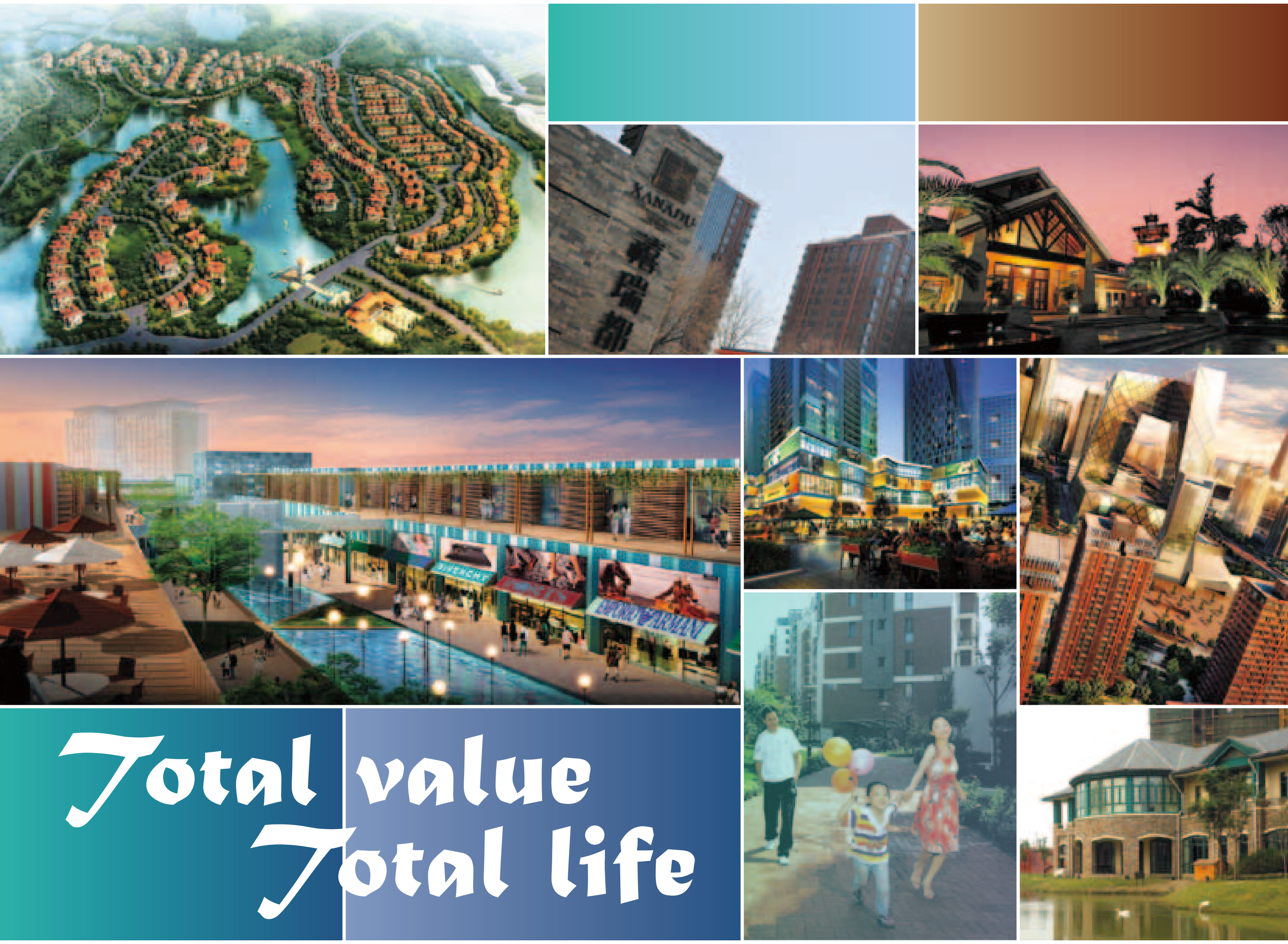
Annual Report 2010



首創置業股份有限公司
BEIJING CAPITAL LAND LTD.

Stock Code: 2868

Contents

Corporate Information

Directors

Executive Directors

Mr. Liu Xiaoguang *(Chairman)*
Mr. Tang Jun *(President)*
Mr. Zhang Juxing

Non-Executive Directors

Mr. Feng Chunqin
Ms. Cao Guijie
Ms. Zhu Min

Independent Non-Executive Directors

Mr. Ke Jianmin *
Mr. Li Zhaojie *
Mr. Ng Yuk Keung *

** Members of the Audit Committee*

Supervisors

Mr. Yu Changjian
Mr. Wang Qi
Mr. Wei Jianping

Secretary of the Board of Directors

Mr. Hu Weimin

Company Secretary

Mr. Lee Sing Yeung, Simon

Authorised Representatives

Mr. Tang Jun
Mr. Lee Sing Yeung, Simon

Registered Office

Room 501, No.1,
Yingbinzhong Road,
Huairou District,
Beijing, PRC

Beijing Headquarters

F17, Red Goldage,
No. 2, Guang Ning Bo Street,
Beijing, PRC

Hong Kong Office

Suites 5806-5808, Two International Finance Centre,
8 Finance Street, Central, Hong Kong

Website

http://www.bjcapitalland.com

Auditors

PricewaterhouseCoopers

Legal Advisers

As to Hong Kong law:
Iu, Lai & Li

As to PRC law:
Jingtian & Gongcheng

Principal Bankers

China Development Bank
Industrial and Commercial Bank of China
China Construction Bank
Bank of Communications
China Merchants Bank
Bank of China

Listing Information

Stock Code for H Share

Hong Kong Stock Exchange	2868
Reuters	2868.HK
Bloomberg	2868HK

Board Lot Size

H Share	2,000

H Share Registrar

Computershare Hong Kong Investor Services Limited
Room 1712-1716,
17th Floor, Hopewell Centre,
183 Queen's Road East,
Hong Kong
Telephone: (852) 2862 8628
Fax: (852) 2529 6087

Investor Relations Contact

Email address: kittycheung@bjcapitalland.com.cn

H Share Information

	Year 2010			Year 2009		
	Price High (HK$)	Price Low (HK$)	Total Trading Volume (No. of Shares)	Price High (HK$)	Price Low (HK$)	Total Trading Volume (No. of Shares)
First Quarter	**3.64**	**2.62**	**284,639,237**	1.44	0.74	422,487,479
Second Quarter	**3.15**	**1.95**	**332,494,246**	3.53	1.29	800,466,270
Third Quarter	**2.92**	**2.04**	**249,844,352**	4.03	2.66	674,367,056
Fourth Quarter	**3.24**	**2.48**	**156,051,689**	4.31	2.76	449,433,212

Closing share price as at 29th December 2006: HK$3.98.
Closing share price as at 31st December 2007: HK$4.74.
Closing share price as at 31st December 2008: HK$1.24.
Closing share price as at 31st December 2009: HK$3.50.
Closing share price as at 31st December 2010: HK$2.60.

Financial Highlights

Five Year Financial Summary *

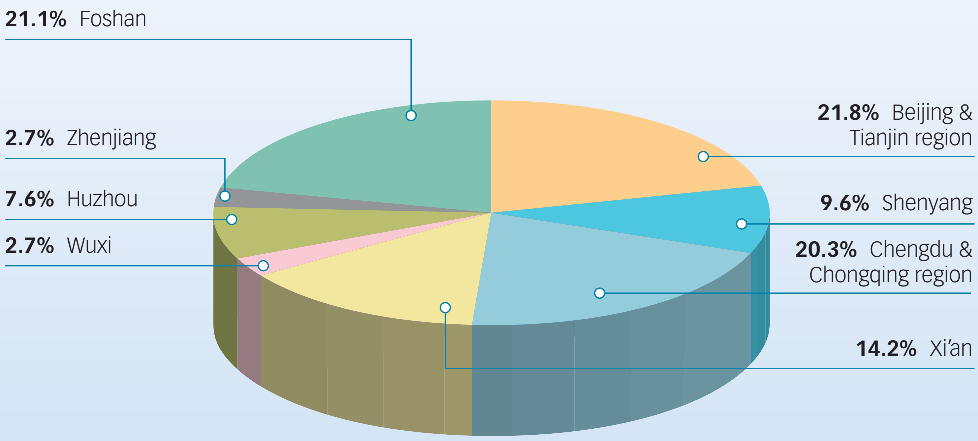
(in RMB'000 unless otherwise stated)

Year ended 31st December	2010	2009	2008	2007	2006
Revenue	**6,492,649**	5,393,150	5,167,098	4,870,929	2,039,352
Profit before income tax	**1,905,634**	1,510,295	1,266,520	1,319,768	357,371
Income tax expenses	**(844,709)**	(622,005)	(504,258)	(592,901)	(121,012)
Profit for the year	**1,060,925**	888,290	762,262	726,867	236,359
Attributable to:					
Equity holders of the Company	**918,155**	538,435	382,890	526,009	266,009
Minority interests	**142,770**	349,855	379,372	200,858	(29,650)
	1,060,925	888,290	762,262	726,867	236,359

As at 31st December	2010	2009	2008	2007	2006
Total assets	**30,553,355**	22,421,735	19,067,502	19,803,326	15,386,861
Total liabilities	**22,883,841**	15,744,990	12,908,182	14,045,002	10,720,930

*Note: The above table summarises the results, assets and liabilities of the Group.

Property Portfolio



Property Portfolio

Hotel Property — Completed

No.	Project	Location	Type	Attributable Interest	Approximate Site Area (sq. m)	Approximate GFA (sq. m)
1	**Holiday Inn Central Plaza**	Xuanwu District, Beijing	Hotel	100%	20,100	50,700
2	**Inter Continental Financial Street Beijing**	Xicheng District, Beijing	Hotel	34%	12,900	42,900

Investment Property — Completed

No.	Project	Location	Type	Attributable Interest	Approximate Site Area (sq. m)	Approximate GFA (sq. m)	Lease Term
3	**Sunshine Building**	Xicheng District, Beijing	Commercial/ Office	35%	9,400	51,700	Medium

Investment Property — Under Development

No.	Project	Project Name	Location	Type	Attributable Interest	Approximate Site Area (sq. m)	Approximate GFA to be sold (sq. m)	Approximate Site Area to be Sold (sq. m)	Expected Completion (Year)
4	**Beijing Yuyuantan Project**	The Reflections	Haidian District, Beijing	Residential	55%	17,900	12,800	11,000	2009
5	**Beijing Hujialou Project**		Chaoyang District, Beijing	Apartment/ Commercial	100%	86,300	149,900	113,500	
5.1		Beijing World Centre					37,800	37,800	2007
5.2		Xanadu					59,900	41,100	2011
5.3		Xanadu					52,200	34,600	
6	**Beijing Heping Lane Project**	Urban Town	Chaoyang District, Beijing	Residential/ Commercial	50%	116,000	34,900	28,800	2011
7	**Beijing Shilibao Project**	Beijing A-Z Town	Chaoyang District, Beijing	Residential/ Commercial	100%	122,500	22,900	8,100	2009
8	**Beijing Huang Xin Zhuang Project**	Ealing	Fangshan District, Beijing	Residential	95%	175,489	342,100	267,000	
8.1							99,800	81,900	2012
8.2							242,300	185,100	2013
9	**Beijing Changyang Town Project**	Ballet Town	Fangshan District, Beijing	Residential/ Commercial	99%	233,336	315,000	247,400	
9.1							197,000	146,400	2010
9.2							118,000	101,000	2011

Property Portfolio

No.	Project	Project Name	Location	Type	Attributable Interest	Approximate Site Area (sq. m)	Approximate GFA to be sold (sq. m)	Approximate Site Area to be Sold (sq. m)	Expected Completion (Year)
10	**Tianjin Banshan Project**	Tianjin First City	Tanggu District, Tianjin	Residential/ Commercial	55%	233,336	204,100	165,700	
10.1							21,700	17,100	2010
10.2							25,400	17,500	2011
10.3							157,000	131,100	2012
11	**Tianjin Huaming Project**	Noble City	Dongli District, Tianjin	Residential/ Commercial	40%	271,800	235,600	212,100	
11.1							2,000	2,000	2010
11.2							14,400	14,400	2011
11.3							64,400	54,100	2012
11.4							154,800	141,600	2013
12	**Tianjin Xiqing Project**	Landing House	Xiqing District, Tianjin	Residential/ Commercial	40%	151,600	147,300	147,300	
12.1							130,200	130,200	2012
12.2							17,100	17,100	2013
13	**Tianjin Shuangang 121 Project**	Fortune City	Jinnan District, Tianjin	Residential/ Commercial	55%	255,000	211,500	187,400	
13.1							36,100	36,100	2011
13.2							39,000	39,000	2012
13.3							136,400	112,300	2013
14	**Tianjin Shuangang 122 Project**		Jinnan District, Tianjin	Residential/ Commercial	55%	183,500	259,200	238,600	
14.1							27,600	27,600	2012
14.2							66,600	58,300	2013
14.3							165,000	152,700	
15	**Shenyang Shenying Road Project**	Shenyang First City	Hunnan New District, Shenyang, Liaoning Province	Residential/ Commercial	30%	145,800	411,300	373,300	
15.1							16,500	10,800	2010
15.2							125,500	117,400	2012
15.3							132,100	118,200	2013
15.4							137,200	126,900	2014
16	**Shenyang Yinhe Wan Project**	Qipan Hills First Villa	Qi Pan Shan District, Shenyang, Liaoning Province	Residential/ Commercial	50%	471,400	409,900	344,900	
16.1							28,200	23,000	2011
16.2							87,700	74,500	2012
16.3							135,700	112,400	2013
16.4							158,300	135,000	
17	**Chengdu Jianshe Road Project**	Chengdu A-Z Town	Chenghua District, Cheundu, Sichuan Province	Residential/ Commercial	55%	68,300	8,000	2,300	2009

Property Portfolio

No.	Project	Project Name	Location	Type	Attributable Interest	Approximate Site Area (sq. m)	Approximate GFA to be sold (sq. m)	Approximate Site Area to be Sold (sq. m)	Expected Completion (Year)
18	**Chengdu Shengli Village Project**	Chengdu First City	Chenghua District, Cheundu, Sichuan Province	Residential/ Commercial	100%	78,200	212,700	131,400	
18.1							9,100	2,900	2009
18.2							17,200	6,700	2011
18.3							156,200	108,100	2012
18.4							30,200	13,700	2013
19	**Chengdu Beiquan Road Project**	Cittá Villa	Longquanyi District, Chengdu, Sichuan Province	Residential/ Commercial	55%	75,000	332,600	245,900	
19.1							99,700	61,400	2012
19.2							232,900	184,500	2013
20	**Chengdu SCE Project**		Longquanyi District, Chengdu, Sichuan Province	Residential/ Commercial	55%	106,800	571,200	435,200	
20.1							229,100	194,100	2013
20.2							342,100	241,100	2014
21	**Xi'an Fengcheng Road Project**	Xi'an First City	Xi'an Economic and Technology Development Zone, Shannxi Province	Residential/ Commercial/ Office/Serviced Apartment	40%	355,400	1,383,800	1,061,300	
21.1							67,100	54,200	2011
21.2							180,900	139,200	2012
21.3							409,000	325,600	2013
21.4							726,800	542,300	
22	**Chongqing Hongensi Project**	Hong'en International Living District	Jiangbei District, Chongqing	Residential/ Commercial	50%	229,300	836,900	701,300	
22.1							86,900	56,900	2012
22.2							312,300	268,500	2013
22.3							281,600	255,600	2014
22.4							156,100	120,300	
23	**Wuxi Dongting Town Project**	Gentle House	Xishan District, Wuxi, Jiangsu Province	Residential	60%	163,000	82,000	39,300	
23.1							5,400	2,300	2010
23.2							76,600	37,000	2011
24	**Wuxi Jichang Road Project**	Joyous House	Wuxi New District, Jiangsu Province	Residential	100%	96,600	187,000	156,500	
24.1							31,000	21,300	2011
24.2							156,000	135,200	2012
25	**Zhejiang Huzhou Taihu Project**		Taihu Tourist Resort, Huzhou, Jiangsu Province	Residential/ Serviced Apartment	68%	531,100	626,700	564,700	
25.1							196,600	174,900	2011
25.2							63,500	56,500	2012
25.3							366,600	333,300	

Property Portfolio

No.	Project	Project Name	Location	Type	Attributable Interest	Approximate Site Area (sq. m)	Approximate GFA to be sold (sq. m)	Approximate Site Area to be Sold (sq. m)	Expected Completion (Year)
26	**Zhenjiang National University Science Park Project**		Zhenjiang Technological Development Zone, Jiangsu Province	Residential	100%	531,100	223,500	200,000	
26.1							161,900	141,200	2011
26.2							61,600	58,800	2012
27	**Guangdong Foshan Sanshui Project**		Sanshui District, Foshan, Guangdong	Residential/ Commercial/ Serviced Apartment		1,631,200	1,775,400	1,570,000	
27.1					68%		307,000	268,400	2011
27.2					68%		189,000	165,200	2012
27.3					55%		159,000	150,000	2013
27.4					68%		457,400	399,800	
27.5					55%		663,000	586,600	
Total							**8,996,400**	**7,452,800**	

Note:

1. Information stated in table updated as at 31st December 2010.
2. Approximate site area is based on the newly obtained land use right certificates or land transfer agreements for all projects.
3. Approximate GFA is based on actual measurement upon completion of construction of the completed properties.
4. Approximate GFA for properties under development is based on the latest obtained documents or the Company's latest regulations.
5. Approximate GFA to be sold for properties under development refers to the saleable area on the ground floor where contract is yet to be signed, which is based on the latest obtained documents or the Company's latest regulations.

Corporate Milestones of the Year

February 2010	The Company acquired Fangshan Changyang Town Project through open auction, following the two new residential integrated projects located at Foshan in Guangdong and Huzhou in Zhejiang. This established a strategic planning for the new residential integrated project series in Pearl River Delta region, Yangtze River Delta region and Bohai Rim region.
	The Company entered into a strategic partnership agreement with Bank of China ("BOC"), of which BOC granted the Company credit facilities amounting to RMB10 billion. The pair has achieved consensus on nationwide property and financial cooperation.
April 2010	Block 7 of North Ring Centre was sold in whole with contracted sales amounted to RMB1.09 billion. The en bloc sale of the project represented our competitive edge in catering to the demand for large-scale state-owned enterprise, which helped enhance BCL's asset turnover and business growth.
June 2010	BCL announced the brand philosophy of "Total Value, Total Life". By integrating its projects in sale and coordinating a number of business partners, BCL carried out the campaign of brand upgrading in full swing, with an aim of creating comprehensive value and all-rounded services.
July 2010	BCL entered into a strategic alliance agreement with China Construction Second Engineering Bureau Ltd ("CCSEB"). By introducing the quality construction and management resources of CCSEB, BCL is capable of enhancing project quality, optimizing cost allocation and further upgrading product quality.
August 2010	The Company further broadened its fund raising channels, spearheaded some innovative financing means and successfully captured the financing opportunity. It has entered into trust financing agreements with China Credit Trust, Zhonghai Trust and China Railway Trust respectively, and obtained RMB2.55 billion in total by means of trust financing at a cost lower than market average.

Corporate Milestones of the Year

September 2010

Located in Wuqing district, Tianjin, the project of Beijing-Tianjin urban development that Capital Group has took part in, organized a foundation-laying ceremony. Mr. Liu Xiaoguang, Chairman of BCL and government officials of Wuqing district attended the event. The project will be developed into a model project of livable community with provision of international education being the core business, and comprises facilities for retirement and nurturing the young, business and leisure, as well as tourism development.

October 2010

BCL launched Chengdu Cittá Villa with the initial batch sold out in three hours.

The Company acquired the Zhenjiang Economic Developent Zone International University Science Park Project (鎮江市經濟開發區國際大學科技園項目) in Jiangsu Province, which boasts a GFA of 200,000 sq. m and represents a breakthrough of our development in Yangtze River Delta Region.

November 2010

The "BCL International Industry Design and Service Region in Northern and Central China" ("首創中北國際產業設計服務港") project, jointly developed by BCL and Shunyi district, was introduced in the fifth China Beijing International Cultural & Creative Industry Expo. Located at Beishicao region in Shunyi district, the project represents another innovative model of new integrated residential project series following the new Outlets series developed by BCL and Outlets. With design and manufacturing industry as its core business format, the project will become a national model district of industry design and a leading "Region of Innovative Industry Design" ("創意工業設計港").

December 2010

Ballet Town, Beijing, ("芭蕾雨 • 悦都") the first project of BCL's new residential integrated project series, was launched. 405 units initially launched were eight times oversubscribed. Total sales amounted to over RMB500 million.

Major Awards of the Year at a Glance

Award-winning Unit	Date	Award	Judge and Organizer
Beijing Capital Land	March 2010	Top 10 among 100 Real Estate Enterprises in the PRC	The Research Team of Top 10 Real Estate Enterprises in the PRC
Mr. Liu Xiaoguang, Chairman	May 2010	The Most Insightful Entrepreneur in Investment and Financing in China 2010	The Promotion Center of China Real Estate Investment
Beijing Capital Land	July 2010	Industry Contribution Award 2010	21st Century Financial Herald and China Real Estate Chamber of Commerce
Beijing Capital Land	September 2010	Top 10 Hong Kong-Listed China Property Enterprises with Robust Financial Position 2010	The Research Team of Top 10 Real Estate Enterprises in the PRC
Beijing Capital Land	September 2010	Top 10 Brand Names of State-owned Real Estate Enterprises in the PRC 2010 (RMB3.98 billion)	The Research Team of Top 10 Real Estate Enterprises in the PRC

Major Awards of the Year at a Glance

Award-winning Unit	Date	Award	Judge and Organizer
Beijing Capital Land	October 2010	The Most Influential Real Estate Enterprise in the PRC in the past 20 Years	The Promotion Center of China Real Estate Investment, Blue Chip Media and House.sina.com.cn
Xanadu, Beijing	October 2010	Quality Luxury Residential Project 2010	Jinghua Times
Chongqing Hong'en International Living District	November 2010	The Most Contributive Property Project	Chongqing Daily
Beijing Capital Land	November 2010	Blue-chip PRC Property Developer for seven consecutive years	The Economic Observer, House.china.com.cn, House.sina.com.cn

Chairman's Statement

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Beijing Capital Land Ltd. ("BCL" or the "Company"; together with its subsidiary, the "Group"), I am pleased to present the Group's annual results for the year ended 31st December 2010.

After the market fluctuation of the international financial crisis, the Chinese economy gradually returned to stable growth track against the backdrop of structural adjustment in 2010. While gaining momentum for economic growth during the year, the Chinese economy was under a favorable condition of market-driven investment, consumption and export. The withdrawal of economic stimulation policies and the adoption of stable monetary policy instead of a relaxed one indicated that the Chinese economy has made an important progress in resuming normal growth and maintained steady yet rapid growth.

In 2010, the central government promulgated a series of measures, such as the "Notice of the State Council on Rsolutely Curbing the Soaring of Housing Prices in Some Cities" (also known as the "The State Council's No. 10 National Notice" and "The State Council's No. 5 National Notice"). In addition to conventional policies including the increase in the proportion of down payment and interest rate, the central government also adopted an accountability system on local governments, while monitoring property price by imposing restrictions on home purchase and loan credits. The sternness of those initiatives demonstrated the dedication of the central government in stabilizing property price, securing people's livelihood, beating off speculative demand and restraining the skyrocketing of property price. The implementation and strengthening of measures have shown significant effect on slowing down the increase in property price and maintaining stable transaction. As consumers are becoming more rational, situation of tight market supply and demand has eased.

Chairman's Statement

Amidst the adjustment of economic structure and tightening market control, BCL accelerated project development, optimized product portfolio and enhanced its business with the brand philosophy of "Total Value, Total Life" while promoting urbanization in mainstream region. During the year under review, the Group has 22 projects on sale in key cities of three main economic zones at Bohai Rim, Yangtze River Delta and Central and southwestern China. As at 31st December 2010, contracted sold gross floor area ("GFA") of the Group amounted to approximately 1.19 million sq. m and contracted sales totaled RMB12.5 billion, representing new historic high of sales performance.

In 2010, the Group's turnover reached RMB6,492,649,000, representing an increase of 20% as compared to the previous year. Profit attributable to shareholders was RMB918,155,000, up 71% as compared to the previous year. The Board resolved the payment of RMB0.18 per share as the final dividend for the year ended 31st December 2010.

Despite intensive promulgation of austerity measures during the year under review, beating off investment and speculative demand remained as the focus. Real market demand, especially demand for self-owned properties and second homes for better living environment in second tier to third tier cities dominated the market. Upon comprehensive estimation of the risk and market changes brought forth by policies implementation, the Group further expedited project launch, expanded scale of development to ensure adequate supply. By adjusting product type, increase the proportion of small-to-medium-sized units and products of lower pricing in a timely manner, the Group stayed abreast with market demand and successfully reinforced its market position, enhanced its market share and achieved extraordinary sales performance. During the year, the Group launched a number of new projects, including Beijing Ballet Town, Phase III of Urban Town, Tianjin Fortune City, Tianjin Landing House, Chengdu Cittá Villa, Chongqing Hong'en International Living District and Wuxi Joyous House. All these projects posted satisfactory sales performance on debut day and were well-received by the market. Other projects in sale, such as Xanadu, Beijing, Tianjin First City, Chengdu First City and Wuxi Gentle House etc, continued to deliver stable sales and strengthen the Group's market influence.

Chairman's Statement

In 2010, the Group continued to adhere to its stable yet flexible investment strategy. While foreseeing and capturing the development opportunities of urbanization, the Group also enahced its presence in markets where it has already entered and extended its development to surrounding regions. Leveraging on our edges in integrated operation, innovative business development model and proven track record in traditional residential property development, new integrated residential project and land development, the Group continued to accumulate quality land resources. The Group successfully acquired, at upset price, the Changyang Town Project in Fangshan, Beijing and established the strategic distribution of our new integrated residential project series in Yangtze River Delta, Pearl River Delta and Bohai Rim regions. The Group achieved excellent results for this project, of which land acquisition, construction completion and project launch took place in the same year. In Beijing, where land market faces keen competition, the Group acquired Miyun Villa Project following the Huangxinzhuang Project in Fangshan, which further strengthened its leading edges in the market. The Group also acquired the residential project in Wuqing, Tianjin by participating in primary land development. This represents a significant breakthrough of the Group's business strategy in primary and secondary development. In addition, the Group actively responded to the implementation of austerity measures on property sector and captured the opportunities of commercial property development upon the introduction of home purchase restrictions, successfully securing the office and serviced apartment project in Chengyang, Qingdao. The Group also obtained the residential land plot in Jiangsu Zhenjiang Industrial Park, further strengthening our market position in Yangtze River Delta region. BCL has achieved remarkable progress in primary land development sector, which is of strategic importance. Following the success of Tianjin Wuqing project, the Group has secured a number of land development projects in Beijing, Nanjing and Hainan.

During the year under review, BCL further broadened its fund raising channels and spearheaded some innovative financing means amidst tightening loan credit policy for property developers. It obtained RMB2.55 billion in total by means of trust financing at a cost lower than market average. In addition, the Group successfully issued a three-year RMB1.15 billion guaranteed bond with a coupon rate of 4.75% in Hong Kong in February 2011. This help broadened financial channels and strengthened capital position, providing the Group with favorable capital support to ride on arising opportunities during market consolidation.

Chairman's Statement

Looking forward to 2011, the central government will continue to exert efforts in restraining rapid increase in property price and beating off speculative and investment demand in the long term. Nonetheless, the momentum for future growth remains intact. With promoting urbanization, securing people's livelihood and encouraging domestic consumption as the main focus of the macro-economy, market demand that supports the rapid development of the industry continued to grow. Property development must be complimentary to the trend of economic growth and be in line with the theme of market control, i.e. secure people's livelihood, adjust product structure and promotion standardization and regulation. Land and residential property supply will not only emphasize on increase in volume, but also stress the importance of structural adjustment. Tax reform and transaction standard will continue to improve. In regard to control of the property market in future, we believe those implemented measures will reveal effectiveness should there be no changes in policy. We expect market operation will be in line with overall economic development.

As such, the Group devised the operating principle of "achieving breakthrough in operation scale, accumulating quality resources, implementing differentiation competition and reinforcing innovative development" after taking into account possible market changes and fluctuations in 2011. BCL will follow market development trend to increase its development scale and sales performance, so as to ensure stable business growth. In addition, the Group will further implement its integrated operation model, accumulate resources for strategic cooperation and proactively enhance land reserve and capital resources. By continuing the exploration of differentiation development, integrated operation model that combines innovative property and industry development, the Group strives for strengthening the synergies of residential property and integrated projects, market presence and customer recognition. We also aimed at minimizing our gap with leading industry players and maximize our corporate value by means of optimizing strategic management model, standardized product operation, reducing development cost as well as accelerating asset turnover, increasing investment returns and enhancing management efficiency.

Chairman's Statement

On behalf of the Board, I would like to express our sincere gratitude to our clients, business partners and shareholders, for their confidence in and support to the Group. I would also like to extend my appreciation to our staff members for their dedication and restless efforts throughout the year. BCL will work with our staff members and overcome future challenges hand in hand. Leveraging our solid foundation of integrated business operation, competitive edges in product differentiation and innovative development strategy, BCL endeavors to promote the sustainable development of China's property market, so as to become the most valuable integrated property operator.

