首創置業股份有限公司

BEIJING CAPITAL LAND LTD.

Stock Code: 2868

全价值·全生活

Total value Total life

Annual Report 2011

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
Mr. Zhang Shengli

Independent Non-Executive Directors

Mr. Li Zhaojie *
Mr. Ng Yuk Keung *
Mr. Wang Hong *

* *Members of the Audit Committee*

Supervisors

Mr. Liu Yongzheng
Mr. Fan Shubin
Mr. Jiang Hebin

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 Zhong Tian CPAs Limited Company

Legal Advisers

As to Hong Kong law:
Iu, Lai & Li

As to PRC law:
Jingtian & Gongcheng

Principal Bankers

China Development Bank
China Construction Bank
Bank of Communications
Agricultural Bank of China
Industrial and Commercial Bank of China
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
Shops 1712-1716,
17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai
Hong Kong
Telephone: (852) 2862 8628
Fax: (852) 2529 6087

INVESTOR RELATIONS CONTACT

Email address: kittycheung@bjcapitalland.com.hk

H SHARE INFORMATION

	Year 2011			Year 2010		
	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	**2.92**	**2.21**	**99,933,024**	3.64	2.62	284,639,237
Second Quarter	**3.15**	**2.06**	**146,378,676**	3.15	1.95	332,494,246
Third Quarter	**2.70**	**1.35**	**87,559,488**	2.92	2.04	249,844,352
Fourth Quarter	**2.02**	**1.26**	**122,431,211**	3.24	2.48	156,051,689

Closing share price as at 31 December 2007: HK$4.74.
Closing share price as at 31 December 2008: HK$1.24.
Closing share price as at 31 December 2009: HK$3.50.
Closing share price as at 31 December 2010: HK$2.60.
Closing share price as at 30 December 2011: HK$1.53.

FINANCIAL HIGHLIGHTS

FIVE YEAR FINANCIAL SUMMARY Note 1

(in RMB'000 unless otherwise stated)

Year ended 31 December	**2011** Note 2	2010 Note 2	2009 Note 3	2008 Note 3	2007 Note 3
Revenue	**7,523,321**	6,493,795	5,393,150	5,167,098	4,870,929
Total profit	**1,635,891**	1,436,156	1,510,295	1,266,520	1,319,768
Income tax expenses	**(455,852)**	(375,231)	(622,005)	(504,258)	(592,901)
Net profit	**1,180,039**	1,060,925	888,290	762,262	726,867
Attributable to:					
Equity holders of the Company	**955,062**	918,155	538,435	382,890	526,009
Non-controlling interests	**224,977**	142,770	349,855	379,372	200,858
	1,180,039	1,060,925	888,290	762,262	726,867

As at 31 December	**2011**	2010	2009	2008	2007
Total assets	**37,711,118**	30,513,787	22,421,735	19,067,502	19,803,326
Total liabilities	**29,482,884**	22,883,841	15,744,990	12,908,182	14,045,002
Net assets	**8,228,234**	7,629,946	6,676,745	6,159,320	5,758,324

Note:

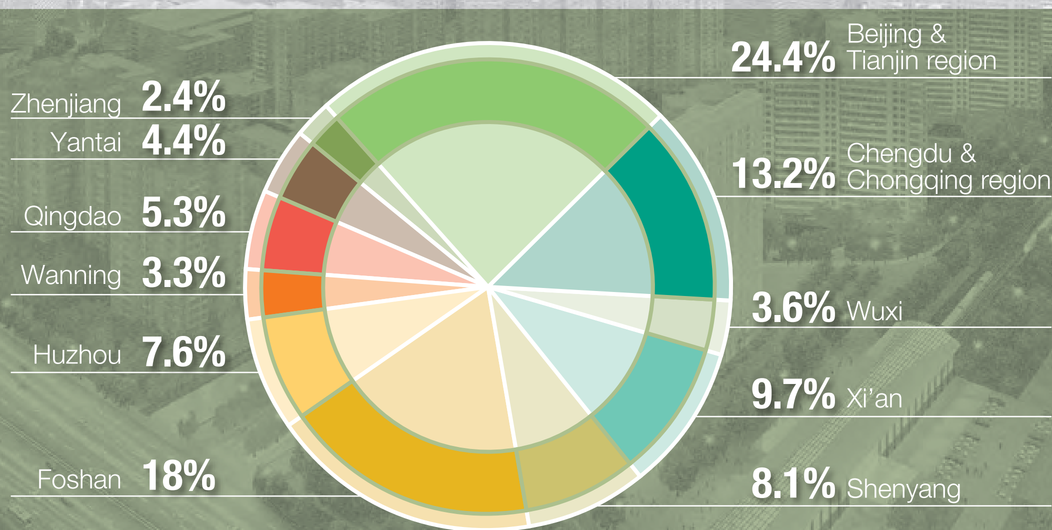
1. The table summarises the results, assets and liabilities of the Group.

