KAISA GROUP HOLDINGS LTD.
佳兆業集團控股有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1638)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

- Total revenue decreased by 38.0% to RMB2,300.2 million, mainly attributable to an expected back-loaded delivery schedule in 2012. As at 31 July 2012, the Group has locked in approximately RMB13.0 billion of contracted sales for delivery in the second half of 2012 and thereafter
- Gross profit margin increased by 14.8 percentage points to 48.2%
- Profit attributable to equity owners decreased by 26.4% to RMB674.8 million and net profit margin increased by 4.6 percentage points to 29.3%
- Core net profit (excluding exchange difference, change in fair value of investment properties and financial derivatives net of tax impact) decreased by 28.3% to RMB370.3 million and the corresponding core net profit margin increased by 2.2 percentage points to 16.1%
- Total debt reduced by RMB464.0 million to RMB13,180.5 million
- Net debt gearing ratio decreased by 3.2 percentage points to 73.4%
- Contracted sales and GFA increased by 43.9% and 77.3%, to RMB6,458.5 million and 1,102,599 sq.m., respectively

* *for identification purpose only*

INTERIM RESULTS

The board of directors (the "**Board**") of Kaisa Group Holdings Ltd. ("**Kaisa**" or the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2012, together with the comparative figures for the corresponding period in 2011.

CONDENSED CONSOLIDATED BALANCE SHEET

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

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
		2012	2011
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**2,300,172**	3,707,543
Cost of sales		**(1,191,586)**	(2,468,238)
Gross profit		**1,108,586**	1,239,305
Other gains		**17,408**	33,137
Selling and marketing costs		**(232,008)**	(115,229)
Administrative expenses		**(282,740)**	(229,793)
Change in fair value of investment properties		**423,874**	467,456
Change in fair value of financial derivatives		**3,798**	–
Operating profit		**1,038,918**	1,394,876
Share of result from an associate		**(208)**	(144)
Finance (costs)/income – net	*5*	**(24,570)**	7,936
Profit before income tax		**1,014,140**	1,402,668
Income tax expenses	*6*	**(340,509)**	(485,398)
Profit for the period and total comprehensive income for the period		**673,631**	917,270
Profit attributable to:			
Equity holders of the Company		**674,815**	917,434
Non-controlling interests		**(1,184)**	(164)
		673,631	917,270
		RMB	*RMB*
Earnings per share for profit attributable to equity holders of the Company for the period (expressed in RMB per share)	*7*		
– Basic		**0.138**	0.187
– Diluted		**0.137**	0.176

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

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

(a) Effect of adopting amendments to standards and interpretations

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

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets
HKAS 12 (Amendment)	Deferred tax: recovery of underlying assets

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

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

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

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

3 DEBTORS, DEPOSITS AND OTHER RECEIVABLES

Debtors, deposits and other receivables include trade receivables, other receivables, prepayment for construction costs to third party, prepaid other taxes and land deposits.

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

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

Notes:

(i) The balance of RMB317,727,000 (31 December 2011: RMB375,900,000) and RMB200,000,000 (31 December 2011: Nil) represented receivables from sales of commercial properties and properties under development to independent third parties expected to be settled before the end of 2012 and 2013 respectively.

(ii) The Group considered the above receivables were past due but not impaired as majority of the balances are due from customers in the process of applying mortgage loans. These relate to a number of independent customers for whom there is no recent history of default.

4 REVENUE AND SEGMENT INFORMATION

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

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

Turnover consists of the following:

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

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

	Unaudited				
	Property development	**Property investment**	**Property management**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Revenue	**2,155,052**	**87,277**	**57,843**	**–**	**2,300,172**
Segment results before changes in fair value of investment properties and financial derivatives	**603,006**	**3,119**	**2,095**	**3,026**	**611,246**
Change in fair value of investment properties	**–**	**423,874**	**–**	**–**	**423,874**
Change in fair value of financial derivatives	**–**	**3,798**	**–**	**–**	**3,798**
Segment results	**603,006**	**430,791**	**2,095**	**3,026**	**1,038,918**
Share of result from an associate	**(208)**	**–**	**–**	**–**	**(208)**
Finance costs – net *(note 5)*					**(24,570)**
Profit before income tax					**1,014,140**
Income tax expenses *(note 6)*					**(340,509)**
Profit for the period					**673,631**
Other information:					
Depreciation	**11,365**	**2,430**	**1,474**	**2,691**	**17,960**
Amortisation	**404**	**–**	**–**	**–**	**404**