Liu Xiaoguang
Chairman

Hong Kong, 28th March 2011

Management Discussion and Analysis

Management Discussion and Analysis



Analysis on Business Environment

Overview of China's Property Market

Macro-economy embarked on an efficient and sustainable rising trend

The Chinese economy experienced robust growth in the first half of 2010, which slowed down in the second half. The implementation of austerity measures on the property market, tightening monetary policy, promotion of energy saving and emission reduction as well as economic restructuring affected economic growth. In view of the extremely complicated domestic and foreign economic environment, the Central Government focused on safeguarding and ameliorating people's livelihood by rolling out a series of measures, including the enhancement of macroeconomic austerity, implementation of positive financial policies and prudent monetary policies, so as to bring market mechanism into full play and accelerate the adjustment of economic structure. In addition, the Central Government also strived to maintain stable and rapid economic growth and promote social harmony and stability, which helped propelling efficient and sustainable growth of the Chinese economy.

In 2010, national economy was in good shape on the whole, with GDP amounted to RMB39,798.3 billion, representing a year-on-year increase of 10.3%. Due to constant improvement of the investment structure, annual investment maintained rapid growth. Fixed assets investment amounted to RMB27,814.0 billion, up 23.8% over the previous year. Annual property development and investment amounted to RMB4,826.7 billion, up 33.2%. Income of urban and rural residents posted stable growth. The per capita disposable income of urban residents amounted to RMB19,109, and the actual growth was 7.8% if excluding price factor.

	Local GDP		Per capita disposable income		Property development and investment		Area of commodity housing		Sales revenue from commodity housing	
	RMB100 million	Percentage change	RMB100 million	Percentage change	RMB100 million	Percentage change	'000 sq. m	Percentage change	RMB100 million	Percentage change
Across the nation	397,983.0	10.3%	19,109	7.8%	48,267.0	33.2%	1,043,491	10.1%	52,478.7	18.3%
Beijing	13,777.9	10.2%	29,073	6.2%	2,901.1	24.1%	16,395	-30.6%	2,915.4	-10.6%
Tianjin	9,108.8	17.4%	24,293	10.0%	866.6	17.9%	15,645	-1.6%	1,282.4	17.1%
Shenyang	5,015.0	14.0%	20,540	8.3%	1,567.7	31.9%	17,465	13.9%	945.0	38.1%
Qingdao	5,666.2	12.9%	24,998	9.6%	602.4	31.1%	13,607	7.8%	–	–
Chengdu	5,508.3	15.0%	19,920	10.2%	1,278.3	35.3%	25,593	-5.0%	–	–
Chongqing	7,894.2	17.1%	17,532	8.1%	1,620.3	30.8%	43,144	7.8%	1,846.9	34.1%
Xi'an	3,241.5	14.5%	22,244	13.3%	842.3	21.0%	15,878	26.4%	–	–
Wuxi	5,758.0	13.1%	27,905	8.4%	612.7	32.2%	7,193	-13.0%	589.8	8.4%
Zhenjiang	1,902.8	13.8%	20,375	6.4%	114.9	20.3%	3,748	-18.0%	203.9	8.9%
Huzhou	1,301.6	12.1%	25,572	6.0%	142.8	28.3%	4,113	-4.8%	258.1	17.5%
Foshan	5,651.5	14.3%	27,245	7.8%	485.5	35.5%	8,855	13.6%	668.1	37.0%
Hainan	2,052.1	15.8%	15,581	8.4%	467.9	62.5%	8,573	52.3%	746.6	112.4%

(Source: National Reform and Development Commission, National Bureau of Statistics and local bureaus of statistics)

Property sector continued to be affected by the implementation of intensive austerity measures, implying imbalanced market demand and supply

2010 witnessed the implementation of unprecedented austerity measures on China's property market. The rigidity of the austerity measures, the plentitude of means and the intensiveness of macro control were rarely seen in history. The pith of the property policies announced in January 2010 was to promote stable and healthy growth of the property market and restrain skyrocketing of property price. The State promulgated two rounds of austernity measures in increasing scale, based on property price fluctuation, in April and September respectively. With initiatives to restrain property price increase targeting different aspects, including market management, land, finance and taxation, and to monitor market demand and supply by increasing property supply, tightening loan credit and rescinding premium, all these measures effectively curb the surge in property price.

As the policy aims at beating off investment and speculative demand for property, transaction volume dropped abruptly after the implementation of two rounds of measures. This indicated the effective control over investment and speculative demand. With a series of intensive measures, the overheated property market was gradually under control. Major indicators showed a downward adjustment. In December, the property price in 70 medium-sized and large cities increased by 6.4%, and the growth rate has been recording month-on-month decrease since April.

Although the overheated property market is gradually under control, the implementation of austernity measures failed to solve the fundamental issue of imbalanced market demand and supply. In 2010, a total of 1,043 million sq. m of commodity housing were sold across the nation, representing a year-on- year increase of 10.1%, while completed GFA for the year only aggregated to 760 million sq. m, representing a year-on- year increase of 4.5%. There is still a gap between property demand and supply.

Management Discussion and Analysis

Regional planning and urbanization remained as the driving force for sustainable growth of the property market

Regional plans at national level sprang up in the two years after the global financial crisis. Regional economic plannings, whether approved or yet to be approved, span across the nation. The current regional planning shows that China is set to achieve balanced and decentralized development with developing East China ahead, exploring western China, expediting the rise of Central China and revitalizing Northeast China as the focus.

Regional planning is an important factor affecting the transformation of the economic structure of China, regional economic harmony is an effective support for China's continued exponential economic growth. Propelling the development of different regional economies is not only the need for enhancing regional competitiveness, but also a definite choice for speeding up regional economic integration. Regional planning can entail various advantages including better national policies and more potent support, accelerated investment in infrastructure and economic restructuring. Such advantages will be gradually converted into the increase in fixed assets investment and rise in population density and income level. As to the property market, long-term resource concentration and development prospects based on regional planning can directly promote the growth of regional property demands. In addition, as cities in the planned region tend to be integrated, core cities' ability to radiate surrounding cities is underpinned, and intercity railway transit construction and optimization of expressway networks greatly shorten the spatial distance, the appreciation of relevant property is well positioned to be reinforced.

Overview of Property Market of Bohai Rim Region

Bohai Rim Region includes "two cities and three provinces", i.e. Beijing and Tianjin, Hebei, Liaoning and Shandong Provinces. In 2010, GDP of Bohai Rim Region amounted to RMB10,000 billion, accounting one fourth of China's GDP. Property development and investment amounted to RMB1,275 billion, accounting for 26% of total. With geographic advantages and industrial features, Bohai Rim Region is becoming one of the most dynamic regions with immense growth potential in China. Leveraging advantages of the political center, Beijing, along with the development of Tianjin Binhai new district, the positioning of Tianjin as the North China Economic Center and the integration of Beijing-Tianjin-Hebei Metropolis Circle was reinforced. Accordingly, economic development in Bohai Rim Region will be a key growth driver of China's economic development in the future.

Management Discussion and Analysis

In 2010, Hebei successively propounded plans including the designation of 13 counties (cities) and districts for the construction of the capital economic circle and the establishment of three new cities around Beijing. According to the 12th Five-year Plan, the government plans to extend the light railway northward to Hebei by 1,100km. Regions surrounding Beijing are expected to complete "urban integration" in 2 to 3 years. In addition, pursuant to the "Opinions of Accelerating Industrial Development of Hebei's Capital Economic Circle", the local GDP will reach RMB478.4 billion by 2015 from RMB119.6 billion in 2010, and urbanization rate will increase from 33% in 2010 to 60% by 2015.

In the future, Beijing will be the center of the intercity transit railway network, with the route from Beijing to Tianjin and to Hebei as main shafts while the route to Shijiazhuang and Qinghuangdao will be the two extended lines of the Intercity Transit Network Plan of Beijing-Tianjin-Hebei region in Bohai Rim. By 2012, high-speed railways will be open to 11 cities in Hebei, which will become the first among other provinces to have developed high-speed railway system. By 2020, total distance of the intercity transit railway network of Beijing-Tianjin-Hebei region will reach 710 km and the network will cover major cities in Beijing-Tianjin-Hebei region, establishing a "2-hour transportation circle" with Beijing and Tianjin as the centre.

With the rapid development of infrastructures and transportation networks, Beijing-Tianjin-Hebei Metropolis Circle of Bohai Rim Region will develop into a metropolis cluster. With Beijing and Tianjin being the dual-centre of the region, Tangshan and Baoding will become two complementary regions. This will help decentralizing metropolitan functions, while driving the development of medium-sized cities, increasing city density and establish a urban cluster of "Greater Beijing" area.

With the space shift of coastal regions and advent of a new pole for economic growth, the space structure of Bohai Rim regional development is optimized. Despite nationwide property investment slowdown resulting from rigorous austerity measures, urbanization of Bohai Rim Region is poised to accelerate in full swing with relatively low labor costs, preferential taxation policies, favorable government policy and massive migration of enterprises strengthened the attractiveness in Bohai Rim Region. Though the development of Beijing's property market may slowdown to a certain extent, growth in second-tier and third-tier cities is bound to become the new market limelight.

Management Discussion and Analysis

Overview of Property Market of Yangtze River Delta Region

Covering an area of 210,700 sq. km, Yangtze River Delta Economic Region comprises over 16 local cities in Jiangsu and Zhejiang provinces, namely Shanghai, Nanjing, Hangzhou, Suzhou, Wuxi, Yangzhou, Nantong, Zhenjiang, Huzhou, Ningbo, Shaoxing, Zhoushan, Wenzhou, Jiaxing and Changzhou. In 2010, GDP of Shanghai, Jiangsu and Zhejiang amounted to RMB8,487.5 billion, accounting for 21.3% of the national GDP. Property development and investment amounted to RMB931.26 billion, accounting for 19% of the national total. Capitalizing on the favorable geographical location of Yangtze River Delta region, as well as its admirable natural endowment, solid economic foundation, comprehensive urban system and developed scientific education culture, the region has become an ideal region with the highest level of economic and social development and strongest comprehensive strength.

Due to notable economic edge and rapid income growth, Yangtze River Delta Region has become the main inflow region of migrants in China. Amidst increasing number of immigrants, the crescent proportion of highly-educated or professional technicians ensured continuous improvement of actual demands of property and reasonable rate of property price and income. On the other hand, there are still robust and rigid demands despite rigorous austerity measures, which was due to higher urbanization level and tightening of residential land supply.

In May 2010, the State Council approved the implementation of the regional plan of Yangtze River Delta, which defined the strategic positioning of the region as a key international portal in the Asia-Pacific region, an important base for modern service and advanced manufacturing, a world-level urban cluster with strong international competitiveness. By 2015, Yangtze River Delta will surpass other regions in achieving the objective of developing a well-off society, and by 2020, a modernized city.

Management Discussion and Analysis

Urbanization of Yangtze River Delta outreached at an amazing speed, and acceleration of urbanization connected with cities alongside Shanghai-Nanjing-Hangzhou Highway, railway and Grand Canal, thus, forming a complete metropolis cluster. Currently, Yangtze River Delta is the world's sixth metropolis circle. The aforesaid regional plan of Yangtze River Delta focuses on regional integration and orderly division of work. The plan specified Shanghai as the core of the development of Yangtze River Delta Region, so as to build six characteristic urban cities and industry belts and propel the integration of Yangtze River Delta market, key infrastructure, resource saving and environmental protection, innovation system, social undertaking and urban and rural growth. It is expected that population and economic scale of Yangtze River Delta Region will continue to grow. According to regional planning, governments will proactively guide central urban areas to enter key towns on outskirts, and attract rural population to be centralized on new cities and central towns as industry restructuring and industry migration speed up, which is bound to vitally stimulate property demand in second-tier and third-tier cities in Yangtze River Delta.

Overview of Property Market of Pearl River Delta Region

Covering an area of 24,437 sq. km, Pearl River Delta region comprises 9 cities, including Guangzhou, Shenzhen, Zhuhai, Foshan, Jiangmen, Dongguan, Zhongshan, Huizhou and Zhaoqing, representing 14% of Guangdong's area. In 2010, Pearl River Delta achieved a GDP of RMB3,740.4 billion, representing 82% of Guangdong's in aggregate and 9.4% of the State's GDP. As the trailblazer of China's reform, Pearl River Delta is also the key economic hub of China and plays a dominant role in driving national economic and social development and the general reform situation. Having become China's most marketized region with the most sophisticated market system, Pearl River Delta region is the most outward-looking economic region and the key window to overseas markets. With a high population and centralized economic development, Pearl River Delta boasts high urbanization level, mature property market and comprehensive infrastructure. It becomes one of the top three urban clusters in China. Over 30 years' of reform and development, Pearl River Delta has evolved into a world-class regional economy, a mega-sized city cluster exuding vitality, representing a historic stride of economic and social growth.

Management Discussion and Analysis

In accordance with the "Outline of the Reform and Development Plan of Pearl River Delta Region" as approved by the State Council, Pearl River Delta is set to take the lead in building a comprehensive well-off society with insignificant gap between urban and rural regions. Regional integration gradually takes shape, and Guangdong-Hong Kong-Macau economy further grow in a harmonized manner. It is expected that urbanization rate of Pearl River Delta will reach about 85% by 2020, representing the establishment of a modernized region ahead of others and contributing to an industry structure that focuses on modern service and advanced manufacture. It will also become one of the world's most competitive metropolis circles with sound division and complementary advantages of Guangdong, Hong Kong and Macau.

In the future, the urban structure of "Pear River Delta" will comprise two central cities, three metropolis circles and two city clusters. The two central cities are Hong Kong and Guangzhou, with Hong Kong stresses on its function as a platform to the international market, and Guangzhou served the function as a regional city. Three metropolis circles stand for Hong Kong-Shenzhen integrated metropolis circle; Guangzhou-Foshan integrated metropolis circle and Macao-Zhuhai integrated metropolis circle. Two city clusters refer to East Pearl River Estuary City Cluster mainly includes cities such as Hong Kong, Shenzhen, Dongguan and Huizhou and West Pearl River Estuary City Cluster. Comprises cities such as Macau, Zhuhai, Zhongshan, Foshan, Guangzhou and Jiangmen.

In the process of strengthening the cooperation of Hong Kong-Macau metropolis circle, nine cities in Pearl River Delta achieve the integration of infrastructure, industry development, environmental protection, urban planning and public service by taking the integration of Pearl River Delta transportation as the cut-in point.

The intended economic restructuring of Pearl River Delta and upgrading of the value chain will promote market demand for property. Besides, acceleration of urban construction gives new impetus to the development of the property market. The construction of the intercity railway transit network with Guangzhou as the centre, and Guangzhou-Shenzhen and Guangzhou-Zhuhai as main shafts, as well as the construction of the "1-hour economic circle" of Pearl River Delta, connects nine cities in the region with railway system. This will help boost urban integration of Guangzhou, Foshan and Zhaoqing, urban integration of Shenzhen, Dongguan and Huizhou, and that of Zhuhai, Zhongshan and Jiangmen. At present, urbanization level in different cities of Pearl River Delta varied. However, second-tier and third-tier cities and cities surrounding Pearl River Delta are facing tremendous growth opportunities despite noticeable impacts of rigorous market macro control policies on first-tier cities including Guangzhou and Shenzhen. This is conducive for Pearl River Delta consolidated, industry migration and the progressive development of property sector in Pearl River Delta and Guangdong. There are still ample room for development.

Management Discussion and Analysis

Overview of Southwest China Property Market

Southwest China mainly includes 33 cities in Sichuan and Chongqing. Apart from two mega-sized cities namely Chongqing and Chengdu, all the other 31 cities are small-to-medium sized cities. The city clusters of the two areas have yet to take shape. The State Council recently approved the Chengdu-Chongqing economic zone development plan to vigorously promote the execution of the western development, expedite economic integration, accelerate the urbanization of Southwest China and bring regional economic radiation development into full play. Covering 15 cities in Sichuan and 31 districts and counties in Chongqing, Chengdu-Chongqing economic zone has a population of 98.407 million with a total area of 206,100 sq. km. In 2010, Sichuan and Chongqing recorded a total GDP of RMB2,480 billion, representing 6% of China's GDP. Property development and investment amounted to RMB381.49 billion, representing 8% of the total of China.

In the past 10 years of China Western Development, regions with apparent favorable locations and solid economic foundation alongside the artery of communications and urban hub were treated as key areas of the development to boost the establishment of a number of core cities as new growth drivers. Chengdu-Chongqing economic zone is an important region in China in terms of number of population, cities and industry agglomeration. Leveraging its excellent natural endowment, complete transportation systems and abundant human resources, the zone holds a crucial strategic position in the economic and social growth in China. As indicated in Chengdu-Chongqing regional development plan, a dual-core city cluster, the largest in western China that connects to different core cities, is to be built in the coming 5 to 10 years. It will provide important strategic support to China Western Development.

Management Discussion and Analysis

Accelerated urbanization and industrial enhancement are the core driving force for the future growth of Chengdu-Chongqing economic zone. Chengdu-Chongqing economic zone will form a spatial layout of "Dual-core and Five Belts" by taking Chongqing and Chengdu as the core, based on core cities distribution, the location of Yangtze Golden Waterway as well as major land transport routes. Five development belts, forming an oval-shaped city cluster, include Chengdu-Mianyang development belt and Chengdu-Suining-Chongqing development belt based on central cities, Yangtze River development belt and major land transport artery.

New regional planning often signifies repositioning of cities, and that, together with value appreciation always bring new investment opportunities to local property sector. The unveiling of Chengdu-Chongqing economic region plan not only presents significant development opportunities to surrounding small-to-medium sized cities, but also promote more reasonable allocation of resources, which help change the phenomenon of "the sole metropolis" for Chengdu and Chongqing and expedite the development of surrounding areas. This will also speed up rapid rise of such region. The promulgation of the regional plan is poised to foster a massive urban construction and redevelopment, spurring enormous rigid demands. Southwest China is becoming the hot spot of property development. As to future growth, Chengdu-Chongqing economic region will become the fourth major growth engine of China following Yangtze River Delta, Pearl River Delta, and Beijing-Tianjin-Hebei economic region.

Management Discussion and Analysis

Overview of Hainan Property Market

Hainan, China's southern-most province, is the only tropical island of the nation. Covering 1/3 of China's water area, Hainan's weather is warm all year round, with the annual average temperature of 25.3ºC. With almost no winter and a high forestation coverage of 50%, as well as the longest estimated lifespan in China, Hainan enjoys a pleasant environment with clean air. Hainan province is China's largest special economic zone and also the province of the shortest history. As the second largest island in China, Hainan is a laudable resort with coastline of 1,584.8 km.

In 2010, the State Council officially approved the outline plan of the construction of an international tourism island in China. Hainan's regional development was enhanced to the national strategic level. As required by the plan, Hainan is to proactively develop tourism-related modern service industries, so as to promote service transformation and upgrade, and contribute to increasing demand for tourism-related property development. In 2010, Hainan's GDP reached RMB205.21 billion, representing a year-on-year increase of 15.8%. The property sector moved in perch. Despite the implementation of austerity measures, market development remained robust given a substantial growth in development and investment as well as booming supply and demand of commodity housing.

Favorable factors of building an international tourism island dramatically spur property market development in Hainan. Tourism-related property, in particular, showed signs of rapid development. With increasing investment in development, Hainan property market is facing abundant development opportunities. Compared with the property market of first-tier cities, Hainan has its own uniqueness as it is the only tropical resort island in China, and thus determines the unparalleled strengths of Hainan property sector. With the majority of residents coming from other provinces, purchase of property is mainly for holiday or retirement rather than speculation. In terms of investment cycle, property investment in Hainan are mainly long-term rather than short-term. As such, Hainan property market is supported by strong demands. With the rise of resort property market, Hainan property market demonstrated a development trend of multipolarity, fanning out to other cities and counties from Haikou and Sanya in the island. Hainan Property Market boasts strong appreciation potential. Meanwhile, as at the end of 2010, with the urbanization rate of Hainan reached 50% and per capita housing area of urban and rural populationare 28.9 sq. m and 24 sq. m respectively, lower than that of the national average. The relatively conspicuous imbalance between market supply and demand contributed to the impressive market potential of self-owned property

Overview of Xi'an Property Market

Xi'an is the core city of five provinces in Northwest China. In the light of national strategy of "China Western Development", Northwest China is the major strategic region. In 2009, the State Council officially announced "Central Shaanxi -Tianshui Economic Region Development Plan" pursuant to the spirit of "Focusing on development of a number of core cities and establish a new growth driver" regarding the China Western Development. According to the plan, it will focus on developing Xi'an into an international metropolis, which spearheaded and radiated the growth in inland regions of western China and northern China. With Lianyungang-Lanzhou Railway and Lianyungang-Horgos Expressway as the major routes, supported by sub-core cities such as Baoji, Tongchuan, Weinan, Shangluo and Tianshui, developed city clusters in western China will be established. Based on the transportation artery radiating outwards from core cities and sub-core cities, regional economic cooperation was underpinned so as to impel the economic region to develop southward and northward.

Management Discussion and Analysis

Possessing conditions of prioritized development in western China, the Central Shaanxi -Tianshui Economic Region is enhanced for construction and development, which is conducive for intensifying regional economic strength to support the robust development of the region. Under the aforesaid Plan, the Greater Xi'an will become a key technical R&D center, regional exhibition and conference center for commerce and logistics, regional financial center, international renowned resort and the base for national key new hi-tech industries with advanced manufacturing. Speeding up and promoting the integration of Xi'an and Xianyang, and focusing on developing Xi'an into an international city, remained as the major objective. It is expected that the integration will be completed by 2020, with an urbanization rate of 60%. Urban population will exceed 10 million, and main urban areas will be less than 800 sq. km.

In the past two years, property demand for improving living environment in Xi'an continued to grow. Structural demand, property purchase by people outside Xi'an and brand awareness are the three factors that fuelled the rapid development of Xi'an property market.

The construction of a Greater Xi'an will drive the development of Central Shaanxi, fuel the growth of Northwest China and enhance regional harmonized development, which is a golden opportunity for Xi'an. The ultimate objective of the "12th Five-year" plan for Xi'an is to build an international metropolis. In recent years, Xi'an has gradually established new development regions alongside with economic growth, continuing urbanization as well as the development of the property sector, which further reinforce the development of Greater Xi'an.

Business Review

The China property market has gone through fluctuation in 2010. The austerity measures on the property sector launched have been further implemented in major cities across China, such as controlling speculative demand, increasing housing supply, affordable housing in particular, as well as strengthening market management and supervision. Market demand and supply experienced tremdous changes, with increment in average selling price gradually slowed down, transaction volume saw a drastic decline followed by a rebound and become stable. Rigid housing demand of first home buyers dominated the market. The Group supports the abovemetioned austerity measures and believes that those initiatives are conducive to the long-term and healthy development of the property market.

In 2010, The Group's revenue reached RMB6,492,649,000, representing an increase of 20% as compared to that of year 2009. Operating profit reached RMB1,947,131,000, up 22% year-on-year. Profit attributable to shareholders reached RMB918,155,000 in 2010, representing an increase of 71% as compared to that of year 2009. Basic earnings per share amounted to RMB0.4527, while that of 2009 was RMB0.2655. The Board resolved to recommend the payment of RMB0.18 per share as the final dividend for the year ended 31st December 2010. (2009: RMB0.11 per share)

During the year under review, the Group had made significant breakthroughs in the following areas in relation to operation and management:

Management Discussion and Analysis

Multi-cities strategy and continuous expansion of business scale. The Group has established a geographical distribution that comprises four major regions and 10 cities across China with 27 projects. In 2010, the Group's newly constructed floor area and floor area that resumed construction amounted to 2.03 million sq. m and, 3.24 million sq. m respectively, representing increases of 184% and 72% as compared to that of 2009. During the year under review, the number of projects on sale increased to 22 from 16 in 2009. Contracted sales reached RMB12.5 billion, up 17.6% year-on-year. The Group impelled and accelerated the development of multiple product lines, including traditional residential projects, new integrated residential projects and primary land development, and is positioned to launch more projects in 2011 to ramp up sales performance.

Preliminary success of debut launch of new integrated residential project series. In December 2010, Ballet Town in Fangshan, Beijing was launched. Subscription amount on debut day reached RMB500 million. The commercial section of the project by Outlets has commenced construction, and is expected to open in 2011. Ballet Town series is a project of the new integrated residential project series with world renowned Outlets stores as the symbolic building. During the year, new residential integrated projects in Foshan of Guangdong and Huzhou in Zhejiang also commenced construction, and are expected to be launched in 2011. According to our strategic planning, the Group will develop the regional flagship projects of the Ballet Town series in Central China, Northeastern China and Hainan, so as to propel the replication and development of the project series.

Steady progression of primary land development business by capitalizing on the opportunities of urbanization. The Group further strengthened the synergies with the infrastructure business of its parent company, Capital Group, and developed its leading edge in integrated urban operation. By actively participating in urban land development and management, BCL capitalised on the opportunities brought forth by urbanization of mainstream region and enhanced regional value. During the year, the Group completed site visits of a number of projects located in Beijing, Tianjin, Nanjing and Hainan, and reached cooperation intent with local governments regarding various projects, including Beijing Shunyi Beishicao project, Beijing Pinggu Jinhai Lake project, Nanjing Liuhe New City project and Hainan Dalecheng project. Area of intended development exceeds 10 million sq. m, and 3 million sq. m of which has been granted the right for primary land development.

Innovative capital operation and breakthrough in multiple financing channels. In 2010, amidst the backdrop of tightening credit policy, the Group swifty responded to market changes, grasped the financing opportunity and successfully raised a total of RMB2.55 billion through trust financing.

Introduction of the brand philosophy of "Total value, Total life" to enhance brand image. In 2010, the Group launched the branding campaign of "Total value, Total life", consolidated those projects for sale and joined hands with several partners to enhance brand image and customer service. The brand philosophy of "Total value, Total life" aims at leading the Group to enter into a new era of customer-oriented development. While "Total value" promotes the creation of comprehensive value for the industry, for society, for shareholders, investors and clients in the perspective of the property industry, "Total life" emphasizes on the development of all-rounded services in terms of housing quality, for instance, property projects providing one-stop services, ancillary facilities, commercial operations, alliance privileges and interactive communications.

Management Discussion and Analysis

Optimization of performance management system for the establishment of a value-oriented operation platform. In 2010, the Group reviewed the performance management system with IRR of shareholders and net profit as key indicators, and transformed its planning management system from "result-driven" to a "key indicator-driven" one. Through a strategic change in the function of the Group's headquarters, from operation management to establishing branch office in respective cities and management of resources and allocation, branch offices are set to "maximize profit, control cost and promote development". Changing from the role of project executor to policy developer, branch offices will become a value-oriented platform for establishing local brands with synergies and creating profit.

Property Development

During the year, the Group and its jointly controlled entities and associates have completed parts of development of the following projects: Beijing Xanadu, North Ring World Centre, Tianjin First City, Tianjin Noble City, Chengdu A-Z Town, Shenyang First City, Qipan Hills First Villa and Xi'an First City. Approximate GFA completed for these projects amounted to about 708,232 sq. m.

Projects completed in FY2010

Projects	Type	Approximate GFA Completed (sq. m)	Attributable Interest
Xanadu	Residential	79,427	100%
North Ring World Centre	Office	125,494	100%
Tianjin First City	Residential	97,619	55%
Tianjin Noble City	Residential	48,947	40%
Shenyang First City	Residential	161,084	30%
Qipan Hills First Villa	Residential/Commercial	64,183	50%
Chengdu A-Z Town	Commercial	19,718	55%
Xi'an First City	Residential/Commercial	111,760	40%
Total		708,232	

Management Discussion and Analysis

Property Sales Performances

Project	Approximate Contracted Sales Area (sq. m)	Approximate Contracted Average Selling Price (RMB/sq. m)	Approximate Contracted Sales Revenue (RMB'000)
Residential (Beijing and Tianjin)	**339,189**	**17,451**	**5,919,082**
The Reflections, Beijing	12,019	52,098	626,160
Xanadu, Beijing	23,239	58,773	1,365,820
Urban Town, Beijing	22,341	35,505	793,220
Beijing Ballet Town	33,912	15,878	538,450
Butchart Garden, Tianjin	2,070	8,407	17,402
Tianjin First City	128,880	10,501	1,353,321
Tianjin Noble City	23,475	11,191	262,697
Tianjin Fortune City	76,535	10,479	802,042
Tianjin Landing House	16,718	9,569	159,970
Residential (Outside Beijing and Tianjin)	**705,024**	**6,135**	**4,325,514**
Shenyang First City	84,355	5,788	488,240
Qipan Hills First Villa, Shenyang	30,955	10,626	328,940
Chengdu A-Z TOWN	5,071	10,475	53,120
Chengdu First City	139,815	5,776	807,640
Cittá Villa, Chengdu	68,781	4,470	307,440
Xi'an First City	168,265	5,489	923,620
Chongqing Hong'en International Living District	95,571	6,186	591,190
Wuxi Gentle House	72,023	6,820	491,204
Wuxi Joyous House	40,188	8,314	334,120
Commercial/Office	**95,705**	**21,067**	**2,016,194**
Beijing A-Z TOWN	5,293	25,025	132,459
Beijing Forest Convention Centre	28,535	17,522	500,000
North Ring World Centre	43,313	23,595	1,021,990
The Interwest, Beijing	7,344	29,257	214,865
Tianjin Butchart Garden	2,400	25,375	60,900
Chengdu First City	8,820	9,748	85,980
Car park space	**50,740**	**4,100**	**208,039**
The Reflections, Beijing	1,376	8,612	11,850
Beijing A-Z TOWN	12,067	3,402	41,049
Urban Town, Beijing	994	3,592	3,570
North Ring World Centre	10,634	6,866	73,010
The Interwest, Beijing	3,940	5,792	22,820
Chengdu A-Z TOWN	18,902	2,541	48,030
Chengdu First City	2,827	2,727	7,710
Total	**1,190,658**		**12,468,829**

Management Discussion and Analysis

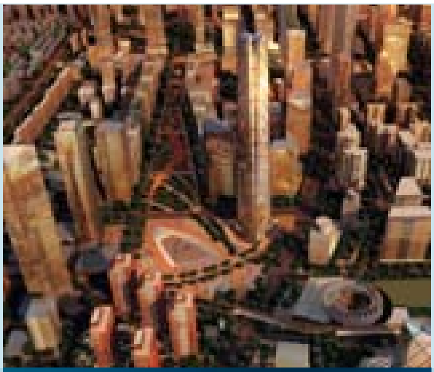
The austerity measures on the property sector introduced since 2010 aimed at beating off investment and speculative demand for property. Rigid demand from self-owned purchases gradually dominated the market. BCL accelerated project development in second and third tier cities, adjusted product design and product mix, as well as increase the proportion of small-to-medium-sized units and low-to-medium-priced product, so as to address to the structural change in market demand. Meanwhile, the Group introduced the new brand philosophy of "Total value, Total life", consolidated projects for sales and joined hands with business partners to enhance its brand image. With higher price to function feature and more comprehensive services, the Group successfully expanded its market share and achieved record-high sales performance. During the year under review, GFA of new projects launched amounted to 1.5 million sq. m, posting a year-on-year growth of 68%, of which small-to-medium-sized product with unit size below 120 sq. m accounted for over 80%. Number of projects on sale increased from 16 in 2009 to 22 in 2010, of which projects in Beijing and Tianjin accounted for 12, and projects in second and third tier cities in Chengdu, Wuxi, Shenyang, Xi'an and Chongqing amounted to 10.

