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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

- Total revenue increased by 10.3% to RMB11,955.0 million
- Gross profit and gross profit margin increased by 20.2% and 2.7 percentage points to RMB3,885.4 million and 32.5%, respectively
- Profit for the year increased by 11.4% to RMB2,116.2 million
- Net profit excluding exchange differences and change in fair values of investment properties and financial derivatives, net of deferred tax increased by 15.9% to RMB1,669.8 million
- Net debt gearing reduced by 9.8 percentage points to 66.8% as at 31 December 2012
- Contracted sales increased by 13.4% to RMB17.3 billion
- GFA sold increased by 18.3% to 2,576,605 sq.m.
- As at 31 December 2012, total contracted sales yet to be delivered amounted to approximately RMB14.0 billion

* *For identification purposes only*

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012

		As at 31 December	
		2012	2011
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**307,948**	148,725
Investment properties		**7,539,500**	6,375,100
Land use rights		**60,485**	20,603
Investment in an associate		**–**	298,979
Deferred income tax assets		**208,941**	105,601
		8,116,874	6,949,008
Current assets			
Properties under development		**31,670,226**	22,159,585
Completed properties held for sale		**3,169,518**	1,342,662
Debtors, deposits and other receivables	*3*	**5,843,114**	3,697,460
Prepayments for proposed development projects		**3,608,772**	2,915,684
Prepaid taxes		**191,806**	153,891
Restricted cash		**669,784**	541,030
Cash and cash equivalents		**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		**432,246**	432,210
Share premium		**3,817,526**	3,816,563
Reserves		**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

CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2012

	Note	As at 31 December **2012** *RMB'000*	2011 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**12,257,358**	11,577,305
Financial derivatives		**59,084**	–
Deferred income tax liabilities		**1,143,247**	1,079,415
		13,459,689	12,656,720
Current liabilities			
Advance proceeds received from customers		**13,878,568**	7,241,863
Advance deposits received		**3,365,279**	–
Accrued construction costs		**5,414,517**	5,274,097
Income tax payable		**1,480,732**	989,100
Borrowings		**3,150,338**	2,067,186
Other payables	*4*	**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

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		**(8,069,591)**	(7,601,182)
Gross profit		**3,885,429**	3,233,544
Other gains – net	*6*	**226,051**	43,309
Selling and marketing costs		**(578,325)**	(404,841)
Administrative expenses		**(818,386)**	(565,048)
Change in fair value of investment properties		**501,075**	432,712
Change in fair value of financial derivatives		**54,710**	–
Operating profit	*7*	**3,270,554**	2,739,676
Share of result from an associate		**(462)**	(542)
Finance income		**37,811**	155,121
Finance costs		**(38,501)**	(69,287)
Finance (costs)/income – net	*8*	**(690)**	85,834
Profit before income tax		**3,269,402**	2,824,968
Income tax expenses	*9*	**(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	*10*	**0.422**	0.388
– Diluted	*10*	**0.406**	0.372

NOTES

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 holding 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 were approved by the board of directors (the "Board") of the Company for issue on 21 February 2013.

2 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 adoption of new/revised HKFRSs:

(a) Change in accounting policy

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 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 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.

(b) *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 are 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.

3 DEBTORS, DEPOSITS AND OTHER RECEIVABLES

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

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

	2012	2011
	RMB'000	*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 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 that the above receivables were past due but not impaired as a 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 OTHER PAYABLES

Other payables mainly include deferred consideration payable for the acquisitions of subsidiaries and an associate, other payables and accruals, note payables and other tax payables.

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, property management, and hotel and catering operations 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.

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 Board 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 changes in fair value 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	**–**	**501,075**	**–**	**–**	**–**	**501,075**
Change in fair value of financial derivatives	**–**	**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	**25,671**	**3,094**	**1,064**	**6,402**	**5,711**	**41,942**
Amortisation of land use rights	**852**	**–**	**–**	**652**	**–**	**1,504**

	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	**31,043**	**540,319**	**4,055**	**23,616**	**5,488**	**–**	**604,521**

The segment information provided to the Board 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	–	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	16,600	3,325	3,135	7,150	30,210
Amortisation of land use rights	791	–	–	–	791

	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

No inter-segment transfers or transactions are entered during the years 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 OTHER GAINS – NET

During the year ended 31 December 2012, the amount mainly comprises the gain on disposal of an associate totalling RMB242,861,000 (2011:Nil).

7 OPERATING PROFIT

Operating profit is arrived at after charging:

	2012 ***RMB'000***	2011 *RMB'000*
Cost of properties sold	**7,358,403**	6,933,997
Depreciation of property and equipment	**41,942**	30,210
Amortisation of land use rights	**1,504**	791

8 FINANCE (COSTS)/INCOME – NET

	2012	2011
	RMB'000	*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	**662,218**	470,280
– Convertible Bonds	**168,737**	162,721
– Senior Secured Guaranteed Bonds	**201,619**	158,387
– Exchangeable Term Loan	**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.

9 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% and 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.

	2012	2011
	RMB'000	*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	**(39,508)**	77,652
	1,153,225	925,690

10 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 of the share options.

	2012	2011
Profit attributable to equity holders (RMB'000)	**2,072,219**	1,900,954
Adjustment for finance costs on Convertible Bonds	**168,737**	162,721
Profit used to determine diluted earnings per shares (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	**–**	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

11 COMMITMENTS

(a) Commitments for property development expenditures

	2012	2011
	RMB'000	*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.

(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	2011
	RMB'000	*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	2011
	RMB'000	*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

12 DIVIDEND

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

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 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

MANAGEMENT DISCUSSION & 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**	**Contracted sales amount**
		sq.m.	*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 results 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 service 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 service 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 is striving to deliver excellent and professional service 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 results 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.

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 31 December 2012.

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, completed properties held for sale and cash 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 the 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.

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 of the Company, namely Mr. RAO Yong, Mr. ZHANG Yizhao and Mr. FOK Hei Yu. Mr. RAO Yong is the Chairman of the Audit Committee. The annual results have been reviewed by the Audit Committee of the Company.

DIVIDENDS

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

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 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 in the Corporate Governance 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 to 31 December 2012, the Company has complied with the revised code provisions in the Corporate Governance 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 of the Company attended the 2011 AGM as they had other prior business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Company directors. Specific confirmation has been obtained from all directors of the Company to confirm compliance with the required standard set out in the Model Code for the year ended 31 December 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 the year ended 31 December 2012.

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 listing securities.

PUBLICATION OF THE 2012 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

The Company's annual report for 2012 will be published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and the Company's website at www.kaisagroup.com in due course.

On behalf of the Board
Kaisa Group Holdings Ltd.
Mr. Kwok Ying Shing
Chairman and Executive Director

Hong Kong, 21 February 2013

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