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

	Unaudited				
	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Others *RMB'000*	Total *RMB'000*
Revenue	3,585,034	66,286	56,223	–	3,707,543
Segment results before change in fair value of investment properties	889,970	18,659	7,989	10,802	927,420
Change in fair value of investment properties	–	467,456	–	–	467,456
Segment results	889,970	486,115	7,989	10,802	1,394,876
Share of result from an associate	(144)	–	–	–	(144)
Finance costs – net *(note 5)*					7,936
Profit before income tax					1,402,668
Income tax expenses *(note 6)*					(485,398)
Profit for the period					917,270
Other information:					
Depreciation	9,798	1,489	369	1,989	13,645
Amortisation	417	–	–	–	417

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

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

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

	Audited					
	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	31,174	488,828	11,634	15,612	–	547,248

Other business segments include the investment holding and inactive companies.

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

Segment liabilities consist primarily of advance proceeds received from customers, accrued construction costs, financial derivatives, other payables and amount 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.

5 FINANCE INCOME AND COSTS

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

6 INCOME TAX EXPENSES

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

Hong Kong profits tax

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

PRC enterprise income tax

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

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

7 EARNINGS PER SHARE

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

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

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary share outstanding to assume conversion of all dilutive potential ordinary shares. For the period ended 30 June 2012, the Company has Convertible Bonds (2011: the Convertible Bonds and share options) that have dilutive potential ordinary shares.

The Convertible Bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expenses less the tax effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average periodic market share price of the Company's shares) based on the monetary value of the subscription rights attached to 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.

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

8 DIVIDEND

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

9 CAPITAL COMMITMENTS FOR PROPERTY DEVELOPMENT EXPENDITURES

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

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

Business Review

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

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

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

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

Development and Financing Strategies

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

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

Team Building and Human Resources

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

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

Investor Relations

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

Prospects

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

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

With Qianhai of Shenzhen designated as a new financial services hub of China and a pioneer test zone of the convertibility of yuan, along with the continual expansion of inter-city connection of Shenzhen's transportation network with cities within and outside of the Pearl River Delta region, Shenzhen has entered into a new epoch of its history. Taking advantage of its project pipeline on urban redevelopment projects, and approximately 10.4 million sq.m. of land bank in the Pearl River Delta region, the Group is well positioned to capture the housing demand generated from the new opportunities arising. While we will continue to leverage our brand and our expertise to unlock the value of our pipeline for redevelopment projects, we will cautiously implement the asset-turnover business model to capitalize the growing end-user mass market driven by urbanization, aiming to become a leading national property developer.

Acknowledgement

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

KWOK Ying Shing
Chairman

Hong Kong, 21 August 2012

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

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

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

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

Property Development

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

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

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

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

Land Bank

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

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

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

Outlook

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

Financial Review

Revenue

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

Sales of properties

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

Rental income

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

Property management service

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

Gross profit

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

Selling and marketing costs

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

Administrative expenses

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

Change in fair value of investment properties

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

Finance costs, net

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

Income tax expenses

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

Profit for the Period

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

Liquidity, Financial and Capital Resources

Cash position

As at 30 June 2012, the carrying amount of the Group's cash and bank deposits was approximately RMB3,880.2 million (31 December 2011: RMB4,486.4 million), representing a decrease of 13.5% as compared to that as at 31 December 2011. Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. Such guarantee deposits will be released after pre-sold properties are completed or their property ownership certificates are issued, whichever is the earlier. Additionally, as at 30 June 2012, certain of the Group's cash was deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties. The aggregate of the above guarantee deposits amounted to approximately RMB422.9 million as at 30 June 2012.