In 2010, the Group continued to reinforce its leading position in Beijing and Tianjin and maintained stable growth in sales performance. Our market share in other counties rapidly increased, with development in a number of markets gradually reaped fruits. During the year, contracted sales of Beijing and Tianjin increased by 12% year on year. Newly launched projects include Block 1 of Xanadu, Beijing, Phase III of Urban Town, Beijing Ballet Town, Phase IV to VI of Tianjin First City, Fortune City and Tianjin Landing House. Contracted sales of Shenyang, another city in Bohai Rim region, surged 210%. The Group launched projects such as Qipan Hills First Villa and Phase II of Shenyang First City. Meanwhile, contracted sales increased by 116% from the same period last year in central and southwestern region. Newly launched projects during the year include Phase III of Chengdu First City, Chengdu Cittá Villa, Phase III of Xi'an First City and Chongqing Hong'en International Living District. As for Yangtze River Delta region, newly launched projects include Wuxi Joyous House and Phase IV of Wuxi Gentle House, with contracted sales increased by 112% from the same period last year.

During the year, the Group achieved record high in both contracted sales area and sales amount. The Group and its jointly controlled entities and associates posted contracted sales area of approximately 1.19 million sq. m, up 17.8% year on year. Of which, contracted sales area of residential properties was approximately 1.04 million sq. m. Contracted sales reached about RMB12.5 billion, representing a growth of 17.6%, and residential properties accounted for RMB10.2 billion.

Management Discussion and Analysis

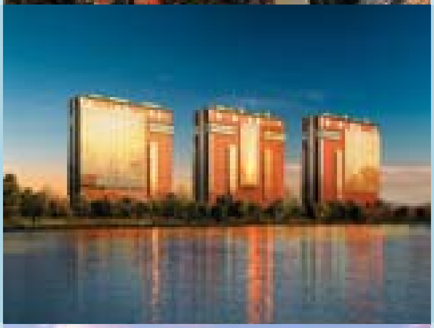
Xanadu, Beijing — A Benchmark of Luxury Residence in a World-class City



Located at 50m away from CCTV tower, Xanadu, Beijing enjoys the aucillary facilities of Mandarin Hotel and Media Park. It is another landmark project in the CBD area following Beijing Yintai Center and Golden Terrace.

Block 1 of Phase 2 was launched during the year and recorded contracted sales of RMB1.37 billion. Block 4 of Phase 2 is expected to be launched in 2011.

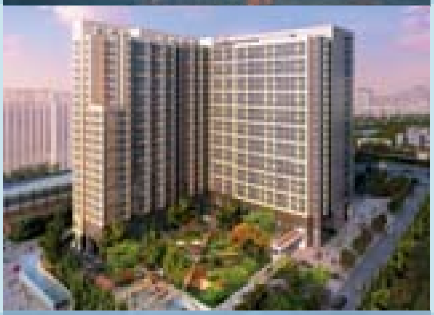
The Reflections, Beijing — A Landmark Project that Reflects Traditional Chinese Culture



The Reflections is located at the core government district in western Beijing. Adjacent to several renowned landmarks in Beijing, including Yu Yuan Tan Park, The China Millennium Monument and Diaoyutai State Guesthouse, the project boasts a panoramic view and a pleasant living environment surrounded by Yu Yuan Tan with a surface area of over 60 hectare and a greenery and landscaping of 750,000 sq. m.

The project recorded contracted sales of RMB640 million.

Urban Town, Beijing — To View the World At the End of Third Ring Roads



Urban Town is situated at Heping Lane of the North and East Third Ring Roads, enjoying high accessibility with Airport North Route and Subway Route no. 13, 10 and 5 nearby. The project is designed with a 30,000 sq. m atrium, an exclusive 50,000 sq. m riverside park and enjoys the view of the western part of the city.

Phase 3 of the project was launched during the year. Contracted sales amounted to RMB800 million, an increase of 115% over that of 2009.

Ballet Town, Beijing — International Lifestyle at CSD

Ballet Town is located in Changyang Town, Fangshan District, Beijing. The project is In close proximity to Changyang West Station of Fangshan line of the intercity railway and is only 30-minute drive away from Finance Street in Beijing via Beijing-Shijiazhuang Expressway, enjoying convenient transportation. This is the first project of the Group's new integrated residential project series in Beijing with the world renowned Outlets stores as the symbolic feature.

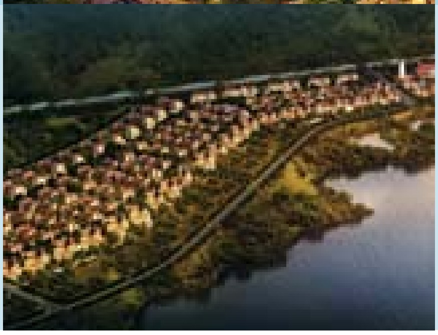
Phase 1 of the project was launched during theyear and recorded contracted sales of RMB540 million on debut day. Phase 2 of the project is expected to be launched in early 2011.

Tianjin First City — Marvelous Lifestyle at a World-leading Residence

Located in Shangbei Ecological Zone, northwestern part of the Marine Economic Technological Development Zone in Tanggu district Tianjin, Tianjin First City is surrounded by Bejing-Tianjin-Tanggu Expressway, Hebei Road and Baoshan Road. The project is positioned as a high-end residence in Binhai New District, comprising townhouses and high-rise residential buildings, and has achieved substantial breakthrough in energy-saving, environmental protection and innovative space design.

Phase 4,5,6 were launched during the year. Contracted sales amounted to RMB1.35 billion, posting a year-on-year growth of 43%. Phase 7 will be launched in 2011.

Management Discussion and Analysis

Tianjin Noble City— An England Villiage in Urban City		Noble City is next to Tianjin Free Trade Zone and Dongli Tourist Resort, and is approximately 13km away from Tianjin Binhai International Airport. With hundreds and thousands mu of forestation, the landscape garden adopts a classic England style, offering a feel of countryside environment. Phase 3 and 4 of the project were launched during the year, with contracted sales amounted to RMB260 million. Phase 5 is expected to be launched in 2011.
Tianjin Fortune Class — An Elegant and Extraordinary Residenace		Fortune Class is located at Dameijiang central villa district, one of the three largest districts for villa projects in Tianjin. The project is in close proximity to the Subway Route No.1 and the planned Route No. 6, in addition to public bus stops. Adopting British style of gardening, the project emphasizes the perfect combination of hardscape and softscape, as well as green plants and surrounding architecture. Phase 1 and 2 were launched during the year, with contracted sales amounted to RMB800 million. Phase 3 will be launched in 2011.
Tianjin Landing House—A Supreme Lakeside Mansion		Landing House is situated along the extension of Youyi Road, Tianjin. The land plot of the project is divided into southern and northern part, and in the middle of which is the current "Music Theme Park". The southern land plot is developed along lakeside, offering a space for leisure. Phase 1 of the project was launched during the year, with contracted sales amounted to nearly RMB200 million. Phase 2 and 3 of the project are expected to be launched in 2011.
Shenyang First City — In Close Proximity to Natrual Landscape of Wulihe		Located at the core area of Hunnan and opposite CBD of Wulihe, Shenyang First City is connected to the prosperous area of the "Golden Corridor" via Hunhe Bridge. With Subway in close proximity, the project has the only central park in Hunan region with an area of 100,000 sq. m. Designed by GENSLER, the sixth largest design company, buildings are spaciously separated with natural light and good ventilation. Phase 2 of the project was launched during 2010. Contracted sales amounted to RMB500 million, up 85% as compared to 2009. Phase 3 of the project is expected to be launched in 2011.
Shenyang Qipan Hills First Villa — An Extraordinary Villa Project with Exquisite Landscape		Qipan Hills First Villa is located at the center of Qi Pan Shan central villa district. Facing water landscape at the front and in the back, the project is next to the World Expo Park and Dongling Park. This is not only provides scarce natural resources to the project, but also created an elegant ambience to the surroundings. The design of the project adopts a Tuscanian style. Phase 1 of the project was launched in 2010, generating contracted sales of RMB330 million. Phase 2 and 3 of the project will be launched in 2011.

Management Discussion and Analysis

Chengdu First City — A Gate to Chengdu and a Leading Project Worldwide

Chengdu First City is situated outside the Chengyu Flyover at East Third Ring Road, next to major transportation route and near a thousand-mu city park. Incorporating the architectural style of ART DECO and a symmetrical planning, the project boasts a central plaza with an enclosed structure and a GFA of 20,000 sq. m.

Phase 3 of the project was launched in 2010 and contracted sales reached RMB900 million, up 40% as compared to 2009. Phase 4 of the project will be launched in 2011.

Chengdu Cittá Villa — One of the Top Remarkable Project Spanning 400,000 sq. m

Chengdu Citta Villa is in the core living circle along the extension of East Main Street and is only 10-minute walking distance away from Subway Route No.2. Surrounding the project includes 4A national scenic spots, such as Sanshengxiang and Xingfu Meilin.

Phase 1 and 2 of the project were launched in 2010. Contracted sales amounted to RMB310 million. Phase 3 of the project will be launched in 2011.

Wuxi Joyous House — An International Masterpiece of China's Art Deco Architechure

Wuxi Joyous House is located at Changjiang Road in Wuxi New District. Capitalizing on the positioning of the district as an international business center of the region, the project enjoys quality ancillary facilities. Through the use of waterways, gardens, landscapes and colors, the project perfectly combines the open plaza in the community with the townhouse clusters and landscapes.

Phase 1 of the project was launched in 2010 with contracted sales totaled RMB330 million. Phase 2 will be launched in 2011.

Xi'an First City — Marvelous Lifestyle at a World-leading Residence

Situated in the core region of the economic and technological development zone, the north gate to Xi'an city and the new government district, Xi'an First City is 10km away from city center. With a 800 m scenic zone from north to south, the project comprises different theme parks and utilizes cultural and scenic characteristics to create a multi-layered visual effect.

Phase 3 of the project was launched in 2010. Contracted sales surged 40% to RMB920 million. Phase 4 and 5 will be launched in 2011.

Chongqing Hong'en International Living District — An Ideal Lifestyle in One's Perspective

Chongqing Hong'en International Living District is located at the core of Hongensi region in Jiangbei district, the main city of Chongqing. The region is next to Jiangbeizui CBD and in Hongensi Park, the largest central park in the city. The project comprises Inter-Continental Serviced Apartments and townhouses, with theme parks adopting different styles.

Phase 1 of the project was launched in 2010. Contracted sales aggregated to RMB590 million. Phase 2 is expected to be launched in 2011.

Management Discussion and Analysis

Hotel Operations

During the year, Holiday Inn Central Plaza kept improving service quality, exploring customer sources and maintaining stable operation and management. As at 31st December 2010, revenue of Holiday Inn Central Plaza amounted to approximately RMB88,279,000, in line with that of the previous year. The average occupancy rate was approximately 64%, an increase of four percentage points. As the proportion of revenue derived from hotel operations continue to decrease, the Group is considering withdrawing from individual hotel development and operation, and gradually exploring a new integrated operation model that comprises residential, commercial, hotel and other businesses.

Land Bank

In 2010, the Group established a balanced geographical distribution that spanning four main regions according to its mid-to-long term land bank strategy and by focusing on the development of core strategic cities like Beijing and Tianjin, while further reinforcing its presence in cities where it has set foot in, including Chengdu, Xi'an and Chongqing in central and southwestern China region. The Group also explored the Yangtze River Delta region by tapping into Nanjing, Wuxi and Zhenjiang, and entered the Pearl River Delta region with focus on Foshan and Hainan market. In terms of innovative business model, the Group has established three business lines, namely traditional residential development, new integrated residential projects and primary land development. Besides, the Group further developed its edges in integrated operation, strengthened the synergies with the infrastructure business of its parent company, Capital Group, and enhanced the cooperation model with domestic and overseas large-scale financial institutions such as GIC and China Development Bank. By strengthening cooperation with international professional partners, the Group continued to accumulate quality project resources through open auctions, mergers and acquisitions and other.

During the year, the Group accelerated the development of the new integrated residential project series with Outlets product line as the focus. In February 2010, the Group acquired the new residential integrated project at Changyang Town, Fangshan, Beijing through open auction, at a consideration of RMB926 million. The planned GFA of the project amounted to 360,000 sq. m. This represents the establishment of a strategic planning for the new residential integrated project series in Yangtze River Delta region, Pearl River Delta region and Bohai Rim region.

In October, 2010, BCL acquired the Zhenjiang National University Science Park ("江蘇鎮江國家大學科技園") residential project at Zhenjiang, Jiangsu through open auction, at a consideration of RMB165 million. The project boasts a planned GFA of 220,000 sq. m, which further reinforced BCL's market position in Yangtze River Delta region.

During the year, the Group proactively explored opportunities to strengthen the synergies with the infrastructure business of Capital Group, the Group's parent company, and have completed the site visits of a number of projects located in Beijing, Tianjin, Nanjing and Hainan, etc, and reached cooperation intent with local governments regarding various projects, including Beijing Shunyi Beishicao project, Nanjing Liuhe New City project and Hainan Dalecheng project. A total of 3 million sq. m has obtained the right for primary land development.

As at 31st December 2010, the total GFA of the Group's land bank amounted to 9 million sq. m, with total saleable GFA of 7.45 million sq. m (among which attributable GFA was 4.41 million sq. m). In terms of the geographical distribution of saleable GFA, Beijing and Tianjin region accounted for 21.8%, followed by Chengdu and Chongqing region, which was 20.3%. Wuxi and Xi'an accounted for 2.7% and 14.2% respectively, and that for Shenyang was 9.6%, Foshan 21.1%, Huzhou 7.6% and Zhenjiang 2.7%. In terms of land use, approximately 85% is for residential projects, 13% for commercial projects and 2% for hotels. In addition, the Group has obtained the primary land development right for a total area of nearly 3 million sq. m, with a planned GFA of over 3 million sq. m. The existing land bank is of a reasonable scale and is sufficient for the Group's development in the coming three to four years.

We expect the government will continue to implement austerity measures on the property sector. Under the pressure of increasing land supply and the tightening capital position of property developers, land price will show a downward adjustment trend. The Group will keep a close eye on opportunities of acquiring land resources at low cost and will secure quality land resources through primary land development, mergers and acquisitions and open auction. Since the beginning of 2011, The Group has been reinforcing its leading position in Beijing with the acquisition of Miyun Project, of which the planned GFA of the project amounted to 280,000 sq. m. In addition, the Group captured the opportunities of commercial property development upon the introduction of home purchase restrictions, and successfully secured the office and serviced apartment project in Chengyang, Qingdao. The planned GFA of the project totaled to 240,000 sq. m. The Group also acquired the 190,000 sq. m residential project in Wuqing, Tianjin by participating in primary land development. This represents a significant breakthrough of the Group's business strategy of combining primary and secondary development, and help accumulate valuable experience for the Group to expand land development business nationwide. As at 25th March 2011, total GFA of the Group's land bank aggregated to 9.71 million sq. m, with a saleable GFA of 8.08 million sq. m and attributable saleable GFA accounted for 5.04 million sq. m.

Human Capital

As at 31st December 2010, the Group had a professional team of 569 people with an average age of 32.6. 13.9% and 64.1% of the employees received master degree or above and undergraduate education respectively. Of the total number of staff, employees at the middle level accounted for 33% and those at senior level accounted for 6.2%.

During the year under review, the Group further optimized the management and control system and enhanced the overall efficiency of human capital. With continuous optimization and improvement on the performance management system, the Group has kept the mobility of the team through performance leverage and built up human resources database for talents and the organization. It also achieved quantitative management and maintained the competitive high-quality human capital. The Group organized 48 training subjects during the year. The number of training hours totaled 25,024 hours with an average of 44 hours per staff, outperforming the industry.

Management Discussion and Analysis

Prospects

The contribution of the property industry to the Chinese economy is not replaceable in short term

The current property industry has become an important business chain covering a number of sectors, including land development, construction, home furnishing, building materials and financial services, and contributes remarkably to the economic growth in China. Rapid economic development and urbanization boosted the increase in urban employment and population growth, as well as an improvement in income level. This, together with the booming commercial and service industry, resulted in strong market demand for property development. Looking ahead, there are ample room for property development. As the urbanization proportion in China is still far behind of that in foreign countries, property development remained as the key driver of economic growth, with an aim of achieving the objective of home ownership. The development trend of the Chinese property market is governed by actual demand of future economic growth and urbanization. The central government continues to modify the monitoring policies of the property sector and to encourage rational development of the market. However, demand for property development from the mass public remains strong. It is believed that the adjustment of national policy will accelerate market consolidation, enhance market supply and optimize supply structure, while rationalizing demand and strengthening market control. This will help establish and improve the dual-pronged mechanism of "market growth and security". Property price is expected to return to normal and the market maintain stable growth. Property development in China is well positioned to become more mature and healthy.

The Group will implement the following strategies in 2011:

- Step up development of existing projects, accelerate asset turnover and consolidate market share
- Establish a customer-oriented and standardized system for business flow
- Promote innovative development and integrated operation that combines residential project with business development
- Devise a new strategy for land bank replenishment that focuses on the advantage of resources synergies, business innovation and primary land development
- Continue to explore innovative financing channels to further optimize capital structure and finance cost to cater to development need
- Emphasize on shareholder's return and cashflow, and improve the accuracy and effectiveness of overall operation to enhance operation scale and efficiency

Management Discussion and Analysis

FINANCIAL ANALYSIS

1. Revenue and Operating Results

During the year 2010, the turnover of the Group was approximately RMB6,492,649,000 (2009: RMB5,393,150,000), representing an increase of 20% from the year 2009. Such increase in turnover was attributable to strong sales and occupancy rate of commercial project like North Ring Center, residential project like Xanadu, The Reflections in Beijing, Tianjin First City, Chengdu First City, The A-Z Town in Beijing, The A-Z Town in Chengdu, The Tianjin Butchart Garden and the Gentle House in Jiangsu developed by the Group during the year. The turnover grew steadily.

During the year 2010, the Group achieved a gross margin of 34%, a slight increase when comparing with 32% in 2009. It was mainly attributable to the gross profit of the residential projects located outside Beijing had a significant increase from the year 2009.

During the year 2010, the operating profit of the Group was approximately RMB1,947,131,000 (2009: RMB1,602,473,000), representing an increase of 22% from the year 2009.

2. Financial Resources, Liquidity and Liability Position

During the year under review, the Group maintained a healthy liquidity position and a reasonable appropriation of financial resources. As at 31st December 2010, the Group's total assets were RMB30,553,355,000 (2009: RMB22,421,735,000) and non-current assets were RMB3,630,925,000 (2009: RMB5,864,545,000) and the total liabilities were RMB22,883,841,000 (2009: RMB15,744,990,000) (of which, current liabilities were RMB15,270,411,000 (2009: RMB10,140,827,000) and non-current liabilities were RMB7,613,430,000 (2009: RMB5,604,163,000), and shareholder's equity reached RMB7,669,514,000 (2009: RMB6,676,745,000).

The Group is of sound liquidity and solvency. Current ratio of the Group as at 31st December 2010 was 1.76 (2009: 1.63).

As at 31st December 2010, the Group's cash and cash equivalents amounted to RMB8,429,444,000 (2009: RMB4,879,372,000), which represented sufficient cash flow for operations.

Bank borrowings, trust loans and bond of the Group as at 31st December 2010 amounted to RMB9,548,391,000 (2009: RMB6,250,710,000), of which the long-term borrowings, trust loans and bond amounted to RMB7,468,391,000 (2009: RMB5,286,710,000), which were mainly used to meet the capital requirements of the Group's property development projects.

As at 31st December 2010, all of the Group's bank borrowings came from banks in the PRC and were borrowed and repaid in RMB. Therefore, there exists no significant risk of currency fluctuation. Most of the Group's long-term bank borrowings are granted on a floating rate basis.

As at 31st December 2010, the Company's net gearing ratio was 26% (2009: 35%). The net gearing ratio of the Company is calculated by the interest-bearing liabilities net of net cash and bank balances and then divided by equity attributable to owners of the Company.

3. Changes in major subsidiaries, jointly-controlled entities and associates

During the year, by acquiring outside shareholders' equity, the Group indirectly increased its equity interests in Outlet Property Investment Guang Dong Limited, an original jointly controlled entity, by 5% and at the same time by amending articles of association, obtained the de facto control over Outlet Property Investment Guang Dong Limited, such that Outlet Property Investment Guang Dong Limited became a subsidiary of the Group, and 55% of its shares were held by the Group.

During the year, the Group obtained the de facto control over Chongqing Capital Xinshi Real Estate Limited, an original jointly controlled entity by amending articles of association of the company, such that Chongqing Capital Xinshi Real Estate Limited became a subsidiary of the Group, and 50% of its shares were held by the Group.

During the year, the Group acquired 45% equity interests in Beijing Anshunyuan Real Estate Development Company Limited, an original jointly controlled entity, such that after the acquisition, 95% of its shares were held by the Group.

During the year, the Group acquired additional 22% equity interests in Beijing Shangyi Real Estate Development Company Limited, an original associate, such that after the acquisition , Beijing Shangyi Real Estate Development Company Limited became a subsidiary of the Group, and 69% of its shares were held by the Group.

Beijing Capital Outlet Fangshan Real Estate Development Company Limited (北京首創奧特萊斯房山置業有限公司), a subsidiary of the Group, was incorporated in May 2010, and 99% of its shares were held by the Group.

Beijing Capital Zhongbei Infrastructure Investment Company Limited (北京首創中北基礎設施投資有限公司) , a subsidiary of the Group, was incorporated in June 2010, and 100% of its shares were held by the Group.

During the year, the Group signed an equity interests transfer agreement with Guokai Financial Limited Company (國開金融有限責任公司), pursuant to which the Group transferred to it 40% equity interests in Jinjing Tongcheng (Tianjin) Investment Company Limited held by the Group. After completion of the transfer transaction, the Group held 50% equity interests in Jinjing Tongcheng. Pursuant to the capital increase agreement signed by all investors of Jinjing Tongcheng, the Group possessed 51% voting rights of Jinjing Tongcheng, which remained a subsidiary of the Group.

4. Entrusted Deposits and Overdue Time Deposits

As at 31st December 2010, the Group did not have any deposits under trusts in financial institutions in the PRC. All of the Group's cash was held in commercial banks in the PRC in accordance with applicable laws and regulations. The Company has no bank deposits which are not recoverable upon maturity.

5. Secured Borrowings

As at 31st December 2010, bank borrowings of RMB2,211,560,000 (2009: RMB1,010,000,000) were secured by certain properties under development.

As at 31st December 2010, bank borrowings of RMB3,550,000,000 (2009: RMB3,859,000,000) were secured by rights to yields on certain land use rights (gains on transfer of the land use rights or other profit obtained from use of the related land use rights).

As at 31st December 2010, bank borrowings of RMB240,000,000 (2009: RMB270,000,000) were secured by the hotel properties and the land use rights.

The trust loans of RMB700,000,000 (2009: nil) were secured by the receivables of the Company due from subsidiaries, and guaranteed by the Company; the trust loans of RMB 825,000,000 (2009: nil) were secured by the equity of a subsidiary, trust loans of RMB750,000,000 (2009: nil) were secured by certain relevant properties held for sale, trust loans of RMB282,620,000 (2009: nil) were guaranteed by a third party.

6. Corporate Bonds

As at 31st December 2010, there was no early redemption of the 5-year corporate bond of RMB1,000,000,000 in value which was issued by the Company.

7. Contingent Liabilities

(a) Financial guarantees

(i) The Group has arranged bank financing for certain customers and had provided guarantees to secure obligations of these customers for repayments. The outstanding guarantees amounted to RMB2,973,167,000 as at 31st December 2010 (2009: RMB3,122,583,000).

Such guarantees will terminate upon (i) the issuance of the real estate ownership certificate which will generally be available within six months to two years after the Group deliver possession of the relevant property to its purchasers; (ii) the completion of the mortgage registration; and (iii) the issuance of the real estate miscellaneous right certificate relating to the relevant property.

(ii) As at 31st December 2010, other than guarantees provided for borrowings of RMB700,000,000 (2009: RMB125,000,000) granted to subsidiaries of the Company, the Group had no material external guarantee.

(b) Joint responsibilities

In December 2008, Beijing Rongjin Real Estate Development Company Limited, a subsidiary of the Company, split up into two companies - a company with original name and Financial Street. Financial Street took over the hotel-related assets and liabilities, and was classified as an associate of the Group. As at 31st December 2010, the titles of the loan principal and interests due to China Merchants Bank, which were allocated to Financial Street and approximately amounted RMB479,826,000 (2009: RMB528,886,000), was in the process of being transferred, therefore, the Group still assumed the joint responsibility of repaying.

Biographical Details of Directors, Supervisors and Senior Management

Current session of the Board of Directors took effect on 5th December 2008 for a term of three years.

Chairman

Liu Xiaoguang (劉曉光), aged 56, has been appointed as an executive Director and the Chairman of the Company since December 2002. Mr. Liu has served as the vice-chairman and the general manager of Capital Group since 1995. Prior to his appointment with Capital Group, Mr. Liu had approximately 13 years of working experience in various departments of the Beijing Municipal Government including serving as the vice-chairman of the Development and Planning Commission of the Beijing Municipality and deputy secretary general of the Capital Planning and Construction Committee of the Beijing Municipal Government. Since 1994, Mr. Liu has been serving as the chairman of the board of directors of New Capital International Investment Limited (Stock Code: 1062). Mr. Liu has served as the Chairman of Beijing Capital Co., Ltd. (Stock Code: 600008) since 2000. Presently, Mr. Liu is the visiting lecturer at Beijing's Commerce Council. Mr. Liu obtained his Bachelor of Economics degree from the Beijing Institute of Commerce in 1982.

Executive Directors

Tang Jun (唐軍), aged 51, has been appointed as an executive Director and the President of the Company since December 2002. Mr. Tang has worked for the Beijing Municipal Planning and Development Commission and the Beijing Economics and Technology Development Zone. From 1994 to 2004, Mr. Tang was the legal representative and general manager of Beijing Sunshine Real Estate Comprehensive Development Company (Stock Code: 000608). Mr. Tang obtained his Bachelor of Construction Engineering degree from Hefei University of Technology in 1982.

Zhang Juxing (張巨興), aged 56, was appointed as the vice-president of the Company in December 2002. Mr. Zhang has worked in the infrastructure office of Beijing Public Transport Corporation for seven years. Since 1993, Mr. Zhang has been serving as the department manager and deputy general manager of Beijing Sunshine Real Estate Comprehensive Development Company. Mr. Zhang graduated with a basic economy infrastructure degree from the People's University of China in 1989. During 2005 to 2007, he studied in Beijing University and obtained his Master Degree in Business Administration from the University of Northern Virginia.

Non-executive Directors

Feng Chunqin (馮春勤), aged 58, has been appointed as a non-executive Director since December 2005. Mr. Feng has been serving as the deputy general manager of Capital Group since June 2001. Prior to his appointment with Capital Group, Mr. Feng served as the general manager of Beijing Jinghua Trust and Investment Corporation and Beijing Jianxin Enterprise Holdings Limited, the trust and investment company of the headquarters of China Construction Bank. Mr. Feng has also worked for the Organization Department of the Beijing Municipal Communist Party of China Committee and MOFTEC Department of Beijing Municipal Communist Party of China Committee. Mr. Feng obtained his Bachelor of Economics degree from the Beijing Institute of Commerce in 1983.

Biographical Details of Directors, Supervisors and Senior Management

Cao Guijie (曹桂杰), aged 58, is a postgraduate and senior economist, has been appointed as a non-executive Director since December 2008. Ms. Cao has served as the director and deputy general manager of Capital Group since 1996. Prior to her appointment with Capital Group, Ms. Cao served as a committee member of the Secretary Bureau of the General Office of the State Council, a committee member of the Office of Central Financial Work Leading Group, the vice-chairperson of the Research Office of the Ministry of Light Industry, the chairperson of the Office of Policy and Regulation Division and head of the Regulation Department of the Ministry of Light Industry and the vice-chairperson of the Development and Research Center of Chinese Light Industry. Ms. Cao was a postgraduate student in Money and Banking in the Chinese Academy of Social Sciences in 1996.

