,835,722
Total assets	13,297,193	17,982,212	26,422,542	41,704,709	57,952,596
EQUITY					
Equity attributable to equity holders of the Company					
Share capital	1	440,550	432,150	432,210	432,246
Share premium	1,490,772	4,024,775	3,815,214	3,816,563	3,817,526
Reserves	1,651,180	2,203,702	5,741,093	7,692,893	10,100,417
	3,141,953	6,669,027	9,988,457	11,941,666	14,350,189
Non-controlling interests	(40,480)	(40,494)	4,936	7,786	703,994
Total equity	3,101,473	6,628,533	9,993,393	11,949,452	15,054,183

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

The change in accounting policy has been accounted for retrospectively and the financial information for the years ended 31 December 2008, 2009, 2010 as presented in this five-year summary has been restated by reclassifying the land use rights for development and subsequent sale to properties under development and completed properties held for sale.

CONSOLIDATED BALANCE SHEETS (Continued)

	31 December				2012 RMB'000
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000	
LIABILITIES					
Non-current liabilities					
Borrowings	2,991,925	2,812,890	6,175,664	11,577,305	12,257,358
Financial derivatives	–	–	–	–	59,084
Deferred income tax liabilities	156,239	228,701	971,237	1,079,415	1,143,247
	3,148,164	3,041,591	7,146,901	12,656,720	13,459,689
Current liabilities					
Advance proceeds received from customers	1,155,926	2,266,075	4,494,353	7,241,863	13,878,568
Advance deposits received	–	–	–	–	3,365,279
Accrued construction costs	1,144,981	1,119,549	1,325,983	5,274,097	5,414,517
Income tax payable	277,969	404,906	866,390	989,100	1,480,732
Borrowings	2,200,000	3,048,988	1,751,708	2,067,186	3,150,338
Loan with detachable warrants	1,305,546	684,736	–	–	–
Financial derivatives	80,522	–	–	–	–
Other payables	880,776	750,357	806,337	1,522,814	1,697,391
Amount due to non-controlling interest of a subsidiary	–	37,477	37,477	3,477	451,899
Amounts due to related parties	1,836	–	–	–	–
	7,047,556	8,312,088	9,282,248	17,098,537	29,438,724
Total liabilities	10,195,720	11,353,679	16,429,149	29,755,257	42,898,413
Total equity and liabilities	13,297,193	17,982,212	26,422,542	41,704,709	57,952,596
Net current assets	4,784,186	7,861,436	11,157,179	17,657,164	20,396,998
Total assets less current liabilities	6,249,637	9,670,124	17,140,294	24,606,172	28,513,872

CONSOLIDATED RESULTS

	Years ended 31 December				
	2008	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	3,110,446	4,672,156	7,755,890	10,834,726	11,955,020
Cost of sales	(2,243,354)	(3,352,040)	(4,745,012)	(7,601,182)	(8,069,591)
Gross profit	867,092	1,320,116	3,010,878	3,233,544	3,885,429
Other (losses)/gains – net	(116,216)	37,201	5,962	43,309	226,051
Selling and marketing costs	(151,821)	(163,543)	(183,308)	(404,841)	(578,325)
Administrative expenses	(165,721)	(250,105)	(411,155)	(565,048)	(818,386)
Change in fair value of investment properties	302,557	289,847	2,970,144	432,712	501,075
Change in fair value of financial derivatives	27,221	(85,339)	–	–	54,710
Operating profit	763,112	1,148,177	5,392,521	2,739,676	3,270,554
Share of results from an associate	–	–	(479)	(542)	(462)
Finance (costs)/income – net	(110,399)	(194,782)	(45,842)	85,834	(690)
Profit before income tax	652,713	953,395	5,346,200	2,824,968	3,269,402
Income tax expenses	(151,800)	(405,538)	(1,709,544)	(925,690)	(1,153,225)
Profit for the year	500,913	547,857	3,636,656	1,899,278	2,116,177
Profit attributable to:					
Equity holders of the Company	500,921	547,871	3,636,699	1,900,954	2,072,219
Non-controlling interests	(8)	(14)	(43)	(1,676)	43,958
	500,913	547,857	3,636,656	1,899,278	2,116,177
Basic earnings per share (expressed in RMB)	0.128	0.138	0.738	0.388	0.422
Diluted earnings per share (expressed in RMB)	0.128	0.138	0.736	0.372	0.406

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