Senior notes

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

Convertible bonds

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

Senior bonds

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

Exchangeable term loan

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

Borrowings and charges on the Group's assets

The Group had aggregate borrowings as at 30 June 2012 of approximately RMB13,180.5 million, of which approximately RMB1,102.8 million will be repayable within 1 year, approximately RMB11,586.9 million will be repayable between 2 and 5 years and approximately RMB490.8 million will be repayable over 5 years. As at 30 June 2012, the Group's bank loans of approximately RMB3,787.9 million were secured by plant and equipment, land use rights, investment properties, properties under development, completed properties held for sale and cash of the Group with total carrying values of approximately RMB9,410.3 million. The carrying amounts of all the Group's bank loans are denominated in RMB except for the Senior Notes with a carrying value of RMB4,031.9 million, the Convertible Bonds with a carrying value of RMB1,300.0 million, the Bonds with a carrying value of RMB1,997.2 million, the Exchangeable Term Loan with a carrying amount of RMB657.6 million and other offshore banking facilities with a carrying value of RMB989.8 million as at 30 June 2012 which were denominated in USD. The Senior Notes, the Convertible Bonds, the Bonds and the Exchangeable Term Loan are secured by the share pledge of certain of the Group's subsidiaries incorporated outside of the PRC, and joint and several guarantees given by certain subsidiary companies of the Group. The Group's domestic bank loans carried a floating interest rate linking up with the base lending rate of the People's Bank of China. Our interest rate risk is mainly from the floating interest rate of domestic bank loans.

Gearing

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

Cost of borrowings

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

Foreign currency risks

The Group's property development projects are all located in China and most of the related transactions are settled in RMB. The Company and certain of the Group's intermediate holding companies operate in Hong Kong have recognized assets and liabilities in currencies other than RMB. As at 30 June 2012, the Group had cash balances denominated in USD of approximately US$25.9 million, and in HK dollar of approximately HK$246.6 million, the Senior Notes in USD with a carrying value of US$648.0 million, the Exchangeable Term Loan in USD with a carrying value of US$120.0 million and other offshore banking facilities with a carrying value of US$156.5 million which are subject to foreign currency exposure. The Group does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Financial guarantees

As at 30 June 2012, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by domestic banks to our customers amounting to approximately RMB5,229.5 million (31 December 2011: approximately RMB3,679.3 million). Pursuant to the terms of the guarantees, upon default in mortgage payments by a purchaser, we would be responsible for repaying the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchaser to the bank, but we would be entitled to assume legal title to and possession of the related property. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage.

Material acquisitions and disposals of assets

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

Employees and remuneration policy

As at 30 June 2012, the Group had approximately 6,903 employees (31 December 2011: approximately 6,633 employees). The remuneration of employees was based on their performance, skills, knowledge, experience and market trend. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. In addition to basic salaries, employees may be offered with discretionary bonus and cash awards based on individual performance.

CORPORATE GOVERNANCE

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

Code A.6.7

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

Code E.1.2

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

Changes of board composition and updated information regarding the Directors

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

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

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

AUDIT COMMITTEE

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

REVIEW OF INTERIM RESULTS

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

INTERIM DIVIDEND

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (www.kaisagroup.com) and the Stock Exchange (www.hkexnews.hk). An interim report of the Company for the six months ended 30 June 2012 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

By Order of Board
Kaisa Group Holdings Ltd.
KWOK Ying Shing
Chairman

Hong Kong, 21 August 2012

As at the date of this announcement, the executive directors of the Company are Mr. Kwok Ying Shing, Mr. Kwok Ying Chi, Mr. Sun Yuenan, Dr. Tam Lai Ling, Mr. Chen Gengxian, Mr. Han Zhenjie, Mr. Jin Zhigang and Mr. Ji Jiaming, and the independent non-executive directors of the Company are Mr. Rao Yong, Mr. Zhang Yizhao and Mr. Fok Hei Yu.