Zhu Min (朱敏), aged 48, has been appointed as a non-executive Director since December 2002. Ms. Zhu has worked for the Beijing Municipal Bureau of Statistics and Beijing Municipal Development and Planning Commission. Since 2001, Ms. Zhu has been serving as the director and general manager of Beijing Capital Technology Investment Ltd. Ms. Zhu obtained her Master Degree of Enterprise Management from the Institute of Economic and Trade University in 1999.

Independent Non-executive Directors

Ke Jianmin (柯建民), aged 57, has been appointed as an independent non-executive Director since June 2003. Mr. Ke has served as the vice-president of SNC-Lavaline International. Mr. Ke graduated with a bachelor's degree and a master's degree in urban planning from Shanghai Tongji University in 1979 and 1982 respectively. He also obtained a doctorate degree from Sheffield University, United Kingdom in 1994.

Li Zhaojie (李兆杰), aged 55, is a professor of School of Law, Tsinghua University. Mr. Li has been appointed as an independent non-executive Director since December 2005. Mr. Li is the vice-president of the Chinese Society of International Law, the chief editor of the Chinese Yearbook of International Law and the committee member of Asian Society in International Law. Mr. Li was a visiting professor at Duke University Law School in 2002 and University of Tokyo in 2003. Mr. Li is also the committee member of the 11th CPCC of Beijing City in 2008. Mr. Li obtained his Bachelor of Laws degree from Peking University in 1983, Master of Laws degree from the University of California in 1985, Master of Library Information Studies degree from the University of California in 1986 and Doctor of Juridical Sciences degree from the University of Toronto in 1996.

Ng Yuk Keung (吳育強), aged 46, has been appointed as an independent non-executive Director since December 2008. Mr. Ng worked with PricewaterhouseCoopers from 1988 to 2001. From 2004 to 2006, Mr. Ng was the deputy chief financial officer, the joint company secretary and the qualified accountant of Irico Group Electronics Company Limited (Stock Code: 438). Mr. Ng is the vice-president, the chief financial officer, the company secretary and the qualified accountant of China Huiyuan Juice Group Limited (Stock Code: 1886). Mr. Ng is also an independent non-executive director of Xinjiang Xinxin Minging Industry Co. Ltd. (Stock Code: 3833), Winsway Coking Coal Holdings Limited (Stock Code: 1733), Zhongsheng Group Holdings Limited (Stock Code: 881) and Sany Heavy Equipment International Holdings Company Limited (Stock Code: 631). Mr. Ng graduated from the University of Hong Kong with a Bachelor degree in Management Studies and Economics and a Master degree in Global Business Management and E-commerce. Mr. Ng is a professional accountant and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and a member of the Institute of Chartered Accountants in England and Wales.

Biographical Details of Directors, Supervisors and Senior Management

Supervisors

Yu Changjian (俞昌建), aged 55, was appointed as a supervisor of the Company in December 2002. Mr. Yu has worked for Beijing Chemical Group and Beijing Capital Hangyu Economic Development Co., Ltd. Since 1995, Mr. Yu has been serving as manager and chief financial officer of Capital Group's Finance Department. Mr. Yu has served as the managing director of Beijing Capital Co., Ltd. (Stock Code: 600008) since 2010. Mr. Yu graduated from the Beijing Broadcasting Television University in 1986.

Wang Qi (王琪), aged 57, was appointed as a supervisor of the Company in May 2004. Prior to his appointment, Mr. Wang has served as commissioner of the Beijing Municipality's Financial Budget Department and Education Department of the Beijing Financial Bureau. Mr. Wang has also served as deputy general manager and general manager of Beijing Municipal Economic Development and Investment Company, and the deputy general manager of the Capital Group. Currently, Mr. Wang serves as chairman of Beijing Infrastructure Investment Co., Lted., and is a director of Beijing Capital Co., Ltd. Mr. Wang obtained his Bachelor of Economics degree from the Beijing Institute of Finance and Trade in 1982.

Wei Jianping (魏建平), aged 44, was appointed as a supervisor of the Company in December 2002. Mr. Wei has been working as engineer and manager for Beijing Sunshine Real Estate Comprehensive Development Company and its subsidiaries since 1994. Mr. Wei also serves as project manager of Beijing Rongjin Real Estate Development Co., Ltd. Currently, Mr. Wei serves as the chairman of the board of directors of Central Plaza Real Estate Development Company Limited and as a director of Beijing Rongjin Real Estate Development Co., Ltd. Mr. Wei graduated with a Master degree in Economics from the People's University of China in 2000.

Secretary of the Board of Directors

Hu Weimin (胡衛民), aged 46, was appointed secretary of the Board of Directors in August 2007. Starting from 1988, Mr. Hu had served in Beijing Shougang Corporation, China Shougang International Trade & Engineering Corp. and Beijing Certified Public Accountants Co. Ltd, mainly engaged in technological management, investment management and investment consultancy. He joined Capital Group in 1999 as the manager of the business department of Beijing Guanwei Investment Management and Consultancy Company, responsible for investment consulting and project monitoring of ING Beijing Investment Fund. He joined the Company in 2002, and was appointed vice assistant president of the Company in December 2006. Mr. Hu obtained his master degree in engineering from Northeastern University in 1988.

Company Secretary

Lee Sing Yeung, Simon (李聲揚), aged 42, was appointed as the Company Secretary of the Company in April 2008. He is a fellow of both The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in accounting and financial management in Hong Kong and the PRC. Prior to joining the Company, he served as a qualified accountant and company secretary in companies listed on the GEM board and main board of The Stock Exchange of Hong Kong Limited. Mr. Lee obtained a master degree of professional accounting from the Hong Kong Polytechnic University.

Biographical Details of Directors, Supervisors and Senior Management

Senior Management

Zhang Fuxiang (張馥香), aged 49, senior accountant, was appointed as a vice president of the Company in March 2006. Ms. Zhang has been serving as financial manager and financial controller of Super Shine Co., Ltd. (Stock Code: 000608) and Beijing Sunshine Real Estate Comprehensive Development Company respectively and as supervisor of Super Shine since 2000. Ms. Zhang was appointed as the chief financial officer of the Company from December 2002 to March 2007. Ms. Zhang obtained her Bachelor of Economics degree from the financial accounting department of the People's University of China in 1985.

Sun Baojie (孫寶杰), aged 40, was appointed as the vice president of the Company in March 2006. Ms. Sun served as the manager of the development department of Beijing Capital Sunshine Real Estate Development Co., Ltd. She has been the general manager of An Hua Century/Sunshine City Real Estate Company Limited. Ms. Sun obtained her Bachelor of Economics from the Central Financial and Banking University in 1993 and International MBA Master Degree from Peking University in 2005

Wu Huai Liang (吳懷量), aged 47, engineer, was appointed deputy president of the Company in March 2008. Mr. Wu had served in the United Front Work Department of the Industrial, Commercial and Economic Office of Beijing Municipal Party Committee, Beijing Integrated Investment Company, Beijing Economic Development Company successively. He joined Beijing Capital Technology Investment Co., Ltd. in 2000 as general manager of the Real Estate Business Department. During 2002 to 2003, he acted as general manager of Beijing Anhua Century Property Development Co., Ltd. Since 2004, he has been serving as general manager of S.C. Real Estate Development Company Limited. In December 2006, he was appointed assistant president of the Company. Mr. Wu obtained his Bachelor Degree in Engineering from Wuhan University in 1984.

Luo Jun (羅俊), aged 38, was appointed as the chief financial officer of the Company in March 2007. Mr Luo has acted as the general manager of the Finance Department of the Company from October 2003 to March 2007. Prior to his appointment, Mr. Luo was senior manager of the auditing department in a domestic accounting firm. Mr. Luo is a member of Beijing Institute of Certified Public Accountants and is a certified public accountant in the PRC. Mr. Luo graduated from Beijing Jiaotong University. He obtained his Bachelor of Economics degree in 1993 and Master of Economics degree in 1996.

Directors' Report

The Board of Directors is pleased to present to the shareholders their report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December 2010.

Principal Activities

The Group is principally engaged in property development and hotel investment and operation.

Results

The results of the Group for the year ended 31st December 2010, prepared in accordance with Hong Kong Financial Reporting Standards and its financial position as at the same date are set out on pages 77 to 86 of the annual report.

Dividends

At a Board meeting held on 28th March 2011, the directors proposed a final dividend of RMB0.18 per share based on the Company's total issued number of shares of 2,027,960,000 on the same day and the total amount payable will be RMB365,032,800. This proposed dividend is not represented as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2010.

Other Reserves

Details of movements of other reserves of the Group and the Company during the year are set out in note 21 to the consolidated financial statements.

Financial Highlights

The Group's results and summary of assets and liabilities for the last five years are set out on page 4 of this annual report.

Major Customers and Suppliers

During the year, the Group purchased less than 11.56% of goods and services from its five largest suppliers and sold less than 40.71% of its goods and services to its five largest customers. The Group's turnover from the largest customer accounted for less than 16.91% of the total sales.

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major suppliers or customers mentioned above.

Directors' Report

Property, Plant and Equipment

Details of the movement of property, plant and equipment of the Group during the year are set out in note 6 the consolidated financial statements.

Principal Properties

The summary of principal properties owned by the Group is set out on pages 8 to 11 of the annual report.

Purchase, Sales or Redemption of the Company's Listed Securities

Save as disclosed below in paragraph headed "Long Term Incentive Fund Scheme", neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year under review.

Long Term Incentive Fund Scheme

On 27th September 2007, the Company had adopted the long term incentive fund scheme of the Company (the "Scheme") which was subsequently amended on 25th September 2009. The Scheme is proposed to encourage the directors, supervisors, senior management and core staff members of the Company for closer ties of their personal interests with the interests of the Company and of the shareholders, as well as for alignment of their personal goals with the common goal of the Company.

As at 31st December 2010, the Company had through the trustee purchased 12,124,000 H shares, representing 1.19% of H shares and 0.6% of the entire issued share capital of the Company as at 31st December 2010. Up to the date of this announcement, the purchased shares have been held in trust by the trustee.

Directors' Report

Directors and Supervisors

The directors and supervisors for the year are as follows:

Directors

Executive Directors
Mr. Liu Xiaoguang *(Chairman)*
Mr. Tang Jun *(President)*
Mr. Zhang Juxing

Non-executive Directors
Mr. Feng Chunqin
Ms. Cao Guijie
Ms. Zhu Min

Independent Non-executive Directors
Mr. Ke Jianmin
Mr. Li Zhaojie
Mr. Ng Yuk Keung

Supervisors
Mr. Yu Changjian
Mr. Wang Qi
Mr. Wei Jianping

The biographical details of directors, supervisors and senior management are set out on pages 51 to 54 of the annual report.

Directors' and Supervisors' Emoluments

Details of directors' and supervisors' emoluments are set out in note 30(b) to the consolidated financial statements.

Highest Paid Individuals

During the year, the five individuals with the highest remuneration in the Group are all directors and senior management of the Company.

Management Contracts

Except for the connected transactions as stated in this report, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Interests of Directors and Supervisors

As at 31st December 2010, none of the directors, supervisors and chief executive of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies. None of the directors, supervisors and chief executive of the Company, their spouses or children under the age of 18 had been granted any rights to subscribe for equity or debt securities of the Company, nor had any of them exercised such rights during the year.

Interests of Directors and Supervisors in Contracts

Apart from service contracts in relation to the Company's business, no contract of significance to which the Company, its holding company, any of its subsidiaries or its fellow subsidiaries was a party, and in which a director or supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Interests of Directors and Supervisors in Competing Business

During the year and up to the date of this report, none of the directors or supervisors or management shareholders has any interest in business which competes or may compete with the business of the Group under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Share Capital

As at 31st December 2010, there was a total issued share capital of 2,027,960,000 shares of the Company (the "Shares") which include:

	Number of Shares	Approximate percentages of share capital
Domestic Shares	649,205,700	32.01%
Non-H Foreign Shares	357,998,300	17.65%
H Shares	1,020,756,000	50.34%

Substantial Shareholders' Interests in Shares

As at 31st December 2010, the following persons (not being director or chief executive of the Company), so far as is known to any director, had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholders	Number of Shares directly and indirectly held	Class of Shares	Approximate percentages in relevant class of shares (%) Direct interests	Indirect interests	Aggregate interests	Approximate percentages in total issued share capital (%) Direct interests	Indirect interests	Aggregate interests
Capital Group	924,441,900 [1]	Non-listed Shares	30.88 (long position)	60.90 (long position)	91.78	15.34 (long position)	30.25 (long position)	45.58
	35,530,000 [1]	H Shares	–	3.48 (long position)	3.48	–	1.75 (long position)	1.75
Beijing Sunshine Real Estate Comprehensive Development Company	322,654,800 [2]	Non-listed Shares	4.71 (long position)	27.33 (long position)	32.04	2.34 (long position)	13.57 (long position)	15.91
	35,530,000 [2]	H Shares	–	3.48 (long position)	3.48	–	1.75 (long position)	1.75
Beijing Capital Sunshine Real Estate Development Co., Ltd.	275,236,200 [3]	Non-listed Shares	–	27.33 (long position)	27.33	–	13.57 (long position)	13.57
	35,530,000 [3]	H Shares	–	3.48 (long position)	3.48	–	1.75 (long position)	1.75
Beijing Capital Technology Investment Ltd.	172,006,700	Non-listed Shares	17.08 (long position)	–	17.08	8.48 (long position)	–	8.48
Beijing Shou Chuang Jian She Co., Ltd.	118,747,600	Non-listed Shares	11.79 (long position)	–	11.79	5.86 (long position)	–	5.86
China Resource Products Limited	275,236,200	Non-listed Shares	27.33 (long position)	–	27.33	13.57 (long position)	–	13.57
	35,530,000	H Shares	3.48 (long position)	–	3.48	1.75 (long position)	–	1.75
Yieldwell International Enterprise Limited	82,762,100	Non-listed Shares	8.22 (long position)	–	8.22	4.08 (long position)	–	4.08
Fexi Holdings Limited	82,762,100 [4]	Non-listed Shares	–	8.22 (long position)	8.22	–	4.08 (long position)	4.08

Name of shareholders	Number of Shares directly and indirectly held	Class of Shares	Approximate percentages in relevant class of shares (%) Direct interests	Indirect interests	Aggregate interests	Approximate percentages in total issued share capital (%) Direct interests	Indirect interests	Aggregate interests
Chung Pok Ying	82,762,100 [5]	Non-listed Shares	–	8.22 (long position)	8.22	–	4.08 (long position)	4.08
Reco Pearl Private Limited	165,070,000	H Shares	16.17 (long position)	–	16.17	8.14 (long position)	–	8.14
Recosia China Pte Ltd.	165,070,000 [6]	H Shares	–	16.17 (long position)	16.17	–	8.14 (long position)	8.14
Recosia Pte Ltd.	165,070,000 [7]	H Shares	–	16.17 (long position)	16.17	–	8.14 (long position)	8.14
Government of Singapore Investment Corporation (Realty) Pte Ltd.	165,070,000 [8]	H Shares	–	16.17 (long position)	16.17	–	8.14 (long position)	8.14
The Hamon Investment Group Pte Limited	112,840,000 [9]	H Shares	–	11.05 (long position)	11.05	–	5.56 (long position)	5.56
Templeton Asset Management Limited	92,176,000	H Shares	9.03 (long position)	–	9.03	4.55 (long position)	–	4.55
The Deryfus Corporation	72,814,000	H Shares	7.13 (long position)	–	7.13	3.59 (long position)	–	3.59

Notes:

1. Of these 924,441,900 Shares, 311,032,800 Shares are directly held by Capital Group, the remaining 613,409,100 Shares are deemed corporate interests under the SFO indirectly held through Beijing Sunshine Real Estate Comprehensive Development Company, Beijing Capital Technology Investment Ltd., Beijing Shou Chuang Jian She Co., Ltd. and China Resource Products Limited. 35,530,000 H Shares are deemed corporate interests under the SFO indirectly held through China Resource Products Limited.

2. Of these 322,654,800 Shares, 47,418,600 Shares are directly held by Beijing Sunshine Real Estate Comprehensive Development Company, the remaining 275,236,200 Shares are deemed corporate interests under the SFO indirectly held through China Resource Products Limited. 35,530,000 H Shares are deemed corporate interests under the SFO indirectly held through China Resource Products Limited.

3. 275,236,200 non-listed Shares and 35,530,000 H Shares are deemed corporate interests under the SFO indirectly held through China Resource Products Limited.

4. 82,762,100 Shares are deemed corporate interests under the SFO indirectly held through Yieldwell International Enterprise Limited.

5. 82,762,100 Shares are deemed corporate interests under the SFO indirectly held through Yieldwell International Enterprise Limited and Fexi Holdings Limited.

6. 165,070,000 Shares are deemed corporate interests under the SFO indirectly held through Reco Pearl Private Limited.

7. 165,070,000 Shares are deemed corporate interests under the SFO indirectly held through Reco Pearl Private Limited and Recosia China Pte Ltd.

8. 165,070,000 Shares are deemed corporate interests under the SFO indirectly held through Reco Pearl Private Limited, Recosia China Pte Ltd. and Recosia Pte Ltd.

9. 112,840,000 Shares are deemed corporate interests under the SFO indirectly held through Hamon Asset Management Limited, Hamon U.S. Investment Advisors Limited and Hamon Investment Management Limited.

Save as disclosed above, so far as is known to the directors, there was no person (other than a director or chief executive of the Company) who, as at 31st December 2010, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any of its subsidiaries or held any option in respect of such capital.

Designated Deposit and Due Fixed Deposit

As at 31st December 2010, the Group had no Designated Deposit and Due Fixed Deposit.

Employees

As at 31st December 2010, the Group had 569 staff. Remuneration is determined by reference to market terms and the performance, qualifications and experience of individual employee. Employee benefits provided by the Group include provident fund schemes, medical insurance scheme, unemployment insurance scheme and housing provident fund. The Company has conditionally adopted the Share Appreciation Rights Incentive Scheme (the "Incentive Scheme"). The principal terms and conditions of the Incentive Scheme are summarised in the section headed "Summary of terms of the Share Appreciation Rights Incentive Scheme" in Appendix VIII to the Prospectus of the Company dated 10th June 2003. As at 31st December 2010, no share appreciation rights had been granted under the Incentive Scheme. The Group has also adopted the Long Term Incentive Fund Scheme (the "Long Term Incentive Fund Scheme"), details of which have been laid out in the Appendix of the Amendments to Notice of Extraordinary General Meeting of the Company dated 31st August 2007 and in the Amended Draft Long Term Incentive Fund Scheme of the Company dated 7th September 2007 and passed in the Extraordinary General Meeting held on 27th September 2007, The Long Term Incentive fund Scheme has further amended in 2009, details of which have been laid out in the Circular dated 4th September 2009 and approved in the Extraordinary General Meeting held on 25th September 2009.

Directors' Report

Staff Housing Quarters

During the year, the Group did not provide any housing quarters to its staff.

Connected and Related Party Transactions

Details of connected and related party transactions of the Group are set out in note 41 to the consolidated financial statements.

Bank Loans and Other Borrowings

Details of the bank loans of the Group are set out in note 25 to the consolidated financial statements. Other borrowings were mainly the amounts due to minority shareholders of subsidiaries, details of which are set out in note 25 to the consolidated financial statements.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles and related laws which oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Subsidiaries

Details of the Company's major subsidiaries are set out in note 10 to the consolidated financial statements.

Results of Operations

Results of Operations of Financial Year 2010 are set out on page 47 of the annual report.

Policies on Income Tax

The Company and its subsidiaries paid PRC corporate income tax at a rate of 25% of its assessable profits according to the relevant laws and regulations in the PRC.

Financial Resources and Liquidity

Financial Resources and Liquidity are set out on page 47 of the annual report.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance and continued to uphold a good, solid and sensible framework of corporate governance and has compiled with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Further information on the Company's corporate governance practices is set out in the Corporate Governance Report.

Directors' Report

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

Auditors

The financial statements have been audited by PricewaterhouseCoopers, the board has proposed, subject to the approval by the shareholders not to re-appoint PricewaterhouseCoopers as the Company's Hong Kong auditors and a resolution to re-appoint PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the auditors of the Company will the proposed at the following Annual General Meeting.

By Order of the Board

Liu Xiaoguang
Chairman

Hong Kong, 28th March 2011

Corporate Governance Report

The Company is firmly committed to maintaining high standards of corporate governance and continues to uphold a good, solid and sensible framework of corporate governance. The Board considers such commitment is essential for the development of the Company, in its internal management, financial management, balance of business risk and protection of shareholders' and stakeholders' rights and enhancement of shareholder value.

It has been the Company's prime mission to carry out a sound, steady and reasonable corporate governance structure:

- Sound corporate governance bases itself upon accountability system, information disclosure and corporate transparency. The Company acknowledges the importance to provide shareholders with an open and highly transparent management. Apart from enhancing shareholders' value and improving corporate earnings, sound corporate governance can also facilitate the steady development of the financial sector in Hong Kong.

- Sound corporate governance may also promote communication with external parties, such that investors can appreciate more of the Company's development potential and future prospects, to comprehend investment value of the Company.

- The procedures and systems under sound corporate governance can improve operation efficiency of the Group, such that all divisions or departments can contribute to enhance performance of the Group through close and intimate communication.

The Board has reviewed its corporate governance practices and ensured that they are in compliance with the Code on Corporate Governance Practices (the "Corporate Governance Code") as set out in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") in the year ended 31st December 2010.

In addition to compliance of the code provisions of the Corporate Governance Code, the Company has also adopted, as far as practicable, recommended best practices in the Corporate Governance Code. Set out below are the status and details of the Company's corporate governance practices.

Directors' Securities Transactions

The Group has adopted a code of conduct regarding directors' securities transactions (the "Model Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

All Directors have confirmed, following specific enquiry made by the Group that they have complied with the required standard set out in the Model Code throughout the year.

Corporate Governance Report

Board of Directors

The Board comprises 9 Directors, including three Executive Directors, three Non-executive Directors and three Independent Non-executive Directors; the profile of each Director is set out on pages 51 to 54 under the section of Biographical Details of Directors, Supervisors and Senior Management. More than 50% of the Directors are non-executive directors and independent of the management, thereby promoting critical review and control of the management process. The non-executive directors also bring a wide range of business and financial expertise to the Board, which contribute to the effective stewardship of the Group.

The Board held 4 physical Board meetings during the year ended 31st December 2010. Directors who cannot attend in person may participate through other electronic means of communication. Agenda to be discussed in Board meetings include business operation, financial planning and future strategic development of the Company. Due notice and relevant materials for the meeting were given to all directors prior to the meetings in accordance with the Company's articles of association and the Corporate Governance Code. Details of individual attendance of directors are set out in the following table:

Attendance of individual Directors at Board meetings in 2010:

	Number of attendance/ Number of meeting
Executive Directors	
Mr. Liu Xiaoguang *(Chairman)*	4/4
Mr. Tang Jun	4/4
Mr. Zhang Juxing	4/4
Non-executive Directors	
Mr. Feng Chunqin	4/4
Ms. Cao Guijie	4/4
Ms. Zhu Min	4/4
Independent Non-executive Directors	
Mr. Ke Jianmin	4/4
Mr. Li Zhaojie	4/4
Mr. Ng Yuk Keung	4/4

The Board is responsible for directing and supervising the overall business development of the Group in a responsible and effective manner. The Board maintains and promotes successful business development of the Group and endeavours to enhance shareholder value. The Board is under the leadership of the Chairman and each director makes decisions objectively in the overall interests of the Group. Control and day to day operation of the Company is delegated to the President and the management of the Company.

Corporate Governance Report

The Directors are aware of their collective and individual responsibilities to the Company and its shareholders for the manner in which the affairs of the Company are managed, controlled and operated. In general, the types of decisions which are to be taken by the Board in accordance with the Company's article of associations are as follows:

1. Power of managing the development strategy and plan of the Company:

(1) those requiring approval from the shareholders' general meeting:

1. formulation of the middle to long-term development objectives and strategy of the Company;

2. formulation of proposals for asset acquisition, purchase by third parties or asset disposal;

3. formulation of plans for the increase or reduction of registered capital of the Company or repurchase of shares;

4. formulation of plans for the increase of share capital and issue of additional shares;

5. formulation of proposals for the merger, separation and dismissal of the Company;

6. tendering insolvency petition of the Company;

7. formulation of amendment proposal to the Articles;

8. formulation of proposals for the change of use of proceeds from the issue of shares.

(2) those that may be exercised by the Board at its discretion:

1. resolution on proposals to improve the operation management and operating results of the Company;

2. resolution on the operating plans, audit plans and investment plans of the Company;

3. resolution on proposals to adjust the substantial internal functions of the Company and establishment of functions under the Board;

4. resolution on the establishment of ad hoc committees and the appointment and removal of their members;

5. resolution on investment plans falling within the scope of authority of the Board;

6. resolution on any other material operation issues not required to be resolved by shareholders' general meeting pursuant to the Articles or the rules set out herein.

2. **Power of personnel management on senior officers of the Company:**

(1) those requiring approval from the shareholders' general meeting:

1. formulation of director allowance and share option or warrant (or similar schemes) of the Company;

2. assessment and consideration of the eligibility of candidates for election as directors or independent directors;

3. proposing for the removal of a director.

(2) those that may be exercised by the Board at its discretion:

1. resolution on the strategy and plan of human resources development and deployment;

2. definition of the major duties and authorities of the general manger, responsible person for financial matters, secretary to the Board and the auditing department;

3. appointment or dismissal of the general manager, secretary to the Board, or the appointment or dismissal of the deputy general manager or responsible person for financial matters of the Company pursuant to recommendation of the general manager;

4. evaluation of the work performance of the general manager;

5. approval of the appointment of representatives of the shareholders to the subsidiaries or associates of the Company and nomination of directors, supervisors and responsible persons for financial matters to such companies pursuant to their articles of association or the relevant agreements;

6. approval of the plan of staff provident fund and other staff benefit plans.

3. **Power of supervision and inspection of the development and operation of the Company:**

(1) supervision of the implementation of the Company's development strategy;

(2) supervision and inspection of the implementation of annual budgets and accounts of the Company; inspection of the progress of various plans;

(3) assessment of the operating results of the Company to identify operating problems, propose recommendations accordingly and supervision of the implementation by the Company's senior officers;

(4) assessment of the operation improvement plans and implementation status of the Company and identify significant problems reflected from the operating results;

(5) identify difficulties faced by the Company in its development and changing trends of the Company and proposing remedial recommendations thereon;

(6) deliberation of the development opportunities and risks faced by the Company and changes of external factors that have extensive effects on the Company;

(7) ensuring the smooth communication of information within the Company and evaluation of such information to ensure its accuracy, completeness and timeliness;

(8) requesting the management to provide minutes of operation meetings to the Secretary to the Board after each such meeting.

The Directors acknowledge their responsibility for the preparation of the financial statements for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31st December 2010, the Directors have selected suitable accounting policies and applied them consistently; made judgement that are prudent, fair and reasonable. The Directors are responsible for keeping proper accounting records and ensure the preparation of financial statements of the Group for the year under review are in accordance with statutory requirements and suitable accounting policies.

The appointment of new Directors will be considered by the Nomination Committee (duties of the Nomination Committee is set out in the latter part of this report) and decided by all members of the Board. Candidates to be selected and recommended are experienced, high caliber individuals who meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules.

The Board has established a Policy on Obtaining Independent Professional Advice by Directors to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Group's expense. The Board shall resolve to provide separate independent professional advice to Directors to assist the relevant Director or Directors to discharge his/their duties to the Group.

There is in place a directors and senior executive liabilities insurance cover in respect of legal action against directors and senior executives.

For the year ended 31st December 2010, the Board at all times complied the minimum requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors and complied with the requirement that these should include one such director with appropriate professional qualifications of accounting or related financial management expertise.

The interests in the Company's securities held by Directors as at 31st December 2010 are disclosed in the Directors' Report on page 58 of this annual report.

There is no relationship among members of the Board and in particular, between the Chairman and the President.

Independent Non-executive Directors

The Company has received from each of its independent non-executive director an annual confirmation of his/her independence pursuant to rule 3.13 of the Listing Rules and the Company considers the independent non-executive directors to be independent.

Corporate Governance Report

According to the Company's articles of association, the term of office for the Directors is three years and can be re-elected. The second session of the Board of Directors was formed on 5th December 2005 and expired on 4th December 2008, while the third session of the Board of Directors (including non-executive directors) was formed on 5th December 2008 with 3-year term of office and can be re-elected.

Chairman and President

The Chairman and President are held separately by Mr. Liu Xiaoguang and Mr. Tang Jun respectively. This segregation ensures a clear distinction between the Chairman's responsibility to lead the Board and the President's responsibility to manage the Company's business.

Board Committee

The Board has established four board committees, namely, Audit Committee, Nomination Committee, Remuneration Committee and Strategic Committee to strengthen its functions and corporate governance practices. The Audit Committee, the Nomination Committee and the Remuneration Committee perform their specific duties in accordance with their respective written terms of reference. The Strategic Committee assists the Group in corporate strategy, business development and operation.

Audit Committee

The Group's Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Ng Yuk Keung (Chairman of the Audit Committee), Mr. Li Zhaojie and Mr. Ke Jianmin The committee members performed their duties within written terms of reference formulated by the Company which includes duties set out in the code provision C.3.3 (a) to (n) of the Corporate Governance Code. Major duties include:

- to review the financial controls, internal control and risk management systems of the Group.

- to monitor the integrity of financial statements of the Company, the comprehensiveness of the Company's annual report and accounts, and interim report. The Committee will approve those important decisions related to financial disclosure set out therein prior to submitting to the Board, in which emphasis will be given to the following:

  — provide suggestion to the Board regarding the appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of appointment of external auditors as well as handle any problems relating to the resignation or dismissal of that auditor;

  — review and supervise the independency and objectiveness of the external auditors and the effectiveness of the auditing procedures with appropriate standards;

  — formulate and execute policy for the provision of non-audit services by external auditors, report to the Board those actions and improvement measures considered necessary by the Audit Committee and suggest practical measures.

Corporate Governance Report

During the year under review, the Audit Committee held a total of 3 meetings. In the meetings, the Audit Committee reviewed the financial statements for the year ended 31st December 2009 and for the six months ended 30th June 2010, considered and approved the audit work of the auditors, and reviewed the business and financial performance of the Company. Information of member attendance is listed below:

Attendance of individual members at Audit Committee meetings in 2010:

	Number of Attendance/ Number of Meeting
Mr. Ke Jianmin	3/3
Mr. Li Zhaojie	3/3
Mr. Ng Yuk Keung	3/3

The Group's results for the year ended 31st December 2010 have been reviewed by the Company's Audit Committee with a recommendation to the Board for approval.

Nomination Committee

The Group's Nomination Committee is responsible for review of the structure, size and composition (including the skills, knowledge and experience) of the board on a regular basis and make recommendations to the board regarding any proposed changes. It is also responsible for making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors, supervisors of the Company and senior executives and succession planning for directors in particular Executive Directors and senior executives. Majority members of the Nomination Committee are Non-executive Directors. It is chaired by Mr. Liu Xiaoguang with two other members, namely, Mr. Li Zhaojie and Mr. Ke Jianmin. During the year under review, the Nomination Committee held one meeting for annual review of the current Board structure and assessment of the independence of independent non-executive directors.

Attendance of individual members at Nomination Committee meeting in 2010:

	Number of Attendance/ Number of Meeting
Mr. Liu Xiaoguang	1/1
Mr. Ke Jianmin	1/1
Mr. Li Zhaojie	1/1

Remuneration Committee

The Group's Remuneration Committee is responsible for providing recommendations to the Board regarding the Group's remuneration policy, the formulation and reviewing of the specific remuneration for the Group's Executive Directors and senior executives. Majority members of the Remuneration Committee are Independent Non-executive Directors. The committee is chaired by Ms. Cao Guijie with two other members, namely, Mr. Li Zhaojie and Mr. Ke Jianmin. During the year under review, the Remuneration Committee held one meeting to review the Long Term Incentive fund Scheme and relevant matters.

Attendance of individual members at Remuneration Committee meeting in 2010:

	Number of Attendance/ Number of Meeting
Ms. Gao Guijie	1/1
Mr. Ke Jianmin	1/1
Mr. Li ZhaoJie	1/1

Major written terms of reference of the current remuneration system of the directors and supervisors of the Company are set out below:

1. Policy

The Remuneration Policy for the Directors and Supervisors of the Company is based on the following principles:

- No one is allowed to determine his or her own remunerations;
- The remuneration levels should tally with the Company's competitors in the human resources market;
- The remuneration levels should be able to reflect the performances, complexity of work, and responsibilities of related staff; and to attract, motivate and retain outstanding staff, encouraging them to proactively excel and add values for the shareholders of the Company.

2. Non-executive Directors and Supervisors

Principle for Determining Remuneration

The fees of the Non-Executive Directors of the Company should tally with market level, and be subject to formal independent review at least once every 3 years.

3. Executive Directors

Components of Remuneration

The Company determines the remunerations of the executive directors by referring to the statistics of similar positions in the market (including local and regional companies with similar scope, business complexity and scale to the Company). Such policy conforms to the remuneration policy of the Company which tallies with our competitors in the human resources market. In addition, in order to attract, motivate and retain outstanding staff, the Company takes performance as the primary consideration for grant of individual rewards. The remuneration of executive directors comprises of two parts:

(a) Basic Remuneration

The basic remuneration of executive directors accounts for about 70% of their total remuneration. Yearly reviews will be conducted, taking into account the competitive situations in the market, customary practice and personal performance.

(b) Yearly Gratuitous Payment

The amount of yearly gratuitous payment is determined based on the performances of the Company, functional departments and individual performance. The main performance-assessing standards include whether financial and operational targets can be achieved, and whether the individual has demonstrated key leadership skills like creating mutual objectives and nurturing talents.

The Company set a target yearly gratuitous payment for each executive director, which account for 30% of his total remuneration. Yearly gratuitous payment will only be granted when their performance reach satisfactory levels. The actual amount to be granted depends on individual performance.

The Company does not adopt any share option scheme.

No director has entered into any service contract with the Company or its subsidiaries, which terms provide for a notice period of over one year, or which provide for compensation in the form of more than one-year's salary plus benefits-in-kind upon termination of employment.

Strategic Committee

The main function of the Group's Strategic Committee is to study and advise on the Group's long-term development strategies and major investment decision. The Strategic Committee undertakes to review and adjust the strategies of the company. It is composed of Mr. Feng Chunqin, as Chairman of the Strategic Committee and Mr. Tang Jun and Mr. Ke Jianmin as members of the committee.

Internal Controls

One of the duties of the Board is to ensure the Group's sound and effective internal control system to safeguard the Group's assets and shareholders' interests. The Board is responsible for the Group's system of internal controls and has reviewed its effectiveness for the year ended 31st December 2010. The Board requires management to establish and maintain sound and effective internal controls. Evaluation of the Group's internal controls is independently conducted by the Centre for Risk Management on an on-going basis. Such evaluation covers all material controls, including financial, operational and compliance controls and risk management functions. The Centre for Risk Management reports to the Audit Committee twice each year on significant findings on internal controls. Copy of the minutes of the Audit Committee meeting is sent to the Board for information.

External Auditors

The Board agrees with the Audit Committee's proposal for the re-appointment of PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the auditors of the Company and not to re-appoint PricewaterhouseCoopers as the Company's Hong Kong auditors. The recommendation will be put forward for the approval of shareholders at the Annual General Meeting to be held on 9th May 2011.

The Group has established a Policy on Appointment of External Auditor in providing Non-Audit Services, setting out the principles by which an external auditor may be appointed to provide non-audit services, with a view to ensuring the independence of the external auditor.

The amount of fee payable to PricewaterhouseCoopers for providing audit and audit related services for the year ended 31st December 2010 amounted to RMB6,250,000 (of which RMB5,900,000 is related to the audit and audited related services for the preparation of this consolidated financial statements). The amount of fee payable to other audit firms for providing audit and audit related services for the year ended 31st December 2010 amounted to RMB718,000.

Shareholders' Right

According to the Articles of Association of the Company when shareholders individually or together holding 10 per cent. or more of the total number of shares of the Company carrying voting rights (hereinafter refer to as the "Proposing Shareholders") or the Supervisory Committee propose the Board to convene an extraordinary general meeting, an agenda and the complete details of the resolutions shall be submitted in writing to the Board. The Proposing Shareholders or the Supervisory Committee shall ensure that the proposed resolutions conform to laws and regulations and the Company's Articles of Association.

The Group communicates with its shareholders through different channels, including annual general meetings, special general meetings; annual and interim reports, notices of general meetings and circulars sent to shareholders by post; investors meetings and announcements on the Company's website and the website of the Stock Exchange. The Company regards annual general meeting as an important event in the corporate year and all Directors and senior management should make an effort to attend.

Investor Relations

The Group has always upheld its policy of open communication and fair disclosure. The Group believes that the completeness and timeliness of information disclosure is essential for building market confidence and places much effort in maintaining interactive communications with shareholders and investors and is open-minded to the investment community. As such, the Group has established an Investor Relations Department, which is responsible for maintaining close communications with shareholders and investors.

The Group has issued a monthly newsletter on a continuing basis since March 2009, the newsletter set out the latest project development and sales performance of the Group. The Group strives to maintain high transparency and to keep shareholders and the investment community abreast of its latest development and progress by dissemination of relevant corporate information on a timely basis through various channels including regular distribution of press releases. All this information is also available for download from the Group's website at http://www.bjcapitalland.com.

Corporate Governance Report

By timely information disclosure and organizing regular meetings for the management to communicate with media, it facilitates investors' further understanding of the Group's business development while at the same time enables the management to fully realise the opinion and expectation of the investment community of the Group's future development.

In addition to press conference and analysts' meeting held after results announcement, the Group's management held regular meetings with securities analysts and investors, and participated in a number of large-scale investment conferences and, presentations. These allow shareholders and investors to have better understanding of the Group's development potential and future prospects, facilitating their comprehension of the Group's investment value.

For the year ended 31st December 2010, the Group participated in the following activities:

- 280 one-on-one investor meetings
- 13 corporate conferences
- 2 media conferences

Looking ahead, the Group will continue to enhance its corporate governance practice based on international trends and development and the views of our shareholders.

On Behalf of the Board

Liu Xiaoguang
Chairman

Hong Kong, 28th March 2011

Report of the Supervisory Committee

Dear Shareholders,

During the year ended 31st December 2010, the Supervisory Committee of Beijing Capital Land Ltd. (the "Supervisory Committee"), have diligently performed their duties in ensuring that the Company has observed and complied with the Listing Rules, the Company Law of the PRC, the Articles of Association of the Company and other relevant legislations and regulations which protect the interests of the Company and its shareholders.

During the year, the Supervisory Committee attended the meetings of the Board of Directors and the General Meetings to strictly and effectively monitor the Company's management in making significant policies and decisions to ensure that they were in compliance with the laws and regulations of the PRC and the Articles of Association of the Company, and in the interests of the Company and its shareholders. It also provided reasonable suggestions and opinions to the Board of Directors in respect of the operation and development plans of the Company.

The Supervisory Committee has reviewed and agreed to the report of the directors, audited financial statements and profit appropriation proposal to be proposed by the Board of Directors for presentation at the forthcoming Annual general Meeting. The Supervisory Committee is satisfied that the Directors, and other senior management of the Company are committed to act honestly and to perform their duties diligently, so as to protect the best interests of the Company and its shareholders.

The Supervisory Committee has carefully reviewed the audited financial statements prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and consider that the financial statement reflect a true and fair view of the financial position and results of operations of the Company and they comply with the regulations applicable to the Company.

The Supervisory Committee is satisfied with the achievement and cost-effectiveness of the Company in 2010 and has great confidence in the future of the Company.

By order of the Supervisory Committee

Yu Changjian
Chairman

Beijing, the PRC, 28th March 2011

Independent Auditor's Report

To the shareholders of Beijing Capital Land Ltd.
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Beijing Capital Land Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 77 to 176, which comprise the consolidated and company balance sheets as at 31st December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28th March 2011

Consolidated Balance Sheet

		As at 31st December	
		2010	2009
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**529,355**	541,564
Land use rights	7	**43,743**	44,789
Properties under development	8	**—**	2,910,208
Investment Properties	9	**893,890**	—
Jointly controlled entities	11	**125,897**	790,605
Associates	12	**1,333,060**	1,312,003
Available-for-sale financial assets	13	**140,615**	207,088
Deferred income tax assets	26	**168,912**	58,288
Trade and other receivables	16	**395,453**	—
		3,630,925	5,864,545
Current assets			
Inventories	14	**3,742**	3,600
Properties held for sale	14	**2,288,880**	2,300,203
Properties under development	8	**12,818,683**	5,866,747
Land development	15	**266,956**	69,585
Trade and other receivables	16	**3,084,101**	3,340,372
Restricted bank deposits	17	**30,624**	97,311
Cash and cash equivalents	18	**8,429,444**	4,879,372
		26,922,430	16,557,190
Total assets		**30,553,355**	22,421,735

Consolidated Balance Sheet

	Note	As at 31st December 2010 RMB'000	2009 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Ordinary shares	19	**2,027,960**	2,027,960
Share premium	19	**987,446**	987,446
Other reserves	21	**170,177**	183,918
Retained earnings			
— proposed final dividend	20	**365,033**	223,076
— others	20	**1,715,317**	1,202,912
		5,265,933	4,625,312
Non-controlling interests		**2,403,581**	2,051,433
Total equity		**7,669,514**	6,676,745
LIABILITIES			
Non-current liabilities			
Borrowings	25	**7,468,391**	5,509,821
Deferred income tax liabilities	26	**145,039**	94,342
		7,613,430	5,604,163
Current liabilities			
Trade and other payables	22	**4,144,742**	3,338,749
Advances from customers	23	**7,336,834**	4,719,021
Tax payables	24	**1,406,485**	987,232
Borrowings	25	**2,382,350**	1,095,825
		15,270,411	10,140,827
Total liabilities		**22,883,841**	15,744,990
Total equity and liabilities		**30,553,355**	22,421,735
Net current assets		**11,652,019**	6,416,363
Total assets less current liabilities		**15,282,944**	12,280,908

The notes on pages 87 to 176 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on 28th March 2011.

On behalf of the Board

Liu Xiaoguang
Chairman

Tang Jun
Director

Balance Sheet

	Note	As at 31st December 2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**74,080**	73,846
Investments in subsidiaries	10	**4,853,114**	4,514,940
Jointly controlled entities	11	**156,181**	481,194
Associates	12	**1,282,454**	1,282,454
Available-for-sale financial assets	13	**140,610**	207,088
Trade and other receivables	16	**148,914**	—
		6,655,353	6,559,522
Current assets			
Properties held for sale	14	**46,137**	48,846
Receivables from subsidiaries	10	**5,777,224**	3,003,240
Trade and other receivables	16	**224,602**	1,295,656
Cash and cash equivalents	18	**2,795,108**	1,155,608
		8,843,071	5,503,350
Total assets		**15,498,424**	12,062,872

Balance Sheet

		As at 31st December	
	Note	**2010 RMB'000**	2009 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Ordinary shares	19	**2,027,960**	2,027,960
Share premium	19	**987,446**	987,446
Other reserves	21	**303,211**	302,820
Retained earnings			
— proposed final dividend	20	**365,033**	223,076
— others	20	**544,901**	542,162
Total equity		**4,228,551**	4,083,464
LIABILITIES			
Non-current liabilities			
Borrowings	25	**4,039,211**	4,586,710
Deferred income tax liabilities	26	**2,892**	25,749
		4,042,103	4,612,459
Current liabilities			
Trade and other payables	22	**523,392**	539,857
Advances from customers	23	**807**	646
Payables to subsidiaries	10	**4,740,928**	2,563,490
Tax payables	24	**12,643**	3,956
Borrowings	25	**1,950,000**	259,000
		7,227,770	3,366,949
Total liabilities		**11,269,873**	7,979,408
Total equity and liabilities		**15,498,424**	12,062,872
Net current assets		**1,615,301**	2,136,401
Total assets less current liabilities		**8,270,654**	8,695,923

The notes on pages 87 to 176 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on 28th March 2011.

On behalf of the Board

Liu Xiaoguang
Chairman

Tang Jun
Director

Consolidated Income Statement

	Note	Year ended 31st December 2010 RMB'000	 2009 RMB'000
Revenue	5	**6,492,649**	5,393,150
Cost of sales	29	**(4,257,954)**	(3,664,999)
Gross profit		**2,234,695**	1,728,151
Other gains-net	28	**83,875**	135,002
Selling and marketing costs	29	**(183,198)**	(119,874)
Administrative expenses	29	**(188,241)**	(140,806)
Operating profit		**1,947,131**	1,602,473
Finance income	31	**63,624**	64,419
Finance costs	31	**(100,570)**	(253,423)
Finance costs-net	31	**(36,946)**	(189,004)
Share of profits less losses of:			
— jointly controlled entities		**(15,030)**	20,364
— associates		**10,479**	(6,589)
Net gain on disposal of an associate		**—**	83,051
Profit before income tax		**1,905,634**	1,510,295
Income tax expenses	32	**(844,709)**	(622,005)
Profit for the year		**1,060,925**	888,290
Attributable to:			
Equity holders of the Company		**918,155**	538,435
Non-controlling interests		**142,770**	349,855
		1,060,925	888,290
Earnings per share for profit attributable to equity holders of the Company (basic and diluted) (RMB cents)	34	**45.27**	26.55
Dividends	35	**365,033**	223,076

The notes on pages 87 to 176 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Note	Year ended 31st December 2010 RMB'000	2009 RMB'000
Profit for the year		**1,060,925**	888,290
Other comprehensive income			
Fair value (losses)/gains on available-for-sale financial assets, net of tax	21	**(14,931)**	112,029
Reserve realised upon disposal of available-for-sale financial assets, net of tax	21	**(24,734)**	(2,545)
Reserve realised upon disposal of properties held for sale, net of tax		**(29,888)**	(169,534)
Exchange difference in foreign operations		**(661)**	—
Other comprehensive income, net of tax		**(70,214)**	(60,050)
Total comprehensive income		**990,711**	828,240
Total comprehensive income attributable to			
— Equity holders of the Company		**862,885**	563,152
— Non-controlling interests		**127,826**	265,088
		990,711	828,240

The notes on pages 87 to 176 form an integral part of this condensed interim financial information.

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company						
	Ordinary shares RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1st January 2009	2,027,960	987,446	162,658	1,070,146	4,248,210	1,911,110	6,159,320
Total comprehensive income	–	–	24,717	538,435	563,152	265,088	828,240
2008 final dividend	–	–	–	(162,237)	(162,237)	–	(162,237)
Transfer from retained earnings	–	–	20,356	(20,356)	–	–	–
Acquisition of interest from non-controlling interests	–	–	(75,183)	–	(75,183)	(294,317)	(369,500)
(Decrease)/Increase in Non-controlling interests as a result of:							
– Disposal of a subsidiary	–	–	–	–	–	(28,374)	(28,374)
– Capital injection from non-controlling interests	–	–	–	–	–	156,896	156,896
– Partial disposal of interest in a subsidiary	–	–	51,370	–	51,370	41,030	92,400
Balance at 31st December 2009	2,027,960	987,446	183,918	1,425,988	4,625,312	2,051,433	6,676,745
Representing:							
Proposed final dividend at 31st December 2009				223,076			
Retained earnings – others				1,202,912			
				1,425,988			

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company						
	Ordinary shares RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1st January 2010	2,027,960	987,446	183,918	1,425,988	4,625,312	2,051,433	6,676,745
Total comprehensive income	–	–	(54,609)	917,494	862,885	127,826	990,711
2009 final dividend	–	–	–	(223,076)	(223,076)	–	(223,076)
Transfer from retained profits	–	–	40,056	(40,056)	–	–	–
(Decrease)/Increase in non-controlling interests as a result of:							
– Dividend to non-controlling interests of subsidiaries	–	–	–	–	–	(418,350)	(418,350)
– Acquisition of subsidiaries	–	–	–	–	–	522,456	522,456
– Capital injection from non-controlling interests	–	–	–	–	–	115,670	115,670
– Disposal of subsidiaries	–	–	–	–	–	(14,642)	(14,642)
– Partial disposal of interest in a subsidiary	–	–	812	–	812	19,188	20,000
Balance at 31st December 2010	2,027,960	987,446	170,177	2,080,350	5,265,933	2,403,581	7,669,514
Representing:							
Proposed final dividend at 31st December 2010				365,033			
Retained earnings – others				1,715,317			
				2,080,350			

The notes on pages 87 to 176 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

		Year ended 31st December	
	Note	**2010** **RMB'000**	2009 RMB'000
Cash flows from operating activities			
Cash generated from operations	36(a)	**2,160,683**	4,876,878
Interest paid		**(377,580)**	(463,938)
Current income tax paid		**(658,809)**	(337,270)
Net cash generated from operating activities		**1,124,294**	4,075,670
Cash flows from investing activities			
Purchase of property, plant and equipment	6	**(21,604)**	(4,160)
Purchase of investment properties	9	**(624,079)**	—
Proceeds from sale of property, plant and equipment	36(b)	**807**	628
Cash received/(paid) for purchase of subsidiaries	40	**28,549**	(14,000)
Increase in investment in jointly controlled entities		**—**	(436,570)
Increase in investment in associates	12	**(30,014)**	(450,278)
Interest received		**63,624**	32,034
Dividend received from a jointly controlled entity		**—**	100,000
Dividend income from an available-for-sale financial assets		**2,835**	—
Proceeds from disposal of an associate		**—**	123,500
Disposal of subsidiaries, net of cash disposed	36(c)	**24,556**	103,247
Proceeds from sales of available-for-sale financial assets		**46,570**	69,567
Purchase of an available-for-sale financial assets		**(5)**	—
Loans to jointly controlled entities and an associate		**(37,320)**	(707,152)
Prepayments for investment in subsidiaries		**(158,000)**	—
Other investment losses		**(7,104)**	(5,989)
Net cash used in investing activities		**(711,185)**	(1,189,173)

Consolidated Statement of Cash Flows

	Note	Year ended 31st December 2010 RMB'000	2009 RMB'000
Cash flows from financing activities			
Dividends paid to equity holders of the Company		**(241,887)**	(178,834)
Contribution from non-controlling interests		**115,670**	156,896
Proceeds from partial disposal of interest in subsidiaries	39(a)	**20,000**	92,400
Repayment of bank borrowings		**(1,447,120)**	(1,844,500)
Proceeds from issuance of bond	25(a)	**—**	986,000
New bank borrowings raised		**2,179,580**	725,000
Trust loan raised		**2,557,620**	—
Other loans raised		**79,215**	—
Repayment of other loans		**(125,520)**	(91,407)
Net cash generated/(used in) from financing activities		**3,137,558**	(154,445)
Net increase in cash		**3,550,667**	2,732,052
Cash and cash equivalents at 1st January		**4,879,372**	2,147,142
Exchange (loss)/gain on cash and cash equivalents		**(595)**	178
Cash and cash equivalents at 31st December	18	**8,429,444**	4,879,372

The notes on pages 87 to 176 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. General Information

Beijing Capital Land Ltd. (the "Company") is a joint stock limited company established in the People's Republic of China (the "PRC" or "China") on 5th December 2002 as a result of a reorganisation (the "Reorganisation") of a state-owned enterprise known as Beijing Capital Group Ltd. (the "Beijing Capital Group") in preparation for a listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited. The Company was granted the status of sino-foreign joint venture joint stock limited company on 28th November 2002. The Company has its primary listing on the Stock Exchange of Hong Kong Limited.

The Company is principally engaged in real estate development and investment holding. The subsidiaries are mainly engaged in real estate development and investment in the PRC. The Company and its subsidiaries are herein collectively referred to as the "Group". The address of the Company's registered office is Room 501, No.1, Yingbin Zhong Road, Huairou District, Beijing, the PRC.

These consolidated financial statements are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 28th March 2011.

2. Summary of Significant Accounting Policies

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

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

2. Summary of Significant Accounting Policies *(Continued)*

2.1 Basis of preparation *(Continued)*

(a) New and amended standards adopted by the group

The following new standards, amendments to standards or interpretations are mandatory for the first time for financial year beginning 1st January 2010.

HKFRS 3 (revised), "Business combinations", and consequential amendments to HKAS 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates", and HKAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

HKAS 17 (amendment), "Leases", deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1st January 2010 on the basis of information existing at the inception of those leases, and no leasehold land is recognised as finance lease.

HKFRS 8 (amendment) stated that a measure of segment assets is only required to be disclosed if the measure is regularly provided to the chief operating decision-maker. The amendment is effective for periods beginning on or after 1st January 2010 and the Group applied the revised standard.

2. Summary of Significant Accounting Policies *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) *New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1st January 2010 but not currently relevant to the group (although they may affect the accounting for future transactions and events)*

HK(IFRIC) 17, "Distribution of non-cash assets to owners" (effective on or after 1st July 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

HK(IFRIC) 18, "Transfers of assets from customers", effective for transfer of assets received on or after 1st July 2009. This interpretation clarifies the requirements of HKFRs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

HK(IFRIC) 9, "Reassessment of embedded derivatives and HKAS 39, Financial instruments: Recognition and measurement", effective 1st July 2009. This amendment to HK(IFRIC) 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the "fair value through profit or loss" category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remains classified as at fair value through profit or loss in its entirety.

2. Summary of Significant Accounting Policies *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) *(Continued)*

HK(IFRIC) 16, "Hedges of a net investment in a foreign operation" effective 1st July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of HKAS 39 that relate to a net investment hedge are satisfied. In particular, the group should clearly document its hedging strategy because of the possibility of different designations at different levels of the group. HKAS 38 (amendment), "Intangible assets", effective 1st January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

HKAS 1 (amendment), "Presentation of financial statements". The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

HKAS 36 (amendment), "Impairment of assets", effective 1st January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of HKFRS 8, "Operating segments" (that is, before the aggregation of segments with similar economic characteristics).

2. Summary of Significant Accounting Policies *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) *(Continued)*

HKFRS 2 (amendments), "Group cash-settled share-based payment transactions", effective from 1st January 2010. In addition to incorporating HK(IFRIC) 8, "Scope of HKFRS 2", and HK(IFRIC) 11, "HKFRS 2 — Group and treasury share transactions", the amendments expand on the guidance in HK(IFRIC) 11 to address the classification of group arrangements that were not covered by that interpretation.

HKFRS 5 (amendment), "Non-current assets held for sale and discontinued operations". The amendment clarificaties that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1.

(c) *New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1st January 2010 and have not been early adopted.*

The Group's and Company's assessment of the impact of these new standards and interpretations is set out below.

HKFRS 9, "Financial instruments", issued in November 2009. This standard is the first step in the process to replace HKAS 39, "Financial instruments: recognition and measurement". HKFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1st January 2013 but is available for early adoption. The Group is yet to assess HKFRS 9's full impact; however no significant impact is expected for the Group.

2. Summary of Significant Accounting Policies *(Continued)*

2.1 Basis of preparation *(Continued)*

(c) *(Continued)*

"Classification of rights issues" (amendment to HKAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1st February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with HKAS 8 "Accounting policies, changes in accounting estimates and errors". The Group will apply the amended standard from 1st January 2011.

HK (IFRIC) — Int 19, "Extinguishing financial liabilities with equity instruments", effective 1st July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Group will apply the interpretation from 1st January 2011. It is not expected to have any impact on the Group or the Company's financial statements.

"Prepayments of a minimum funding requirement" (amendments to HK (IFRIC) — Int 14). The amendments correct an unintended consequence of HK (IFRIC) — Int 14, "HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction". Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when HK (IFRIC) — Int 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1st January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. It is not expected to have any impact on the Group's financial statements.

2. Summary of Significant Accounting Policies *(Continued)*

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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

2. Summary of Significant Accounting Policies *(Continued)*

2.2 Consolidation *(Continued)*

(b) Transactions with Non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entities or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

2.3 Jointly controlled entities

Jointly controlled entities are all entities with a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entities, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entities.

Unrealised gains on transactions between the Group and its in jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. Summary of Significant Accounting Policies *(Continued)*

2.4 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Jointly controlled operations

Jointly controlled operations are operations with a contractual arrangement, whereby the Group and other parties undertake an economic activity without the establishment of a corporation, partnership nor any other kinds of separate financial or legal structure. These operations are subject to joint control and none of the participating parties has unilateral control over the economic activity. In respect of its interest in jointly controlled operations, the Group recognises in the financial statements:

(a) assets and liabilities that the Group controls and incurs.

(b) the expenses that the Group incurs and its share of the income that it earns from the sale of goods or services by the operations.

2.6 Segment reporting

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

2. Summary of Significant Accounting Policies *(Continued)*

2.7 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "finance income or cost". All other foreign exchange gains and losses are presented in the consolidated income statement within "other gains — net".

(c) Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2. Summary of Significant Accounting Policies *(Continued)*

2.8 Property, plant and equipment

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

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

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

—	Buildings	40 years
—	Hotel properties	40 years
—	Furniture, fixtures and equipment	3 - 10 years
—	Motor vehicles	5 years

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

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

Gains and loss on disposals are determined by comparing the proceeds with carrying amounts and are recognised within "other gains — net", in the income statement.

2.9 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the entities in the Group, is classified as investment property. Investment property comprises land held under operating leases and buildings owned by the group. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is initially accounted for as if it were a finance lease.

Investment property is measured initially at cost, including related transaction costs.

2. Summary of Significant Accounting Policies *(Continued)*

2.9 Investment properties *(Continued)*

After initial recognition, investment property is carried at fair value, assessed annually by a professional independent valuer. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition. It also reflects, on a similar basis, any cash outflows (including rental payments and other outflows) that could be expected in respect of the property. Some of those outflows are reflected in the liability whereas others relate to outflows that are not recognised in the financial statements until a later date.

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

2.10 Land use right

All lands in China mainland are state-owned and no individual land ownership right exists. The Group acquired the rights to certain lands, and the premiums paid for such rights are recorded as land use rights, which are stated at cost and amortised over the lease terms ranging between 40 to 70 years, using the straight-line method. Land use rights are classified and accounted for in accordance to the intended use of the properties that are erected on respective lands.

For properties that are held for own use, the corresponding payments are separately stated as land use rights in the balance sheet.

For properties that are developed for subsequent sales, the corresponding premiums paid for land use rights are classified and accounted for as part of the costs of properties. Therefore, respective amortization is also capitalised as the cost of properties upon the commencement of construction, and the carrying value of such land use rights will be transferred to "cost of sales" upon the recognition of sales.

2. Summary of Significant Accounting Policies *(Continued)*

2.11 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Cost comprises construction cost, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. Net realisable value is determined by reference to management estimates based on prevailing market conditions less costs to be incurred in selling the property. On completion, the properties, together with related land use rights, are transferred to completed properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle, which are classified as properties held for development under non-current assets.

2.12 Properties held for sale

Properties held for sale are completed properties remaining unsold at year end and are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to expected sales proceeds of completed properties sold in the ordinary course of business less all estimated selling expenses.

2.13 Impairment of investments in subsidiaries, associates, jointly controlled entities and non-financial assets

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

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

2. Summary of Significant Accounting Policies *(Continued)*

2.14 Financial assets

2.14.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" in the balance sheet.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.14.2 Recognition and measurement

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

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as gains and losses from investment securities.

Dividends on available-for-sale equity instruments are recognised in the income statement as part of "other gains-net" when the Group's right to receive payments is established.

2. Summary of Significant Accounting Policies *(Continued)*

2.15 Impairment of financial assets

(a) Assets carried at amortised cost

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

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

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

2. Summary of Significant Accounting Policies *(Continued)*

2.15 Impairment of financial assets *(Continued)*

(a) Assets carried at amortised cost (Continued)

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

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement. Impairment testing of trade and other receivables is described in note 2.17.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Cost comprises invoiced price, delivery and other direct costs relating to the purchases. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.17 Trade and other receivables

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

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

2. Summary of Significant Accounting Policies *(Continued)*

2.17 Trade and other receivables *(Continued)*

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

2.18 Cash and cash equivalents

In the consolidated statement of cash flows, Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.19 Share capital

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

2.20 Trade payables

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

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

2.21 Borrowings

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

2. Summary of Significant Accounting Policies *(Continued)*

2.21 Borrowings *(Continued)*

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

2.22 Current and deferred income tax

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

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

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

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

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

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

2. Summary of Significant Accounting Policies *(Continued)*

2.23 Employee benefits

(a) Employee leave entitlements

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

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

(b) Bonus entitlements

The expected cost of bonus payments are recognised as a liability when the Group has a present constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(c) Retirement benefit costs

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

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

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HKD1,000. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

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

2. Summary of Significant Accounting Policies *(Continued)*

2.24 Provisions

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

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

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

2.25 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of transaction and the specifics of each arrangement.

(a) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of the properties transferred to the purchaser, which is when the construction of the relevant properties have been completed and properties have been delivered to the purchaser pursuant to the sale agreements, and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in current liabilities.

(b) Sales under hotel operations

Revenue from hotel operations is recognised upon the provision of services.

2. Summary of Significant Accounting Policies *(Continued)*

2.25 Revenue recognition *(Continued)*

(c) Project development consulting income

Project development consulting income is recognised when services are rendered.

(d) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income an impaired loan and receivables are recognised using the original effective interest rate.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

2.27 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.28 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed as incurred.

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2. Summary of Significant Accounting Policies *(Continued)*

2.30 Contingent liabilities

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

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

2.31 Financial guarantee liabilities

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

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

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

3. Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The board of directors review and agree policies for managing each of these risks and they are summarised below.

3. Financial Risk Management *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk

(i) Foreign exchange risk

The Company and its subsidiaries' functional currency is RMB since majority of the revenues of the companies are derived from operation in the PRC.

The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities such as cash and cash equivalents, trade and other payables, and borrowings which are dominated in a currency that is not the entity's functional currency. The majority of the Group's foreign currency transactions and balances are dominated in Hong Kong dollars ("HKD") and United States dollars ("USD"). The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at 31st December 2010, if RMB had increased/decreased by 5% against USD/HKD with all other variables held constant, post-tax profit for the year would have been increase/decrease by approximately RMB7,310,000 (2009: increased/decreased by RMB10,361,000), mainly as a net impact on translation of USD and HKD dominated cash and cash equivalents and translation of USD dominated borrowings.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as available-for-sale financial assets. The Group is not exposed to commodity price risk.

As at 31st December 2010, if the price of the listed equity securities the Group holds had increased/decreased by 5%, total equity would have been increased/decreased by approximately RMB5,273,000 (2009: RMB7,765,800) net of tax.

(iii) Interest rate risk

The Group has exposed to interest rate risk due to the fluctuation of the prevailing market interest rate on borrowings which carry at prevailing market interest rates. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

Notes to the Consolidated Financial Statements

3. Financial Risk Management *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(iii) Interest rate risk *(Continued)*

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

At 31st December 2010, if interest rates had been increased/decreased 50 basis points with all other variables held constant, the Group's post-tax profit would decrease/increase by approximately RMB3,232,000 (2009: RMB14,849,000).

(b) Credit risk

The Group is exposed to credit risk in its restricted bank deposits, cash and cash equivalents, trade and other receivables.

The carrying amount of restricted bank deposits, cash and cash equivalents, and trade and other receivables, represent the Group's maximum exposure to credit risk in relation to its financial assets.

To manage this risk, deposits are mainly placed with state-owned banks. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on restricted bank deposits is limited because the counterparties are mainly the state-owned banks.

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

3. Financial Risk Management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by group Finance. The Group monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 25) at all times so that the group does not breach borrowing limits on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, compliance with internal balance sheet ratio targets.

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

At 31st December 2010	**Less than 1 year RMB'000**	**Between 1 and 2 years RMB'000**	**Between 2 and 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Borrowings	**2,963,576**	**3,463,832**	**4,456,643**	**256,933**	**11,140,984**
Trade and other payables	**4,144,742**	**—**	**—**	**—**	**4,144,742**
	7,108,318	**3,463,832**	**4,456,643**	**256,933**	**15,285,726**

At 31st December 2009	**Less than 1 year** RMB'000	**Between 1 and 2 years** RMB'000	**Between 2 and 5 years** RMB'000	**Over 5 years** RMB'000	**Total** RMB'000
Borrowings	1,505,457	1,961,587	4,353,947	133,112	7,954,103
Trade and other payables	3,338,749	—	—	—	3,338,749
	4,844,206	1,961,587	4,353,947	133,112	11,292,852

3. Financial Risk Management *(Continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity attributable to owners of the Company. Net debt is calculated as total bank borrowings less cash and bank balance.

The gearing ratios at 31st December 2010 and 2009 were as follows:

	As at 31st December	
	2010	2009
	RMB'000	RMB'000
Total borrowings (note 25)	**9,850,741**	6,605,646
Less: Cash and bank balance	**(8,460,068)**	(4,976,683)
Net debt	**1,390,673**	1,628,963
Total equity attributable to owners of the Company	**5,265,933**	4,625,312
Gearing ratio	**26%**	35%

The decrease in the gearing ratio during 2010 resulted primarily from the increase in cash and bank balance and increase of equity.

3. Financial Risk Management *(Continued)*

3.3 Fair value estimation

The financial instruments carried at fair value have been dividend into 3 levels. The different levels have been defined as follows:

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

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

At 31st December 2010, the financial instrument measured in fair value of the Group is mainly the equity investments in PRC A share stock market, which is classified as available-for-sale and measured by the quoted price, and included in level 1.

4. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4. Critical Accounting Estimates and Judgements *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(a) Estimated impairment of receivables

The Group tests annually whether trade and other receivables have suffered any impairment in accordance with the accounting policy stated in note 2.17 and make provisions for impairment accordingly.

(b) Income tax and land appreciation tax ("LAT")

The Group is subject to various taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs, business taxes and all property development expenditures. These taxes are incurred upon transfer of property ownership. The significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the consolidated income statement in the periods in which such taxes are finalised with local tax authorities.

(c) Estimate impairment of assets

The Group tests annually whether assets has suffered any impairment in accordance with accounting policies stated in note 2.13. Assets are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

4. Critical Accounting Estimates and Judgements *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(d) Estimations for properties total construction costs

The Group makes estimations on properties construction costs upon recognition of respective costs of sales. Such estimates are substantiated by detailed budgetary information as development by the management, and will be assessed periodically, as the constructions progresses. Should these estimates depart from their actual finalized costs, such difference would affect the accuracy of costs of sales recognised.

(e) Revenue recognition

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 2.25. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests with the buyer upon release of the respective property to the buyer.

As disclosed in note 37, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will be expired when relevant property ownership certificates are lodged with the various banks by the purchasers. In order to obtain mortgages, the purchasers would have settled certain percentage of the total contract amount in accordance with related PRC regulations upon delivery of the properties. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank borrowings. In addition, based on the past experiences, there were no significant defaults of mortgage facilities by the purchasers resulted in the bank guarantees were called upon. Accordingly, the directors believe that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers.

(f) Deferred tax assets

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

Notes to the Consolidated Financial Statements

5. Segment Information

The chief operating decision-maker has been identified as the key management. This key management reviews the Group's internal reporting in order to assess performance and allocate resources. Key management has determined the operating segments based on these reports.

The key management considers the business from both a geographic and product perspective. From a product perspective, key management assesses the performance of property development, hotel operations. Property development is further evaluated on a geographical basis (Beijing, Tianjin, Chengyu and other territories).

The key management assesses the performance of the operating segments based on a measure of profit before tax. Other information provided to the key management, except as noted below, is measured in a manner consistent with that in the financial statements.

Transactions between segments are carried out at arm's length. The revenue from external parties reported to the key management is measured in a manner consistent with that in the consolidated income statement.

The segment results provided to the key management for the reportable segments for the year ended 31st December 2010 is as follows:

	Property development				Hotel	
	Beijing RMB'000	Tianjin RMB'000	Chengyu RMB'000	Others RMB'000	Operations RMB'000	Group RMB'000
Total revenue	4,416,757	1,089,533	564,458	468,155	88,279	6,627,182
Inter-segment revenue	–	–	–	(134,533)	–	(134,533)
Revenue (from external customers)	4,416,757	1,089,533	564,458	333,622	88,279	6,492,649
Profit/(loss) before income tax for reportable segment	1,508,248	317,158	15,828	165,704	(18,455)	1,988,483
Depreciation	3,328	393	1,361	2,966	24,970	33,018
Amortisation	–	–	–	–	1,046	1,046
Accrual/(Reversal) of impairment losses	–	–	–	1,215	(12)	1,203
Finance income	14,600	6,282	38,928	3,703	111	63,624
Finance costs	(53,745)	(26,365)	–	(315)	(13,148)	(93,573)
Share of profits less losses of						
– jointly controlled entities	–	–	–	(15,030)	–	(15,030)
– associates	–	–	–	10,479	–	10,479

Others mainly represent properties under development in WuXi, Shenyang, Xi'an and Foshan.

5. Segment Information *(Continued)*

The segment results for the year ended 31st December 2009 are as follows:

	Property development				Hotel	
	Beijing RMB'000	Tianjin RMB'000	Chengyu RMB'000	Others RMB'000	Operations RMB'000	Group RMB'000
Total revenue	2,864,636	1,081,057	975,140	480,965	84,983	5,486,781
Inter-segment revenue	–	–	–	(93,631)	–	(93,631)
Revenue (from external customers)	2,864,636	1,081,057	975,140	387,334	84,983	5,393,150
Profit/(loss) before income tax for reportable segment	1,347,500	144,374	132,217	169,262	(27,168)	1,766,185
Depreciation	2,092	809	422	1,689	25,915	30,927
Amortisation	–	–	–	–	1,046	1,046
Revesal of impairment losses	–	–	–	13,209	–	13,209
Finance income	16,802	3,963	2,822	40,745	87	64,419
Finance costs	(22,530)	(4,207)	(2,818)	(3,135)	(15,414)	(48,104)
Share of profits less losses of						
– jointly controlled entities	–	–	–	20,364	–	20,364
– associates	–	–	–	16,847	(23,436)	(6,589)

A reconciliation of total profit before income tax for reportable segment to total profit before income tax for the Group is provided as follows:

	2010 RMB'000	2009 RMB'000
Profit before income tax for reportable segment	**1,988,483**	1,766,185
Corporate overheads	**(129,681)**	(97,739)
Corporate finance costs	**(6,997)**	(205,319)
Gains on sales of available-for-sale financial assets (note 28)	**32,979**	38,956
Dividends from available-for-sale financial assets (note 28)	**2,835**	9,201
Gains on fair value measurement of previously held interest in a business combination achieved in stages (note 28)	**19,891**	–
Excess of acquirer's interest in fair value of identifiable net assets over consideration (note 28)	**5,264**	–
Others	**(7,140)**	(989)
Profit before income tax	**1,905,634**	1,510,295

Notes to the Consolidated Financial Statements

5. Segment Information *(Continued)*

The entity is domiciled in the PRC. All the revenue from external customers of the Group are derived in the PRC for the year ended 31st December 2010 and 2009.

At 31st December 2010, the total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in the PRC is RMB3,321,398,000 (2009: RMB5,599,169,000), and the total of these non-current assets located in other countries is nil (2009: nil).

For the year ended 31st December 2010, the revenue from the two significant customers with the transaction value above 10% of the external sales are RMB1,098,363,000 and RMB830,132,000 respectively. (2009: nil).

6. Property, Plant and Equipment

	Group				
	Buildings	Hotel properties	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31st December 2009					
Opening net book amount	80,321	482,659	8,397	14,613	585,990
Additions	—	—	1,371	2,789	4,160
Depreciation	(2,248)	(25,915)	(3,639)	(4,119)	(35,921)
Disposals	—	—	(160)	(186)	(346)
Disposal of a subsidiary	(12,140)	—	(25)	(154)	(12,319)
Closing net book amount	65,933	456,744	5,944	12,943	541,564
At 31st December 2009					
Cost	72,926	601,431	26,869	24,241	725,467
Accumulated depreciation	(6,993)	(144,687)	(20,925)	(11,298)	(183,903)
Net book amount	65,933	456,744	5,944	12,943	541,564
Year ended 31st December 2010					
Opening net book amount	**65,933**	**456,744**	**5,944**	**12,943**	**541,564**
Additions	**—**	**—**	**3,723**	**17,881**	**21,604**
Depreciation	**(1,678)**	**(25,825)**	**(3,804)**	**(8,559)**	**(39,866)**
Disposals	**(91)**	**—**	**(41)**	**(409)**	**(541)**
Acquisition of subsidiaries (note 40)	**—**	**—**	**4,287**	**2,366**	**6,653**
Disposal of a subsidiary (note 36(c))	**—**	**—**	**(59)**	**—**	**(59)**
Closing net book amount	**64,164**	**430,919**	**10,050**	**24,222**	**529,355**
At 31st December 2010					
Cost	**72,835**	**601,431**	**34,257**	**43,828**	**752,351**
Accumulated depreciation	**(8,671)**	**(170,512)**	**(24,207)**	**(19,606)**	**(222,996)**
Net book amount	**64,164**	**430,919**	**10,050**	**24,222**	**529,355**

Depreciation expense of RMB25,825,000 (2009: RMB25,915,000) has been charged in "cost of sales", and RMB14,041,000 (2009: RMB10,006,000) in "administrative expenses" (note 29).

The carrying value of hotel properties of RMB430,919,000 (2009: RMB456,744,000) has been pledged as security for a long-term bank loan of RMB240,000,000 (2009: RMB270,000,000) (note 25).

6. Property, Plant and Equipment *(Continued)*

	Company			
	Buildings	**Furniture, fixtures and equipment**	**Motor vehicles**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31st December 2009				
Opening net book amount	67,793	5,505	5,572	78,870
Additions	—	—	160	160
Depreciation	(1,859)	(1,591)	(1,544)	(4,994)
Disposal	—	(166)	(24)	(190)
Closing net book amount	65,934	3,748	4,164	73,846
At 31st December 2009				
Cost	72,925	8,036	8,318	89,279
Accumulated depreciation	(6,991)	(4,288)	(4,154)	(15,433)
Net book amount	65,934	3,748	4,164	73,846
Year ended 31st December 2010				
Opening net book amount	**65,934**	**3,748**	**4,164**	**73,846**
Additions	**—**	**24**	**7,058**	**7,082**
Depreciation	**(1,769)**	**(1,672)**	**(3,407)**	**(6,848)**
Closing net book amount	**64,165**	**2,100**	**7,815**	**74,080**
At 31st December 2010				
Cost	**72,925**	**8,060**	**15,376**	**96,361**
Accumulated depreciation	**(8,760)**	**(5,960)**	**(7,561)**	**(22,281)**
Net book amount	**64,165**	**2,100**	**7,815**	**74,080**

7. Land Use Rights

Land use rights represent the Group's interest in lands in the PRC, which are all held on leases of 50 years. The movements are as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
At 1st January	**44,789**	45,835
Amortisation	**(1,046)**	(1,046)
At 31st December	**43,743**	44,789

The carrying value of land use rights of RMB43,743,000 (2009: RMB44,789,000) has been pledged as security for bank borrowings of RMB240,000,000 (2009: RMB270,000,000) (note 25).

8. Properties Under Development

	Group	
	2010	2009
	RMB'000	RMB'000
At 1st January	**8,776,955**	9,426,252
Additions	**4,499,275**	2,695,289
Acquisition of subsidiaries (note 40)	**2,347,968**	—
Disposal of a subsidiaries (note 36(c))	**(3,233)**	(12,967)
Transfer to properties held for sale	**(2,802,282)**	(3,331,619)
At 31st December	**12,818,683**	8,776,955
Noncurrent	**—**	2,910,208
Current	**12,818,683**	5,866,747
	12,818,683	8,776,955
Properties under development comprise:		
Land use rights	**6,944,441**	4,179,978
Construction costs and capitalized expenditure	**5,311,624**	4,257,042
Finance costs capitalised	**562,618**	339,935
	12,818,683	8,776,955

8. Properties Under Development *(Continued)*

Land use rights represent prepaid operating lease payments, which are analysed as follows:

	Group As at 31st December	
	2010	2009
	RMB'000	RMB'000
In the PRC held on:		
Leases of over 50 years	**4,980,262**	4,065,683
Leases within 50 years	**1,964,179**	114,295
	6,944,441	4,179,978

Notes:

(i) As at 31st December 2010, certain properties under development amounted to RMB4,132,315,000 (2009: RMB1,274,342,000) have been pledged as securities for bank borrowings of RMB2,211,560,000 (2009: RMB1,010,000,000) (note 25).

(ii) As at 31st December 2010, right to yields on certain land use rights (gains from the sale of land use rights or other profit obtained from the relevant land use rights) have been pledged as security for bank borrowings of RMB3,550,000,000 (2009: RMB3,859,000,000) (note 25).

9. Investment Properties

	Group As at 31st December	
	2010	2009
	RMB'000	RMB'000
At 1st January	**—**	—
Acquisition of a subsidiary (note 40)	**269,811**	—
Additions	**624,079**	—
At 31st December	**893,890**	—

Notes:

(i) As at 31st December 2010, investment properties amounted to RMB476,004,000 (2009: nil) have been pledged as securities for banking facility of RMB600,000,000 (2009: nil).

(ii) As at 31st December 2010, the investment properties are under construction and the fair value is not reliably determinable, therefore are measured at cost.

10. Subsidiaries

	Company As at 31st December 2010 RMB'000	Company As at 31st December 2009 RMB'000
Unlisted investments, at cost	**4,853,114**	4,514,940
Receivables from subsidiaries (i)	**5,777,224**	3,003,240
Payables to subsidiaries (ii)	**(4,740,928)**	(2,563,490)

Notes:

(i) Receivables from subsidiaries are unsecured, carrying interest at prevailing market rates and have no fixed terms of repayment.

(ii) Payables to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

The directors are of the opinion that the following is a list of the principal subsidiaries at 31st December 2010 (all of which are directly or indirectly held by the Company, established and operate in the PRC, except otherwise stated) which materially affect the results or assets of the Group:

Name	Legal status	Principal activities	Particulars of registered capital	Attributable interest held 2010	Attributable interest held 2009
Beijing Rongjin Real Estate Development Company Limited (i)	Sino-foreign cooperative joint venture	Property development and investment	USD6,360,000	**59.5%**	59.5%
Central Plaza Real Estate Development Company Limited (ii)	Sino-foreign cooperative joint venture	Property development and investment	USD11,258,000	**100%**	100%
Central Plaza Xinrong Hotel Management Company Limited	Sino-foreign cooperative joint venture	Hotel operation	USD6,062,000	**100%**	100%
S.C. Real Estate Development Company Limited	Limited liability company	Property development	RMB640,000,000	**100%**	100%

10. Subsidiaries *(Continued)*

Name	Legal status	Principal activities	Particulars of registered capital	Attributable interest held 2010	Attributable interest held 2009
Beijing Arkgarden Real Estate Development Company Limited ("Arkgarden") (note 36(c))	Sino-foreign cooperative joint venture	Property development	USD9,200,000	**–**	75%
Beijing Sunshine Jindu Properties Company Limited	Limited liability company	Property development	RMB370,000,000	**100%**	100%
Beijing Anhua Shiji Real Estate Development Company Limited	Sino-foreign cooperative joint venture	Property development	USD30,000,000	**55%**	55%
Beijing HYHL Real Estate Development Company Limited (iii)	Sino-foreign cooperative joint venture	Property development	USD10,000,000	**100%**	100%
Beijing Capital Xinzi Real Estate Limited ("Beijing Xinzi")	Sino-foreign cooperative joint venture	Property development	RMB496,590,000	**100%**	100%
Beijing Shangboya Investment Consultant Company Limited	Limited liability company	Investment holding	RMB30,000,000	**100%**	100%
Beijing Shangbodi Investment Consultant Company Limited	Limited liability company	Investment holding	RMB30,000,000	**100%**	100%
Tianjin Xinchuang Land Limited (iv)	Sino-foreign equity joint venture	Property development	USD25,000,000	**55%**	55%
Beijing Donghai Investment Development Company Limited ("Donghai") (note 36(c))	Limited liability company	Investment holding	RMB21,000,000	**–**	100%
Chengdu Capital Xinzi Real Estate Development Limited	Sino-foreign cooperative joint venture	Property development	USD30,000,000	**55%**	55%

10. Subsidiaries *(Continued)*

Name	Legal status	Principal activities	Particulars of registered capital	Attributable interest held 2010	2009
Jiangsu Capital Real Estate Development Limited	Sino-foreign cooperative joint venture	Property development	USD12,500,000	**60%**	60%
Beijing Caotang Real Estate Development Limited (v)	Limited liability company	Property development	RMB10,000,000	**100%**	100%
Beijing Capital Land Chengdu Company Limited	Limited liability company	Property development	RMB150,000,000	**100%**	100%
Tianjin Banshan Renjia Real Estate Company Limited ("Tianjin Banshan")	Limited liability company	Property development	USD60,000,000	**55%**	55%
Beijing Sun Shine City Real Estate Development Company Limited ("Sun Shine City") (x)	Sino-foreign cooperative joint venture	Property development	USD20,000,000	**50%**	50%
Chengdu Capital Yidu Real Estate Development Company Limited	Sino-foreign cooperative joint venture	Property development	USD100,000,000	**55%**	55%
Wuxi Xindong Real Estate Development Company Limited	Limited liability company	Property development	RMB100,000,000	**100%**	100%
Tianjin Capital Xinyuan Real Estate Development Company Limited	Limited liability	Property development	USD95,000,000	**55%**	55%
Tianjin Capital Xingang Real Estate Development Company Limited	Limited liability company	Property development	USD95,000,000	**55%**	55%
JingJin Tongcheng (Tianjin) Investment Company Limited (note 39) ("JingJin Tongcheng") (vi)	Limited liability company	Property development and Investment	RMB50,000,000	**50%**	90%

10. Subsidiaries *(Continued)*

Name	Legal status	Principal activities	Particulars of registered capital	Attributable interest held 2010	Attributable interest held 2009
Outlets Property Investment Fang Shan Limited ("Outlets Fangshan") (vii)	Limited liability company	Property development and investment	USD127,000,000	**99%**	–
Beijing Capital Zhongbei Real Estate Development Company Limited (v)	Limited liability company	Property development	RMB100,000,000	**100%**	–
Outlets Property Investment Guang Dong Limited ("Outlets Guangdong") (iv)	Sin-foreign Cooperative	Property development and investment	USD40,000,000	**55%**	(xii)
Anshunyuan Real estate Development Company Limited ("Anshunyuan") (viii)	Limited liability company	Property development and investment	RMB50,000,000	**95%**	(xii)
Chongqing Xinshi Real Estate Development Company Limited ("Chongqing Xinshi")	Sin-foreign Cooperative	Property development	USD95,000,000	**50%**	(xii)
BECL Investment Holding Limited ("BECL") (xi)	Limited liability company	Investment holding	USD9,900,000	**100%**	–
Beijing Shangyi Real Estate Development Company Limited ("Beijing Shangyi) (ix)	Limited liability company	Property development	RMB10,310,000	**69%**	(xii)

Notes:

(i) 10% directly and 49.5% indirectly held by the Company

(ii) 75% directly and 25% indirectly held by the Company

(iii) 85% directly and 15% indirectly held by the Company

(iv) 55% indirectly held by the Company

(v) 100% indirectly held by the Company

(vi) 50% indirectly held by the Company

(vii) 99% indirectly held by the Company

(viii) 95% indirectly held by the Company

(ix) 69% indirectly held by the Company

(x) According to the Article of Association, the Company gets the majority of seats in the Board of directors in Sun Shine City. Accordingly, the Company actually controlled Sun Shine City, which has become as subsidiary of the Company.

(xi) Established in Hong Kong.

(xii) These companies are associates or jointly-controlled entities of the Company previously. In 2010, these companies became subsidiaries of the Company after the acquisition transactions stated in (note 40).

11. Jointly Controlled Entities

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Equity jointly controlled entities				
At 1st January	**790,605**	373,828	**481,194**	206,181
Share of (loss)/profit	**(15,030)**	20,364	**–**	—
Addition	**–**	275,013	**–**	275,013
Acquisition	**–**	221,400	**–**	—
Disposal (i)	**(42,421)**	—	**–**	—
Transferred to subsidiaries (note 40)	**(539,257)**	—	**(325,013)**	—
Dividend received	**(68,000)**	(100,000)	**–**	—
At 31st December	**125,897**	790,605	**156,181**	481,194
Unlisted investments, at cost	**–**	—	**156,181**	481,194
Group's share of net assets unlisted	**125,897**	790,605	**–**	—

The following is a list of the jointly controlled entities at 31st December 2010, all of which are established and operate in the PRC:

Name	Legal status	Principal activities	Particulars of registered capital	Attributable interest held 2010	Attributable interest held 2009
Equity jointly controlled					
Shenyang Jitian Real Estate Development Company Limited	Sino-foreign cooperative joint venture	Property development	USD40,000,000	**50%**	50%
Beijing Ruijingqingyuan Real Estate Development Company Limited ("Ruijingqingyuan")(i)	Limited liability company	Property development	RMB20,000,000	**–**	50%
Chongqing Xinshi	Sino-foreign cooperative	Property development	USD95,000,000	**(ii)**	50%
Outlets Guangdong	Sino-foreign cooperative	Property development and investment	USD40,000,000	**(ii)**	50%
Anshunyuan	Limited liability company	Property development and investment	RMB50,000,000	**(ii)**	50%

11. Jointly Controlled Entities *(Continued)*

The following amounts represent the Group's shares of the assets and liabilities, and revenue and results of the jointly controlled entities:

Name	Assets	Liabilities	Revenue	Profit/ (loss)
2010				
Shenyang Jitian Real Estate Development Limited	**703,942**	**(578,045)**	**—**	**(4,832)**
Ruijingqingyuan	**(i)**	**(i)**	**2,144**	**(1,828)**
Chongqing Xinshi	**(ii)**	**(ii)**	**—**	**(904)**
Outlets Guang Dong	**(ii)**	**(ii)**	**—**	**(7,466)**
Anshunyuan	**(ii)**	**(ii)**	**—**	**—**
	703,942	**(578,045)**	**2,144**	**(15,030)**
2009				
Shenyang Jitian Real Estate Development Limited	654,633	(523,904)	—	(8,932)
Ruijingqingyuan	312,067	(199,817)	67,457	27,967
Chongqing Xinshi	575,757	(248,920)	—	1,939
Outlets Guang Dong	403,492	(207,703)	—	(610)
Anshunyuan	248,964	(223,964)	—	—
	2,194,913	(1,404,308)	67,457	20,364

(i) In December 2010, the Company disposed of all equity interests in Donghai (note 36(c)), and 50% interest of Ruijingqingyuan held by Donghai was also transferred out.

(ii) In 2010, these companies became subsidiaries of the Company after the acquisition transactions stated in (note 40).

12. Associates

	Group 2010 RMB'000	Group 2009 RMB'000	Company 2010 RMB'000	Company 2009 RMB'000
At 1st January	**1,312,003**	1,071,327	**1,282,454**	877,913
Share of profit/(loss)	**10,479**	(6,589)	**—**	—
Additions	**30,014**	450,279	**—**	447,541
Dividends (note 16)	**(12,400)**	(162,565)	**—**	—
Disposal	**—**	(40,449)	**—**	(43,000)
Transferred to a subsidiary (note 40(d))	**(7,036)**	—	**—**	—
At 31st December	**1,333,060**	1,312,003	**1,282,454**	1,282,454
Investments, at cost				
— unlisted	**—**	—	**1,323,182**	1,323,182
Provision for impairment loss	**—**	—	**(40,728)**	(40,728)
	—	—	**1,282,454**	1,282,454

12. Associates *(Continued)*

The following is a list of the associates at 31st December 2010, all of which are unlisted, established and operate in the PRC, except otherwise stated:

Name	Legal status	Principal activities	Particulars of registered capital	Attributable interest held	
				2010	2009
Beijing GoldenNet Property Investment Consultant Company Limited ("GoldenNet") (i)	Limited liability company	Property sales agency	RMB5,000,000	**14%**	14%
Beijing Yang Guang Yuan Real Estate Development Company Limited	Limited liability company	Property development	RMB72,190,000	**35%**	35%
Beijing SCJF Real Estate Agency Company Limited	Limited liability company	Property sales agency	RMB18,000,000	**49.22%**	49.22%
Shenyang Xinzi Capital Real Estate Development Company Limited	Sino-foreign equity joint venture limited	Property development	USD92,500,000	**30%**	30%
Xi'an Xin Kai Capital Real Estate Development Company Limited ("Xi'an Xin Kai")	Sino-foreign equity joint venture limited	Property development	USD165,000,000	**40%**	40%
Tianjin Capital Xinqing Real Estate Development Company Limited	Sino-foreign equity joint venture limited	Property development	USD95,000,000	**40%**	40%
Tianjin Capital Xinming Real Estate Development Company Limited	Sino-foreign equity joint venture limited	Property development	USD95,000,000	**40%**	40%
Beijing Shangyi	Limited liability company	Property development	RMB10,310,000	**(vi)**	47%

12. Associates *(Continued)*

Name	Legal status	Principal activities	Particulars of registered capital	Attributable interest held 2010	Attributable interest held 2009
Beijing Financial Street International Hotel Company Limited ("Financial Street") (ii)	Sino-foreign cooperative joint venture	Hotel operation	USD5,640,000	**59.5%**	59.5%
Outlets (China) Limited ("Outlets (China)") (iii)	Limited liability company	Investment holding	USD2,000,000	**20%**	20%
Nice Grace Group Limited ("Nice Grace") (iv)	Limited liability company	Investment holding	USD10,000	**20%**	–
Hainan Dalecheng Real Estate Development Holding Limited ("Dalecheng") (v)	Limited liability company	Investment holding	RMB100,000,000	**30%**	–

(i) One of the board member of GoldenNet shares was indicated by the Company, therefore is classified as an associate.

(ii) The Group has no control over the board of the directors and such board is responsible for determining the financial policies in the ordinary course of business, and accordingly, this company is stated as an associate of the Group.

(iii) Outlets (China) was established in Hong Kong, and the Company indirectly hold 20% of its share.

(iv) In June 2010, the Company purchased 20% interest of Nice Grace (established in British Virgin Island) from Quickstart limited with cash consideration of USD2,000, the consideration approximate the fair value of the share interest at the acquisition date.

(v) In September 2010, the Company purchased 30% interest of Dalecheng with cash consideration of RMB3,000,000, the consideration approximate the fair value of the share interest at the acquisition date. And then all the shareholders entered into an agreement to increase the registered capital of Dalecheng from RMB10,000,000 to RMB100,000,000, The capital contribution of the Company was fully injected in 2010.

(vi) In 2010, Beijing Shangyi became subsidiary of the Company after the transactions stated in (note 40).

12. Associates *(Continued)*

The following amounts represent the Group's share of the assets, liabilities and revenue and results of the associates:

Name	Assets	Liabilities	Revenue	Profit/ (loss)
2010				
GoldenNet	**7,539**	**(99)**	**1,488**	**1,424**
Beijing Yang Guang Yuan Real Estate Development Company Limited	**191,692**	**(115,589)**	**17,096**	**2,015**
Beijing SCJF Real Estate Agency Company	**5,303**	**(5,002)**	**3,066**	**(487)**
Shenyang Xinzi Capital Real Estate Development Company Limited	**553,318**	**(359,569)**	**—**	**(1,951)**
Xi'an Xin Kai Capital Real Estate Development Company Limited	**1,023,603**	**(522,428)**	**173,584**	**18,601**
Tianjin Capital Xinqing Real Estate Development Company Limited	**388,323**	**(130,028)**	**—**	**(1,560)**
Tianjin Capital Xinming Real Estate Development Company Limited	**497,244**	**(233,601)**	**151,638**	**3,363**
Beijing Shangyi	**(vi)**	**(vi)**	**—**	**—**
Financial Street	**335,383**	**(335,383)**	**52,280**	**(10,532)**
Outlets (China)	**49,813**	**(47,466)**	**—**	**(387)**
Nice Grace	**13**	**(3)**	**—**	**(4)**
Dalecheng	**61,524**	**(31,527)**	**—**	**(3)**
	3,113,755	**(1,780,695)**	**399,152**	**10,479**
2009				
GoldenNet	6,087	(71)	42	3,264
Beijing Yang Guang Yuan Real Estate Development Company Limited	208,460	(134,372)	18,057	2,613
Beijing SCJF Real Estate Agency Company	6,546	(5,758)	4,151	(2,055)
Shenyang Xinzi Capital Real Estate Development Company Limited	352,182	(156,482)	—	(1,199)
Xi'an Xin Kai Capital Real Estate Development Company Limited	775,448	(280,474)	—	(4,807)
Tianjin Capital Xinqing Real Estate Development Company Limited	295,455	(35,600)	—	(69)
Tianjin Capital Xinming Real Estate Development Company Limited	528,439	(268,159)	—	(2,037)
Beijing Shangyi	466,357	(459,321)	203	(16)
Financial Street	648,891	(638,359)	43,277	(23,436)
Beijing Xing Tai Real Estate Development Company Limited ("Beijing Xing Tai")	N/A	N/A	128,626	21,153
Outlets (China)	2,734	—	—	—
	3,290,599	(1,978,596)	194,356	(6,589)

13. Available-for-sale Financial Assets

	Group 2010 RMB'000	Company 2010 RMB'000	Group and Company 2009 RMB'000
As at 1st January	**207,088**	**207,088**	114,757
Additions	**5**	**—**	—
Net (losses)/gains transfer to equity	**(19,908)**	**(19,908)**	149,372
Disposals	**(46,570)**	**(46,570)**	(57,041)
As at 31st December	**140,615**	**140,610**	207,088

	Group As at 31st December 2010 RMB'000	Company As at 31st December 2010 RMB'000	Group and Company As at 31st December 2009 RMB'000
Fair value:			
— listed (RMB)	**140,610**	**140,610**	207,088
— unlisted (USD)	**5**	**—**	—
Total	**140,615**	**140,610**	207,088
Market value of listed securities	**140,610**	**140,610**	207,088

Notes:

(i) None of these financial assets is impaired.

(ii) The fair values of unlisted securities are based on cash flows discounted using a rate based on the market interest rate.

14. Inventories and Properties Held for Sale

	Group As at 31st December		Company As at 31st December	
	2010 **RMB'000**	2009 RMB'000	**2010** **RMB'000**	2009 RMB'000
Low value consumable materials	**3,742**	3,600	**–**	–
Total inventories	**3,742**	3,600	**–**	–
Development costs	**1,944,931**	2,060,015	**40,126**	42,799
Land use rights	**123,795**	189,182	**6,011**	6,047
Finance costs capitalised	**220,154**	51,006	**–**	–
Total properties held for sale	**2,288,880**	2,300,203	**46,137**	48,846

The cost of inventories and properties held for sale recognized as expense and included in "cost of sales" amounted to RMB3,800,681,000 in 2010 (2009: RMB3,291,906,000).

As at 31st December 2010, certain properties held for sale amounted to RMB1,010,835,000 (2009: nil) have been pledged as securities for trust loans of RMB750,000,000 (note 25).

Land use rights represent prepaid operating lease payments, which are analyzed as follows:

	Group As at 31st December		Company As at 31st December	
	2010 **RMB'000**	2009 RMB'000	**2010** **RMB'000**	2009 RMB'000
In the PRC held on:				
Leases of over 50 years	**96,151**	169,498	**–**	–
Leases within 50 years	**27,644**	19,684	**6,011**	6,047
	123,795	189,182	**6,011**	6,047

15. Land development

Land development refers to primary land development projects. No land use rights certificates were obtained for these projects, and the Group generally receives an amount as compensation. Main activities for primary land development projects included dismantling and land levelling works.

16. Trade and Other Receivables

	Group As at 31st December		Company As at 31st December	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Trade receivables (a)	389,208	53,386	160	160
Other receivables	687,902	168,710	34,452	45,573
Less: provisions for impairment of receivables (f)	(34,166)	(32,963)	(24,000)	(24,000)
Receivables-net	1,042,944	189,133	10,612	21,733
Dividends receivable from subsidiaries of Yang Guang Co., Ltd. ("Yang Guang ") (c)	194,802	194,802	194,802	194,802
Dividends receivable from an associate (c)	12,400	—	12,400	—
Dividends receivable from Donghai (c)	76,404	—	—	—
Tax and other prepayments	975,658	529,905	554	15,501
Amounts due from jointly controlled entities (d)	—	698,733	—	—
Amounts due from associates (d)	501,007	1,377,599	155,148	1,063,620
Amounts due from a subsidiary of Yangguang	18,892	—	—	—
Prepayment of property development	487,767	350,200	—	—
Prepayment of investments in subsidiaries	169,680	—	—	—
Less non-current portion: loans to an associate (g)	(395,453)	—	(148,914)	—
	3,084,101	3,340,372	224,602	1,295,656

Notes:

(a) At 31st December 2010 and 2009, the ageing analysis of the trade receivables was as follows:

	Group As at 31st December		Company As at 31st December	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Within one year	381,535	45,554	—	—
Over three years	7,673	7,832	160	160
	389,208	53,386	160	160

At 31st December 2010, trade receivables include property sale receivable due from a subsidiary of Yang Guang amounted to RMB135,000,000 (2009: RMB40,794,000).

16. Trade and Other Receivables *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

Trade receivables outstanding for over one year are mainly related to sales of office building units in bulk and large pieces of developed land. As at 31st December 2010, trade receivables of RMB160,000 (2009: RMB160,000) were past due but not impaired with the ageing of over 3 years. Amount RMB7,673,000 (2009: RMB7,000,000) is considered as past due and impaired with the ageing of over 3 years, with impairment of RMB3,844,000 (2009: RMB3,844,000). Amount that is not past due but impaired is nil (2009: nil).

(b) The credit terms in connection with sales of properties granted to the customers are set out in the sale and purchase agreements and vary from agreements. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

(c) (i) The total dividend receivable include RMB162,565,000 declared by Beijing Xing Tai in 2009, which was previously an associate of the Company, and was disposed in November 2009, RMB32,237,000 declared by Feng du Capital Real Estate Development Company Limited ("Feng du") which was disposed in 2009, both Xingtai and Feng du are subsidiaries of Yang Guang.

(ii) Amount to RMB12,400,000 was declared by Xi'an Xin Kai, an associate of the Company.

(iii) Amount to RMB76,404,000 was declared by Donghai, a subsidiary of the Company and was disposed in December 2010 (note 36(c)).

(d) The Group's amounts due from jointly controlled entities and associates mainly comprise of the following:

	As at 31st December	
	2010	2009
	RMB'000	RMB'000
Dalecheng	**104,885**	—
Anshunyuan (i)	**—**	175,000
Outlets Guangdong (ii)	**—**	166,986
Chongqing Xinshi (ii)	**—**	346,747
Beijing Shangyi (i)	**—**	967,034
Financial Street (ii)(g)	**395,453**	407,849
Others	**669**	12,716
	501,007	2,076,332

16. Trade and Other Receivables *(Continued)*

Notes: *(Continued)*

(d) *(Continued)*

(i) Unsecured, carrying interest at prevailing market rates, with no fixed terms of repayment.

(ii) Unsecured, interest free, with no fixed terms of repayment.

(iii) These are no provisions held against receivables from jointly controlled entities, associates. (2009: nil).

(e) Amounts of trade and other receivables are all denominated in RMB.

(f) Movements on the Group's provision for impairment of receivables are as follows:

	2010 **RMB'000**	2009 RMB'000
At 1st January	**32,963**	72,003
Accrual/(Reversal) of provisions for impairment of receivables	**1,203**	(13,209)
Disposal of a subsidiaries	**—**	(25,831)
At 31st December	**34,166**	32,963

The above amount includes provisions for impairment of other receivables RMB30,322,000 (2009: RMB29,119,000).

The creation and release of provision for impaired receivables have been included in "administrative expenses" in the consolidated income statement (note 29).

(g) In 2010 the management of the Company reclassified the receivables due from Financial Street amounted to RMB445,169,000 as non-current assess, and present it as the fair value with an amount of RMB 395,453,000, the difference of RMB 49,716,000 is recognised in the consolidated income statement within "Financial cost".

(h) The other classes within trade and other receivables do not contain impaired assets.

(i) The carrying amounts of trade and other receivables approximate their fair values.

17. Restricted Bank Deposits

The restricted bank deposits have been pledged as security for certain mortgage loans to customers.

18. Cash and Cash Equivalents

	Group As at 31st December		Company As at 31st December	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**8,429,444**	4,879,372	**2,795,108**	1,155,608

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	Group As at 31st December		Company As at 31st December	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**8,351,698**	4,777,450	**2,792,563**	1,150,177
USD	**68,057**	29,116	**56**	20
HKD	**9,689**	72,806	**2,489**	5,411
	8,429,444	4,879,372	**2,795,108**	1,155,608

According to requirements of Tianjin local authorities, the cash received from the customers for properties sold should be deposited in certain bank accounts supervised by the government, and the cash expenditure from these accounts is limited to the payment of construction materials, equipment, construction costs and related taxes. As at December 31st 2010, the cash deposited in above-mentioned accounts amounted to RMB816,194,000 (2009: nil). The management are of the view that the cash could fulfill above-mentioned purpose in the near future, therefore classified it as cash equivalents in the consolidated statement of cash flows.

19. Share Capital and Premium

At 31st December 2010 and 2009, the ordinary shares and share premium of the Company was as follows:

	Number of shares '000	**Ordinary shares** RMB'000	**Share premium** RMB'000	**Total** RMB'000
Registered, issued and fully paid: As at 1st January and 31st December 2009	2,027,960	2,027,960	987,446	3,015,406
Registered, issued and fully paid: As at 31st December 2010	2,027,960	2,027,960	987,446	3,015,406

20. Retained Earnings

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1st January	**1,425,988**	1,070,146	**765,238**	570,687
Profit for the year	**918,155**	538,435	**407,828**	377,144
Dividends relating to 2009/2008	**(223,076)**	(162,237)	**(223,076)**	(162,237)
Transfer to statutory reserve fund	**(40,056)**	(20,356)	**(40,056)**	(20,356)
Exchange difference in foreign operations	**(661)**	—	**—**	—
At 31st December	**2,080,350**	1,425,988	**909,934**	765,238
Representing:				
Proposed final dividend at 31st December	**365,033**	223,076	**365,033**	223,076
Retained earnings — Others	**1,715,317**	1,202,912	**544,901**	542,162
At 31st December	**2,080,350**	1,425,988	**909,934**	765,238

According to the respective Articles of Association, the Company and subsidiaries are required to transfer certain percentages of their profit to their statutory reserve fund on an annual basis. The statutory reserve fund can be used to offset accumulated loss or convert as share capital.

Notes to the Consolidated Financial Statements

21. Other Reserves

Group

	Other reserves		
	Capital surplus	Statutory reserve fund	Total
	RMB'000	RMB'000	RMB'000
Balance at 1st January 2009	77,036	85,622	162,658
Transfer from retained earnings	—	20,356	20,356
Fair value gain on available-for-sale financial assets, gross	149,372	—	149,372
Fair value gain on available-for-sale financial assets, tax	(37,343)	—	(37,343)
Reserve realised upon disposal of available-for-sale financial assets, gross	(3,393)	—	(3,393)
Reserve realised upon disposal of available-for-sale financial assets, tax	848	—	848
Reserve realised upon disposal of properties held for sale, gross	(113,023)	—	(113,023)
Reserve realised upon disposal of properties held for sale, tax	28,256	—	28,256
Acquisition of interest from non-controlling interests	(75,183)	—	(75,183)
Partial disposal of interest in a subsidiary	51,370	—	51,370
Balance at 31st December 2009	77,940	105,978	183,918
Balance at 1st January 2010	**77,940**	**105,978**	**183,918**
Transfer from retained earnings	**—**	**40,056**	**40,056**
Fair value gain on available-for-sale financial assets, gross	**(19,908)**	**—**	**(19,908)**
Fair value gain on available-for-sale financial assets, tax	**4,977**	**—**	**4,977**
Reserve realised upon disposal of available-for-sale financial assets, gross	**(32,979)**	**—**	**(32,979)**
Reserve realised upon disposal of available-for-sale financial assets, tax	**8,245**	**—**	**8,245**
Reserve realised upon disposal of properties held for sale, gross	**(19,925)**	**—**	**(19,925)**
Reserve realised upon disposal of properties held for sale, tax	**4,981**	**—**	**4,981**
Partial disposal of interest in a subsidiary	**812**	**—**	**812**
Balance at 31st December 2010	**24,143**	**146,034**	**170,177**

21. Other Reserves *(Continued)*

Company

	Other reserves		
	Capital surplus RMB'000	Statutory reserve fund RMB'000	Total RMB'000
Balance at 1st January 2009	87,358	85,622	172,980
Transfer from retained earnings	—	20,356	20,356
Fair value gain on available-for-sale financial assets, gross	149,372	—	149,372
Fair value gain on available-for-sale financial assets, tax	(37,343)	—	(37,343)
Reserve realised upon disposal of available-for-sale financial assets, gross	(3,393)	—	(3,393)
Reserve realised upon disposal of available-for-sale financial assets, tax	848	—	848
Balance at 31st December 2009	196,842	105,978	302,820
Balance at 1st January 2010	**196,842**	**105,978**	**302,820**
Transfer from retained earnings	**—**	**40,056**	**40,056**
Fair value gain on available-for-sale financial assets, gross	**(19,908)**	**—**	**(19,908)**
Fair value gain on available-for-sale financial assets, tax	**4,977**	**—**	**4,977**
Reserve realised upon disposal of available-for-sale financial assets, gross	**(32,979)**	**—**	**(32,979)**
Reserve realised upon disposal of available-for-sale financial assets, tax	**8,245**	**—**	**8,245**
Balance at 31st December 2010	**157,177**	**146,034**	**303,211**

22. Trade and Other Payables

	Group As at 31st December		Company As at 31st December	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables (i)	**9,965**	13,504	**—**	—
Dividends payable to the promoters	**—**	18,811	**—**	5,772
Dividends payable to non-controlling interests of subsidiaries	**947,049**	528,699	**—**	—
Accrued construction costs (ii)	**2,004,345**	1,586,203	**10,783**	11,319
Amounts due to associates (iii)	**170,582**	—	**—**	—
Amounts due to a non-controlling interest	**369,500**	369,500	**369,500**	369,500
Interest Payables to non-controlling interests	**82,295**	93,254	**—**	—
Other payables	**561,006**	728,778	**143,109**	153,266
	4,144,742	3,338,749	**523,392**	539,857

(i) At 31st December 2010 and 2009, the ageing analysis of the trade payables was as follows:

	Group As at 31st December		Company As at 31st December	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**9,965**	13,149	**—**	—
Over one year	**—**	355	**—**	—
	9,965	13,504	**—**	—

(ii) Accrued construction costs are amounts accrued by the Group according to respective construction contracts or project survey reports.

(iii) At 31st December 2010 and 2009, the amounts due to associates are unsecured, interest free and have no fixed terms of repayment.

(iv) The carrying amounts of trade and other payables approximate their fair values.

23. Advances from Customers

Advances from customers are amounts received from customers for properties sold, but the risks and rewards of the properties have not been transferred to the customers as at 31st December 2010 and 2009.

As at 31st December 2010, advances from customers include property sale received from subsidiaries of Yang Guang is nil (2009: RMB318,323,000).

24. Tax Payables

	Group As at 31st December		Company As at 31st December	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Business tax payable	**200,582**	92,316	**11,747**	2,170
Current income tax payable				
— PRC income tax	**336,701**	262,999	**—**	1,114
— PRC LAT	**850,428**	623,124	**20**	20
Others	**18,774**	8,793	**876**	652
	1,406,485	987,232	**12,643**	3,956

25. Borrowings

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current,				
Bank borrowings	**4,871,560**	4,300,000	**2,550,000**	3,600,000
5-year bond (a)	**989,211**	986,710	**989,211**	986,710
Trust loans	**1,607,620**	—	**500,000**	—
Other loans (b)	**—**	223,111	**—**	—
	7,468,391	5,509,821	**4,039,211**	4,586,710
Current,				
Bank borrowings	**1,130,000**	964,000	**1,000,000**	259,000
Trust loans	**950,000**	—	**950,000**	—
Other loans (b)	**302,350**	131,825	**—**	—
	2,382,350	1,095,825	**1,950,000**	259,000
	9,850,741	6,605,646	**5,989,211**	4,845,710

(a) On 24th September 2009, the Company issued bond with an aggregate principal amount of RMB1,000,000,000, with a maturity period of 5 years ("5-year bond"). The net proceeds were RMB986,000,000 (net of issuance costs of RMB14,000,000), and were raised for repayments of bank borrowings for the amount of RMB200,000,000, while the remaining proceeds are used for property development purposes. The bond carries a fixed annual interest rate of 6.5%, of which will be paid annually. The principal is fully repayable on 24th September 2014.

Beijing Capital Group (parent company) provides unconditional and irrevocable joint liability guarantee for the 5-year bond over maturity period.

(b) At 31st December 2010, other loans include loans from non-controlling interests of subsidiaries amount to RMB273,544,000 (2009: RMB354,936,000).

25. Borrowings *(Continued)*

At 31st December 2010 and 2009, the Group's borrowings were repayable as follows:

	Group					
	Bank borrowings As at 31st December		Trust loans As at 31st December		Other loans As at 31st December	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Within 1 year	**1,130,000**	964,000	**950,000**	–	**302,350**	131,825
Between 1 and 2 years	**1,480,020**	1,390,000	**1,607,620**	–	**–**	223,111
Between 2 and 5 years	**3,301,540**	2,790,000	**–**	–	**–**	–
Wholly repayable within 5 years	**5,911,560**	5,144,000	**2,557,620**	–	**302,350**	354,936
Over 5 years	**90,000**	120,000	**–**	–	**–**	–
	6,001,560	5,264,000	**2,557,620**	–	**302,350**	354,936

At 31st December 2010 and 2009, the Company's borrowings were repayable as follows:

	Company			
	Bank borrowings As at 31st December		Trust loans As at 31st December	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Within 1 year	**1,000,000**	259,000	**950,000**	–
Between 1 and 2 years	**1,000,000**	1,000,000	**500,000**	–
Between 2 and 5 years	**1,550,000**	2,600,000	**–**	–
Wholly repayable within 5 years	**3,550,000**	3,859,000	**1,450,000**	–
Over 5 years	**–**	–	**–**	–
	3,550,000	3,859,000	**1,450,000**	–

25. Borrowings *(Continued)*

The effective interest rates at the balance sheet date were as follows:

	2010		2009	
	RMB	**USD**	RMB	USD
Bank borrowings	**5.53%**	**N/A**	6.36%	N/A
5-year bond	**6.50%**	**N/A**	6.50%	N/A
Trust loans	**7.96%**	**N/A**	N/A	N/A
Other loans	**6.10%**	**6.63%**	6.22%	6.63%

As at 31st December 2010, bank borrowings of RMB2,211,560,000 (2009: RMB1,010,000,000) were secured by certain relevant properties under development (note 8(i)).

As at 31st December 2010, bank borrowings of RMB3,550,000,000 (2009: RMB3,859,000,000) were secured by rights to yields on certain land use rights (gains on the sales of land use rights or other profit obtained from the related land use rights) (note 8(ii)).

As at 31st December 2010, bank borrowings of RMB240,000,000 (2009: RMB270,000,000) were secured by the hotel properties and the land use rights (note 6 and 7).

The trust loans of RMB700,000,000 (2009: nil) were secured by the receivables of the Company due from subsidiaries, and guaranteed by the Company; the trust loans of RMB 825,000,000 (2009: nil) were secured by the equity of a subsidiary, trust loans of RMB750,000,000 (2009: nil) were by certain relevant properties held for sale (note 14), trust loans of RMB282,620,000 (2009: nil) were guaranteed by a third party.

The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	Group As at 31st December		Company As at 31st December	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
6 months or less	**3,828,020**	651,825	**750,000**	—
6 -12 months	**3,748,540**	4,644,000	**3,550,000**	3,859,000
	7,576,560	5,295,825	**4,300,000**	3,859,000

25. Borrowings *(Continued)*

The exposure of the Group's borrowings to fixed interest-rate at the balance sheet dates are as follows:

	Group As at 31st December		Company As at 31st December	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
	2,274,181	1,309,821	**1,689,211**	986,710

The carrying amounts of short-term and long-term borrowings approximate their fair value.

The carrying amounts of the borrowings are denominated in the following currencies:

	Group As at 31st December		Company As at 31st December	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
RMB	**9,633,910**	6,307,424	**5,989,211**	4,845,710
USD	**216,831**	298,222	**—**	—
	9,850,741	6,605,646	**5,989,211**	4,845,710

The Group has the following undrawn borrowing facilities:

	As at 31st December	
	2010 RMB'000	2009 RMB'000
Floating rate		
— expiring beyond one year	**26,094,120**	10,100,000

The facilities have been arranged to finance the working capital of the Group.

26. Deferred Income Tax

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

	Group As at 31st December		Company As at 31st December	
	2010 **RMB'000**	2009 RMB'000	**2010** **RMB'000**	2009 RMB'000
Deferred tax assets:				
— Deferred tax assets to be recovered after more than 12 months	**149,451**	19,364	**–**	–
— Deferred tax assets to be recovered within 12 months	**19,461**	38,924	**–**	–
	168,912	58,288	**–**	–
Deferred tax liabilities:				
— Deferred tax liabilities to be recovered after more than 12 months	**(131,621)**	(84,379)	**(2,892)**	(25,749)
— Deferred tax liabilities to be recovered within 12 months	**(13,418)**	(9,963)	**—**	—
	(145,039)	(94,342)	**(2,892)**	(25,749)
	23,873	(36,054)	**(2,892)**	(25,749)

The movement on the deferred income tax assets/(liabilities) account is as follows:

	Group		Company	
	2010 **RMB'000**	2009 RMB'000	**2010** **RMB'000**	2009 RMB'000
At 1st January	**(36,054)**	(41,680)	**(25,749)**	23,793
Recognised in the income statement (note 32)	**87,923**	(7,515)	**9,635**	(13,047)
Tax charge to other comprehensive income	**23,184**	20,017	**13,222**	(36,495)
Disposal of a subsidiary (note 36(c))	**(1)**	(6,876)	**—**	—
Acquisition of subsidiaries (note 40)	**(51,179)**	—	**—**	—
At 31st December	**23,873**	(36,054)	**(2,892)**	(25,749)

26. Deferred Income Tax *(Continued)*

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB49,725,000 (2009: RMB47,071,000) in respect of losses amounting to RMB198,901,000 (2009: RMB188,285,000) that can be carried forward against future taxable income. These tax losses will expire from 2011 to 2015.

The movement in deferred tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction during the year is as follows:

Deferred tax assets:

			Group		
	Tax losses	**Unpaid accruals**	**Provision for impairment of receivables**	**Others**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January 2009	52,282	27,306	15,808	5,157	100,553
Recognised in the income statement	(22,837)	15,061	(3,350)	3,611	(7,515)
Disposal of subsidiaries	(418)	–	(6,458)	–	(6,876)
At 31st December 2009	29,027	42,367	6,000	8,768	86,162
Recognised in the income statement	10,390	89,599	–	10,257	110,246
Disposal of a subsidiary	(1)	–	–	–	(1)
Acquisition of subsidiaries	6,027	–	–	–	6,027
At 31st December 2010	**45,443**	**131,966**	**6,000**	**19,025**	**202,434**

		Company		
	Unpaid accruals	**Provision for impairment of receivables**	**Tax Losses**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January 2009	10,055	9,350	21,516	40,921
Recognised in the income statement	8,987	(3,350)	(18,684)	(13,047)
At 31st December 2009	19,042	6,000	2,832	27,874
Recognised in the income statement	2,588	–	7,047	9,635
At 31st December 2010	**21,630**	**6,000**	**9,879**	**37,509**

26. Deferred Income Tax *(Continued)*

Deferred tax liabilities:

	Group				Company
	Fair value loss/(gain) of available-for-sale financial assets	Fair value gain of properties under development	Capitalised interest	Total	Fair value loss/(gain) of available-for-sale financial assets
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January 2009	(1,479)	(140,754)	–	(142,233)	(17,128)
Charged to other comprehensive income	(36,495)	56,512	–	20,017	(36,495)
As at 31st December 2009	(37,974)	(84,242)	–	(122,216)	(53,623)
Charged to other comprehensive income	13,222	9,962	–	23,184	13,222
Recognised in the income statement	–	3,182	(25,505)	(22,323)	–
Acquisition of subsidiaries	–	(57,206)	–	(57,206)	–
As at 31st December 2010	**(24,752)**	**(128,304)**	**(25,505)**	**(178,561)**	**(40,401)**

27. Retirement Benefit Obligations

The Group's employees participate in various retirement benefit plans organised by the relevant municipal and provincial government in the PRC under which the Group was required to make monthly contributions at rates ranging from 10% to 20%, depending on the applicable local regulations, of the employees' basic salary for the Relevant Periods.

In addition, the Group participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme for all employees in Hong Kong. The contributions to the Mandatory Provident Fund Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

28. Other Gains — Net

	Year ended 31st December	
	2010	2009
	RMB'000	RMB'000
Gains on sales of available-for-sale financial assets	**32,979**	38,956
(Losses)/Gains from disposal of subsidiaries (note 36(c))	**(396)**	8,077
Exchange gain	**5,685**	178
Gains on acquisition of a jointly controlled entity	**—**	59,844
Excess of acquirer's interest in fair value of identifiable net assets over consideration (note 40)	**5,264**	—
Government grants	**—**	16,048
Dividends from available-for-sale financial assets	**2,835**	9,201
Liabilities not subject to payment	**19,996**	—
Gains on fair value measurement of previously held interest in a business combination achieved in stages (note 40)	**19,891**	—
Others	**(2,379)**	2,698
	83,875	135,002

29. Expenses by Nature

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

	Year ended 31st December	
	2010	2009
	RMB'000	RMB'000
Depreciation	**39,866**	35,921
Amortisation	**1,046**	1,046
Accrual/(Reversal) of provisions for impairment of receivables	**1,203**	(13,209)
Employee benefit expenses (directors' emoluments included)	**94,955**	98,826
Advertising costs	**80,682**	54,629
Cost of properties sold	**3,800,681**	3,291,906
Cost of inventories sold in relation to hotel operations	**9,197**	11,173
Business taxes and other levies	**374,994**	292,790
Office expenses	**46,191**	24,720
Auditor's remuneration	**6,968**	6,500
Consulting expenses	**32,057**	13,234
Commission fee	**75,762**	61,705
Energy expenses in relation to hotel operations	**7,205**	7,364
Management fee and maintenance expenses in relation to hotel operations	**14,865**	13,929
Others	**43,721**	25,145
Total cost of sales, selling and marketing costs and administrative expenses	**4,629,393**	3,925,679

30. Employee Benefit Expense

	Year ended 31st December	
	2010	2009
	RMB'000	RMB'000
Wages and salaries	**143,780**	147,022
Social security costs	**17,092**	16,476
Retirement benefit costs		
— defined contribution plans	**17,557**	9,712
	178,429	173,210
Less: capitalised in properties under development	**(83,474)**	(74,384)
	94,955	98,826

Wages and salaries include directors' emoluments.

(a) Retirement benefit costs — defined contribution plans

There were no forfeited contributions during the year or available at 31st December 2010 (2009: Nil) to reduce future contributions.

Contributions totaling RMB336,000 (2009: RMB501,000) were included in trade and other payables at the year end.

30. Employee Benefit Expense *(Continued)*

(b) Directors' emoluments

The remuneration of every director for the year ended 31st December 2010 is set out below:

Name of Director	Fees RMB'000	Salary RMB'000	Other benefits RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Mr. Liu Xiaoguang	–	2,420	–	–	2,420
Mr. Tan Jun	–	3,146	232	29	3,407
Mr. Zhang Juxing	–	1,500	191	29	1,720
Mr. Feng Chunqin	500	–	–	–	500
Ms. Zhu Min	500	–	–	–	500
Ms. Cao Guijie	500	–	–	–	500
Mr. Ke Jianmin	242	–	–	–	242
Mr. Li Zhaojie	242	–	–	–	242
Mr. Yu Changjian	150	–	–	–	150
Mr. Wei Jianping	–	389	124	29	542
Mr. Ng Yuk Keung	242	–	–	–	242
Mr. Wang Qi	150	–	–	–	150
	2,526	7,455	547	87	10,615

30. Employee Benefit Expense *(Continued)*

(b) Directors' emoluments *(Continued)*

The remuneration of every director for the year ended 31st December 2009 is set out below:

Name of Director	Fees	Salary	Other benefits	Employer's contribution to retirement benefit scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Liu Xiaoguang	—	2,420	—	—	2,420
Mr. Tan Jun	—	3,146	228	26	3,400
Mr. Zhang Juxing	—	1,500	188	26	1,714
Mr. Feng Chunqin	500	—	—	—	500
Ms. Zhu Min	500	—	—	—	500
Ms. Cao Guijie	500	—	—	—	500
Mr. Ke Jianmin	242	—	—	—	242
Mr. Li Zhaojie	242	—	—	—	242
Mr. Yu Changjian	150	—	—	—	150
Mr. Wei Jianping	—	342	121	26	489
Mr. Ng Yuk Keung	242	—	—	—	242
Mr. Wang Qi	150	—	—	—	150
	2,526	7,408	537	78	10,549

30. Employee Benefit Expense *(Continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2009: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2009: two) individuals during the year are as follows:

	Year ended 31st December	
	2010	2009
	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**3,148**	2,846

The emoluments fell within the following bands:

	Number of individuals	
	2010	2009
Emolument bands (in RMB)		
0 - 1,000,000	**—**	—
1,000,001 - 4,000,000	**2**	2

The above emoluments exclude the amount of long term incentive fund. For related information please refer to note 41(iii)(b).

(d) During the year, no emoluments had been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

31. Finance Income and Costs

	Year ended 31st December	
	2010	2009
	RMB'000	RMB'000
Interest expenses:		
Bank borrowings, wholly repayable within five years	**335,956**	395,092
Bank borrowings, not wholly repayable within five years	**4,931**	15,414
Bond, trust loans and other loans, wholly repayable within five years	**58,334**	30,079
Discount of receivables (note 16(g))	**49,716**	—
	448,937	440,585
Less: Amount capitalised in properties under development with capitalisation rate between 4.86% and 10.5% (2009: 5.13% and 6.8%) per annum	**(348,367)**	(187,162)
Finance costs	**100,570**	253,423
Finance income:		
Interest income on bank deposits	**(38,018)**	(32,034)
Interest income on loans to associates and a jointly controlled entity	**(25,606)**	(32,385)
Finance income	**(63,624)**	(64,419)
	36,946	189,004

32. Income Tax Expenses

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the year ended 31st December 2010 (2009: Nil). PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable PRC income tax rate is 25% (2009: 25%).

Certain PRC subsidiaries are also subject to the PRC land appreciation tax ("LAT") which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

32. Income Tax Expenses *(Continued)*

The amount of taxation charged to the consolidated income statement represents:

	Year ended 31st December	
	2010	2009
	RMB'000	RMB'000
Current income tax		
— PRC income tax	**463,154**	325,331
— PRC LAT	**469,478**	289,159
Total current tax	**932,632**	614,490
Deferred tax (note 26)	**(87,923)**	7,515
Income tax expense	**844,709**	622,005

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the PRC statutory rate of 25% as follows:

	Year ended 31st December	
	2010	2009
	RMB'000	RMB'000
Profit before income tax	**1,905,634**	1,510,295
Tax calculated at PRC statutory rate of 25% (2009: 25%)	**476,409**	377,574
Income not subject to taxation	**(12,238)**	(17,262)
Share of profits less losses of jointly controlled entities and associates	**1,138**	(3,444)
Temporary differences due to previously unrecognised deferred income tax liabilities	**—**	16,076
Expenses not deductible for tax purposes	**13,091**	10,671
Effect of higher tax rates for the appreciation of land in the PRC	**352,108**	216,869
Unrecognised tax losses	**13,897**	21,473
Unrecognised temporary differences	**304**	48
Income tax expenses	**844,709**	622,005

33. Reserves and Profit Attributable to Equity Holders of the Company

For the year ended 31st December 2010, the profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB400,566,000 (2009: RMB203,564,000).

As at 31st December 2010, reserves of the Company available for distribution to shareholders amounted to RMB666,154,000 (2009: RMB528,720,000).

34. Earnings Per Share (Basic and Diluted)

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

	Year ended 31st December	
	2010	2009
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	**918,155**	538,435
Weighted average number of shares in issue (thousands)	**2,027,960**	2,027,960
Earnings per share (basic and diluted) (RMB cents per share)	**45.27**	26.55

Diluted earnings per share is equal to the basic earnings per share since the Company has no dilutive potential shares as at 31st December 2010 and 2009.

35. Dividends

The dividend paid in 2010 was RMB223,076,000 (representing 2009 final dividend of RMB0.11 per share).

A final dividend for the year ended 31st December 2010 of RMB0.18 per ordinary share, amounting to a total dividend of RMB365,033,000, was proposed at the Board meeting held on 28th March 2011. Such dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting on 9th May 2011. These financial statements do not reflect this dividend payable, but it will be reflected as an appropriation of retained earnings for the year ended 31st December 2011.

	Year ended 31st December	
	2010	2009
	RMB'000	RMB'000
2010 Proposed final dividend of RMB0.18 per share (2009: RMB0.11 per share)	**365,033**	223,076

36. Notes to Consolidated Statement of Cash Flows

(a) Reconciliation of profit before income tax to cash used in operations

	Year ended 31st December	
	2010	2009
	RMB'000	RMB'000
Profit before income tax	**1,905,634**	1,510,295
Accrual/(Reversal) of provisions for impairment of receivables	**1,203**	(13,209)
Share of losses/(profits) of jointly controlled entities	**15,030**	(20,364)
Share of (profits)/losses of associates	**(10,479)**	6,589
Net gains on disposal of an associate	**—**	(83,051)
Net losses/(gains) on disposal of subsidiaries	**396**	(8,077)
Excess of acquirer's interest in fair value of identifiable net assets over consideration	**(5,264)**	—
Gains on fair value measurement of previously held interest in a business combination achieved in stages	**(19,891)**	—
Gain on sales of available-for-sale financial assets	**(32,979)**	(38,956)
Gain on acquisition of a jointly controlled entity	**—**	(59,844)
Gains on dividend from available-for-sale financial assets	**(2,835)**	(9,201)
Other investment losses	**7,104**	989
Exchange gain	**(5,685)**	(178)
Depreciation	**39,866**	35,921
Amortisation	**1,046**	1,046
Gain on disposal of property, plant and equipment (note b)	**(266)**	(282)
Interest income	**(63,624)**	(64,419)
Interest expenses	**100,570**	253,423
Operating profit before working capital changes	**1,929,826**	1,510,682
Decrease/(Increase) in restricted bank deposits	**66,687**	(60,652)
Increase/(Decrease) in inventories	**(142)**	386
Decrease in properties held for sale	**11,323**	289,610
(Increase)/Decrease in properties under development	**(1,912,918)**	555,353
Increase in land development	**(197,371)**	(69,585)
Decrease in trade and other receivables	**214,020**	14,858
Increase in trade and other payables	**2,049,258**	2,636,226
Cash generated from operations	**2,160,683**	4,876,878

Non-cash transactions: The principal non-cash transaction is the acquisition of Chongqing Xinshi by revision the article of association, described in (note 40(a)).

36. Notes to Consolidated Statement of Cash Flows *(Continued)*

(b) In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Year ended 31st December	
	2010	2009
	RMB'000	RMB'000
Net book amount	**541**	346
Gain on disposal of property, plant and equipment	**266**	282
Proceeds from disposal of property, plant and equipment	**807**	628

(c) Disposal of subsidiaries

(i) In January 2010, the Company disposed of all equity interests in Arkgarden to Beijing Capital Jianshe Limited, a fellow subsidiary of the Company. An analysis of net outflow of cash in respect of the disposal is set out as below:

	As at disposal date
	RMB'000
Net assets disposed of	
Cash and cash equivalents	**62,906**
Trade and other receivables	**25,348**
Property under development	**16,800**
Property, plant and equipment	**59**
Trade and other payables	**(46,545)**
Non-controlling interests	**(14,642)**
	43,926
Loss on disposal of the subsidiary	**(801)**
Cash consideration	**43,125**
Less: Cash disposed of the subsidiary	**(62,906)**
Net outflow of cash and cash equivalents in respect of disposal of the subsidiary	**(19,781)**

36. Notes to Consolidated Statement of Cash Flows *(Continued)*

(c) Disposal of a subsidiary *(Continued)*

(ii) In September 2010, the Company disposed of all equity interests in Langyuan Real Estate Development Company Limited to a third party. An analysis of net inflow of cash in respect of the disposal is set out as below:

	As at disposal date RMB'000
Net assets disposed of	
Cash and cash equivalents	**47**
Trade and other receivables	**9,300**
Property under development	**3,233**
Deferred tax assets	**1**
Trade and other payables	**(2,600)**
Non-controlling interests	**—**
	9,981
Gain on disposal of the subsidiary	**19**
Cash consideration	**10,000**
Less: Cash disposed of the subsidiary	**(47)**
Net inflow of cash and cash equivalents in respect of disposal of the subsidiary	**9,953**

36. Notes to Consolidated Statement of Cash Flows *(Continued)*

(c) Disposal of a subsidiary *(Continued)*

(iii) In September 2010, the Company disposed of all equity interests in Beijing Donghai to a third party . An analysis of net inflow of cash in respect of the disposal is set out as below:

	As at disposal date RMB'000
Net assets disposed of	
Cash and cash equivalents	**11,266**
Trade and other receivables	**68,000**
Investment in a jointly controlled entity	**42,421**
Trade and other payables	**(76,423)**
	45,264
Gain on disposal of the subsidiary	**386**
Cash consideration	**45,650**
Less: Cash disposed of the subsidiary	**(11,266)**
Net inflow of cash and cash equivalents in respect of disposal of the subsidiary	**34,384**

37. Contingent Liabilities

(a) Financial guarantees

(i) The Group has arranged bank financing for certain customers and had provided guarantees to secure obligations of these customers for repayments. The outstanding guarantees amounted to RMB2,973,167,000 as at 31st December 2010 (2009: RMB3,122,583,000).

Such guarantees will terminate upon (i) the issuance of the real estate ownership certificate which will generally be available within six months to two years after the Group deliver possession of the relevant property to its purchasers; (ii) the completion of the mortgage registration; and (iii) the issuance of the real estate miscellaneous right certificate relating to the relevant property.

(ii) As at 31st December 2010, other than guarantees provided for borrowings of RMB700,000,000 (2009: RMB125,000,000) granted to subsidiaries of the Company, the Group had no material external guarantee.

(b) Joint responsibilities

In December 2008, Beijing Rongjin Real Estate Development Company Limited, a subsidiary of the Company, split up into two companies — a company with original name and Financial Street. Financial Street took over the hotel-related assets and liabilities, and was classified as an associate of the Group. As at 31st December 2010, the titles of the loan principal and interests due to China Merchants Bank, which were allocated to Financial Street and approximately amounted RMB479,826,000 (2009: RMB528,886,000), was in the process of being transferred, therefore, the Group still assumed the joint responsibility of repaying.

38. Commitments

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	Group As at 31st December	
	2010	2009
	RMB'000	RMB'000
Property under development		
Contracted but not provided for	**2,581,667**	2,087,484
Authorised but not contracted for	**10,689,324**	7,017,699
	13,270,991	9,105,183
Land use right		
Contracted but not provided for	**429,244**	220,443
	13,700,235	9,325,626

(b) Operating lease commitments

The Group leases various offices under non-cancellable operating lease agreements. The lease terms are between 1 and 4 years, and the majority of lease agreements are renewable at the end of the period at market rate.

	Group As at 31st December		Company As at 31st December	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
No later than 1 year	**10,492**	5,347	**1,556**	1,051
Later than 1 year and no later than 2 years	**8,537**	1,789	**1,866**	—
Later than 2 year and no later than 3 years	**5,793**	—	**1,244**	—
Later than 3 year and no later than 4 years	**2,006**	—	**—**	—
	26,828	7,136	**4,666**	1,051

38. Commitments *(Continued)*

(c) Investment commitments

	Group As at 31st December 2010 RMB'000	Company As at 31st December 2010 RMB'000	Group and Company As at 31st December 2009 RMB'000
Subsidiaries	**626,618**	**—**	397,754

39. Transaction with Non-Controlling Interests

(a) Disposal of interest in a subsidiary without loss of control

In May 2010, Beijing Ruiyuan Fengji Capital Limited ("Ruiyuan Fengji", a subsidiary of the Company) disposed 40% equity interest in Jingjin Tongcheng at a total consideration of RMB20,000,000. The carrying amount for such 40% interests in Jingjin Tongcheng on the date of disposal was RMB19,188,000. After the disposal, Ruiyuan Fengji held 50% of the equity interest of Jingjin Tongcheng, but possess 51% voting rights in the board. Therefore, the Group remained control in JingjinTongcheng. The group recognised an increase in non-controlling interests of RMB19,188,000 and an increase in equity attributable to owners of the parent of RMB812,000. The effect of changes in the ownership interest of Jingjin Tongcheng on the equity attributable to owners of the Company during the year is summarised as follows:

	As at 31st December 2010 RMB'000	As at 31st December 2009 RMB'000
Carrying amount of 40% interests disposed of	**(19,188)**	—
Consideration received from non-controlling interest	**20,000**	—
Gain on disposal within equity	**812**	—

After the transaction, the shareholders entered into an agreement to increase the capital of Jingjin Tongcheng from RMB50,000,000 to RMB250,000,000. By the end of 31st December 2010, all the capital has been injected into Jingjin Tongcheng.

39. Transaction with Non-Controlling Interests *(Continued)*

(b) Effects of transactions with non-controlling interests on the equity attributable to owners of the Company for the year ended 31st December 2010

	RMB'000
Total comprehensive income for the period attributable to the shareholders of the Company	862,885
Changes in equity attributable to shareholders of the Company arising from disposal of interests in a subsidiary without loss of control	812
	863,697

40. Acquisition of Subsidiaries

Current period

(a) In 2008, the Company and Reco Ziyang Pte Ltd. ("Reco Ziyang") jointly incorporated Chongqing Xinshi, with total investment amounted to USD95,000,000. The Company and Reco Ziyang both contribute 50% of the total amount of investment respectively and jointly control Chongqing Xinshi, therefore, Chongqing Xinshi was regarded as a jointly controlled entity of the Company. Chongqing Xinshi is principally engaged in real estate development activities.

On 31st May 2010, Chongqing Xinshi revised its article of association. Pursuant to such revisions, the Company possessed major votes against business decisions on financial and operational policies, and hence obtained control over Chongqing Xinshi. The Group accounted for this acquisition of subsidiary as a business combination.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	RMB'000
At 31st May 2010	
Total consideration	345,824
— cash paid	—
— Fair value of equity interest held before the business combination	345,824
Total consideration	345,824
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the year ended 31st December 2010)	50

40. Acquisition of Subsidiaries *(Continued)*

Current period *(Continued)*

(a) *(Continued)*

Recognised amounts of identifiable assets acquired and liabilities assumed

	RMB'000
Cash and cash equivalents	33,262
Property under development	1,439,235
Trade and other receivables (i)	4,722
Property, plant and equipment	1,258
Deferred tax assets	1,000
Trade and other payables	(774,569)
Deferred tax liabilities	(13,260)
	691,648
Non-controlling interest (50%)	(345,824)
Goodwill	—
Total identifiable net asset	345,824
Outflow cash to acquire the business net of cash acquired	
— cash consideration	—
— cash and cash equivalents in the subsidiary acquired	33,262
Net cash acquired on acquisition	33,262

(i) The carrying amounts of trade and other receivable approximate their fair values.

(ii) The group recognised a gain of RMB19,891,000 as a result of measuring at fair value its 50% equity interest in Chongqing Xinshi held before the business combination. The gain is included in "other gains-net" in the group's statement of comprehensive income for the year ending 31st December 2010.

(iii) The revenue included in the consolidated statement of comprehensive income since 1st June 2010 contributed by Chongqing Xinshi was nil. Chongqing Xinshi also contributed loss of RMB2,732,000 over the same period.

(iv) Had Chongqing Xinshi been consolidated from 1st January 2010, the consolidated statement of comprehensive income would show revenue of RMB6,492,649,000 and profit of RMB1,059,117,000.

40. Acquisition of Subsidiaries *(Continued)*

Current period *(Continued)*

(b) In 2009, Beijing Chuangxin Jianye Real Estate Investment Limited ("Chuangxin Jianye", a subsidiary of the Company) acquired 50% of equity interest in Outlets Guangdong, and jointly controlled it with another investor, therefore regarded it as a jointly controlled entity of the Group. Outlets Guangdong is principally engaged in real estate development activities.

On 30th June 2010, International Financial Centre Property Limited (a subsidiary of the Company) acquired 20% of equity interest in Nice Grace Group Limited for a consideration of USD2,000,000, which indirectly held 25% of interest in Outlets Guangdong. Pursuant to such acquisitions, the Company indirectly acquired an additional 5% of interest in Outlets Guangdong. Meanwhile, Outlets Guangdong modified its article of association, thus Chuangxin Jianye got the majority of seats in the Board of Directors. The Board is responsible for business decisions on financial and operational policies, and hence the Group obtained control over Outlets Guangdong. The Group accounted for this acquisition of subsidiary as a business combination.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	RMB'000
At 30th June 2010	
Total consideration	
— cash paid	10,923
— purchase consideration payables	2,645
— Fair value of equity interest held before the business combination	188,324
Total consideration	201,892
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the year ended 31st December 2010)	50

40. Acquisition of Subsidiaries *(Continued)*

Current period *(Continued)*

(b) *(Continued)*

Recognised amounts of identifiable assets acquired and liabilities assumed

	RMB'000
Cash and cash equivalents	6,210
Property under development	356,985
Investment properties	269,811
Property, plant and equipment	5,276
Deferred tax assets	4,977
Trade and other receivables (i)	199,854
Trade and other payables	(422,519)
Deferred tax liabilities	(43,946)
	376,648
Non-controlling interest (45%)	(169,492)
Excess of acquirer's interest in fair value of identifiable net assets over consideration	(5,264)
Total identifiable net asset	201,892
Outflow cash to acquire the business net of cash acquired	
— cash consideration	10,923
— cash and cash equivalents in the subsidiary acquired	(6,210)
Net cash outflow on acquisition	4,713

(i) The carrying amounts of trade and other receivable approximate their fair values.

(ii) The revenue included in the consolidated statement of comprehensive income since 1st July 2010 contributed by Outlets Guangdong was nil. Outlets Guangdong also contributed loss of RMB2,857,000 over the same period.

(iii) Had Outlets Guangdong been consolidated from 1st January 2010, the consolidated statement of comprehensive income would show revenue of RMB6,492,649,000 and profit of RMB1,045,993,000.

40. Acquisition of Subsidiaries *(Continued)*

Current period *(Continued)*

(c) In 2009, Beijing Ruiyuan Fengxiang Real Estate Investment Limited ("Ruiyuan Fengxiang", a subsidiary of the Company) acquired 50% of equity interest in Anshunyuan, for a consideration of RMB25,000,000, and jointly controlled it with other investors, therefore, regarded it as a jointly controlled entity of the Group.

In February 2010, Ruiyuan Fengxiang further acquired 45% of equity interest in Anshunyuan, for a consideration of RMB22,500,000. After the transaction, Anshunyuan became a subsidiary of the Group.

Anshunyuan had no business activities except for the holding of a certain land use rights at the time of acquisition. The sole intention of the Group to acquire Anshunyuan is for its underlying core assets. Accordingly, the Group accounted for this acquisition of subsidiary as an asset acquisition.

The allocation of acquisition consideration of Anshunyuan as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Allocation of acquisition consideration RMB'000	**Previous carrying amount** RMB'000
Cash and cash equivalents	**30,884**	**30,884**
Property under development	**551,748**	**544,369**
Deferred tax assets	**19**	**19**
Trade and other receivables	**50,799**	**50,799**
Property, plant and equipment	**70**	**70**
Borrowings	**(5,100)**	**(5,100)**
Trade and other payables	**(578,420)**	**(578,420)**
	50,000	**42,621**
Non-controlling interest (5%)	**(2,500)**	
	47,500	
Satisfied by cash	**22,500**	
Satisfied by previously held interest	**25,000**	
Cash to acquire the business net of cash acquired		
— cash consideration		**(22,500)**
— cash and cash equivalents in subsidiary acquired		**30,884**
Net cash acquired on acquisition		**8,384**

40. Acquisition of Subsidiaries *(Continued)*

Current period *(Continued)*

(c) *(Continued)*

The revenue included in the consolidated statement of comprehensive income since 1st March 2010 contributed by Anshunyuan was nil. Anshunyuan also contributed net loss of RMB53,000 over the same period.

Had Anshunyuan been consolidated from 1st January 2010, the consolidated statement of comprehensive income would show revenue of RMB6,492,649,000 and profit of RMB1,060,925,000.

(d) Beijing Shangboya Investment Consultant Company Limited ("Shangboya", a subsidiary of the Company) previously held 47% of equity interest in Beijing Shangyi, which was regarded as an associate of the Group as at 31st December 2009. In January 2010, Shangboya further acquired 22% of equity interest in Beijing Shangyi, for a total consideration of RMB3,309,000. After the transaction, Beijing Shangyi became a subsidiary of the Group.

Beijing Shangyi had no business activities except for the holding of a completed commercial property at the time of acquisition. The sole intention of the Group to acquire Beijing Shangyi is to acquire the commercial property held by it. Accordingly, the Group accounted for this acquisition of subsidiary as an asset acquisition.

The allocation of acquisition consideration of Beijing Shangyi as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Allocation of acquisition consideration RMB'000	**Previous carrying amount** RMB'000
Cash and cash equivalents	**6,641**	**6,641**
Properties held for sale	**985,454**	**985,437**
Property, plant and equipment	**49**	**49**
Deferred tax assets	**31**	**31**
Trade and other payables	**(977,190)**	**(977,190)**
	14,985	**14,968**
Non-controlling interest (31%)	**(4,640)**	
	10,345	
Satisfied by cash	**3,309**	
Satisfied by previously held interest	**7,036**	
Cash to acquire the business net of cash acquired		
— cash consideration		**(3,309)**
— cash and cash equivalents in subsidiary acquired		**6,641**
Net cash acquired on acquisition		**3,332**

40. Acquisition of Subsidiaries *(Continued)*

Current period *(Continued)*

(d) *(Continued)*

The revenue included in the consolidated statement of comprehensive income since 1st January 2010 contributed by Shangyi was RMB15,500,000. Shangyi also contributed net loss of RMB32,713,000 over the same period.

Had Shangyi been consolidated from 1st January 2010, the consolidated statement of comprehensive income would show revenue of RMB6,492,649,000 and profit of RMB1,060,925,000.

Prior period

There was no acquisition of subsidiaries in the period ended 31st December 2009.

41. Related Party Transactions

The Group has early adopted HKAS 24 (revised), "Related party disclosure" from 1st January 2009. The amendment introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclosure: the name of the government and the nature of their relationship; and the nature and amount of any individually significant transactions; and the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies and simplifies the definition of a related party.

The Group is controlled by Beijing Capital Group (parent company), which aggregately holds 47.34% of the Company's shares directly and indirectly, the parent company itself is a state-owned enterprise controlled by the PRC government.

For the year 2010 and 2009, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government, mainly include most of its bank borrowings and part of purchases of goods and services. The price and other terms of such transactions are settled in the fair value.

Apart from the above-mentioned transactions with the government-related entities and the related party information shown elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year and balances arising from related party transactions at the end of the year:

41. Related Party Transactions *(Continued)*

(i) Related party transactions

	Related party	Nature of transaction	Year ended 31st December 2010 RMB'000	2009 RMB'000
(a)	Subsidiaries of Yang Guang	Sales of properties	**692,000**	207,800
(b)	Associates	Loans provided to associates	**37,320**	372,666
(c)	Jointly controlled entities	Loans provided to jointly controlled entities	**–**	334,486
(d)	Associates	Interest income	**8,614**	32,385
(e)	Jointly controlled entities	Interest income	**16,992**	—
(f)	An Associate	Commission fee (i)	**74,569**	61,228
(g)	Non-contorling interests of subsidiaries	Interest expenses	**14,484**	28,087

Note:

(i) The commission fee payable to the associates was charged ranging from 1.3% to 1.5% (2009: 1% to 1.3%) based on property sales price.

The Group does not have a system to identify the related parties within its retail customers, therefore the sales of goods disclosed above does not include the retail sales to related parties. The Group does not believe it is meaningful to disclose the retail sales to related parties as the sales terms, including pricing, with these related parties are similar as the ones with non-related parties.

41. Related Party Transactions *(Continued)*

(ii) Related party balances

	As at 31st December	
	2010	2009
	RMB'000	RMB'000
Trade receivables from subsidiaries of Yang Guang (note 16(a))	**135,000**	40,794
Amounts due from a subsidiary of Yang guang (note 16)	**18,892**	–
Amounts due from Jointly controlled entities (note 16)	**–**	698,733
Amounts due from associates (note 16)	**501,007**	1,377,599
Dividends receivable from subsidiaries of Yang Guang (note 16)	**194,802**	194,802
Advance from the subsidiaries of Yang Guang (note 23)	**–**	318,323
Dividends receivable from an associate (note 16)	**12,400**	–
Amounts due to associates (note 22)	**170,582**	–
Dividends payable to the Promoters (note 22)	**–**	18,811
Dividends payable to non-controlling interests of subsidiaries (note 22)	**947,049**	528,699
Interest payables to non-controlling interests of subsidiaries (note 22)	**82,295**	93,254
Loans from non-controlling interests of subsidiaries (note 25)	**273,544**	354,936
Amount due to a non-controlling interest of subsidiaries (note 22)	**369,500**	369,500
Amounts due from a non-controlling interest of subsidiaries	**10,240**	10,240
Commission fee prepaid to an associate	**49,326**	16,114
Remuneration payable to Directors	**44,823**	35,231

41. Related Party Transactions *(Continued)*

(iii) Key management compensation

(a) The compensation paid or payable to key management for employee services is shown below:

	Year ended 31st December	
	2010	2009
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**19,797**	18,614
Post-employment benefits	**229**	209

The above compensation excluded the amount of long term incentive fund. For related information please refer to the following (note (b)).

(b) The Company accrued RMB25,000,000 in 2010 (2009: RMB24,000,000), in accordance to the incentive fund scheme as approved in the Extraordinary General Meeting held on 27th September 2007. Distributions to senior management, key management and technical experts represented 90% of the fund, with 60% of the fund being distributed to senior managements. The remainly 10% of the fund were distributed to the Directors as well as the Supervisors.

(iv) Disposal of Subsidiary

In January 2010, the Company disposed of all equity interests in Arkgarden to Beijing Capital Jianshe Limited, a fellow subsidiary of the Company, for a cash consideration of RMB43,125,000. The net losses on disposal of RMB801,000 was recognized in "other gains — net" in the consolidated income statement (note 36(c)).

42. Events after the balance sheet date

In February 2011, BECL Investment Holding Limited (a wholly owned subsidiary of the Company) issued RMB1,150,000,000 bond with interest rate of 4.75% per annum, and due in February 2014. The bond is guaranteed by the Company.

43. Reclassification of comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation. The above changes have no net impact on result for the year ended 31st December 2009.

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