2. The figures presented is prepared in accordance with Accounting Standards for Business Enterprises or CAS of PRC.

3. The figures presented is prepared in accordance with Hong Kong Financial Reporting Standards.

4. The GAPP difference for the year ended 31 December 2010 is set out on page 47 of the annual report

PROPERTY PORTFOLIO



PROPERTY PORTFOLIO

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 (sp. 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/ Achieved Completion (Year)
4	**Beijing Yuyuantan Project**	The Reflections	Haidian District, Beijing	Residential	55%	17,900	4,467	4,135	2009
5	**Beijing Hujialou Project**	Xanadu	Chaoyang District, Beijing	Residential/ Commercial	100%	86,300	105,314	75,670	
5.1				Commercial			37,800	37,800	2007
5.2				Residential			15,214	3,270	2011
5.3							52,300	34,600	
6	**Beijing Heping Lane Project**	Urban Town	Chaoyang District, Beijing	Residential	50%	116,000	34,900	28,800	2011
7	**Beijing Shilibao Project**	Beijing A-Z Town	Chaoyang District, Beijing	Residential	100%	122,500	13,428	7,920	2009
8	**Beijing Huang Xin Zhuang Project**	Ealing	Fangshan District, Beijing	Residential	95%	175,489	264,189	255,708	
8.1							109,737	105,672	2013
8.2							154,452	150,036	2014
9	**Beijing Miyun Feng Zhuang Yuan Project**	Beijing Landscape Villa	Miyun District, Beijing	Residential	100%	175,489	255,149	239,849	
9.1							53,436	53,436	2012
9.2							85,816	85,816	2013
9.3							115,897	100,597	2014

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/ Achieved Completion (Year)
10	**Beijing Changyang Town Project**	Ballet Town	Fangshan District, Beijing	Residential/ Commercial	99%	233,336	262,996	246,977	
10.1							18,563	10,170	2011
10.2							108,723	108,723	2012
10.3							73,095	65,469	2013
10.4							62,615	62,615	2014
11	**Tianjin Banshan Project**	Tianjin First City	Tanggu District, Tianjin	Residential/ Commercial	55%	233,336	98,844	76,210	
11.1							9,122	4,498	2011
11.2							89,722	71,712	2012
12	**Tianjin Huaming Project**	Noble City	Dongli District, Tianjin	Residential/ Commercial	40%	271,800	180,239	180,239	
12.1							9,489	9,489	2011
12.2							28,649	28,649	2012
12.3							99,601	99,601	2013
12.4							42,500	42,500	2014
13	**Tianjin Xiqing Project**	Landing House	Xiqing District, Tianjin	Residential/ Commercial	40%	151,600	107,510	107,510	
13.1							90,410	90,410	2012
13.2							17,100	17,100	2013
14	**Tianjin Shuangang 121 Project**	Fortune Class	Jinnan District, Tianjin	Residential/ Commercial	55%	255,000	81,343	81,343	
14.1							5,203	5,203	2011
14.2							76,140	76140	2013
15	**Tianjin Shuangang 122 Project**	Tianjin- A-Z Town	Jinnan District, Tianjin	Residential/ Commercial	55%	183,500	228,430	207,830	
16	**Tianjin Wuqing Project**	International Peninsula	Wuqing District, Tianjin	Residential/ Commercial/ School	100%	217,826	714,213	623,279	
16.1							42,498	42,498	2012
16.2							113,166	108,053	2013
16.3							250,751	195,887	2014
16.4							307,798	276,841	2015
17	**Shenyang Shenying Road Project**	Shenyang First City	Hunnan New District, Shenyang, Liaoning Province	Residential/ Commercial	30%	145,800	331,864	286,015	
17.1							12,190	7,317	2010
17.2							32,659	32,659	2012
17.3							93,300	93,300	2013
17.4							193,715	152,739	2014
18	**Shenyang Yinhe Wan Project**	Qipan Hills First Villa	Qi Pan Shan District, Shenyang, Liaoning Province	Residential/ Commercial	50%	471,400	469,268	425,547	
18.1							13,114	13,114	2011
18.2							77,374	77,374	2013
18.3							113,137	97,137	2014
18.4							265,643	237,922	
19	**Chengdu Shengli Village Project**	Chengdu First City	Chenghua District, Cheundu, Sichuan Province	Residential/ Commercial	100%	78,200	90,480	71,385	
19.1							9,699	4,263	2011
19.2							80,781	67,122	2012

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/ Achieved Completion (Year)
20	**Chengdu Beiquan Road Project**	Cittá Villa	Longquanyi District, Chengdu, Sichuan Province	Residential/ Commercial	55%	75,000	213,850	143,157	
20.1							52,797	22,971	2012
20.2							161,053	120,186	2013
21	**Chengdu SCE Project**	Wanjuanshan	Longquanyi District, Chengdu, Sichuan Province	Residential/ Commercial	55%	106,800	463,750	353,889	
21.1							145,709	113,359	2013
21.2							217,465	143,664	2014
21.3							100,576	96,866	2015
22	**Xi'an Fengcheng Road Project**	Xi'an First City	Xi'an Economic and Technology Development Zone, Shannxi Province	Residential/ Commercial/ Office/ Service Apartment	40%	355,400	1,080,630	847,795	
22.1							16,845	12,116	2011
22.2							61,826	28,471	2012
22.3							429,198	333,604	2013
22.4							314,211	247,470	2014
22.5							258,550	226,134	2015
23	**Chongqing Hongensi Project**	Hong'en International Living District	Jiangbei District, Chongqing	Residential/ Commercial	50%	229,300	736,359	583,692	
23.1							43,402	12,388	2011
23.2							241,100	196,294	2012
23.3							317,870	265,823	2013
23.4							133,987	109,187	2014
24	**Wuxi Dongting Town Project**	Gentle House	Xishan District, Wuxi, Jiangsu Province	Residential	100%	163,000	31,767	18,817	
25	**Wuxi Jichang Road Project**	Joyous House	Wuxi New District, Jiangsu Province	Residential	100%	96,600	149,571	129,363	
25.1							16,066	6,306	2012
25.2							133,505	123,057	2013
26	**Zhejiang Huzhou Taihu Project**	Huzhou Outlets Integrated Project	Taihu Tourist Resort, Huzhou, Jiangsu Province	Residential/ Commercial/ Service Apartment		531,100	817,928	661,993	
26.1					20%		97,542	97,542	2012
26.2					68%		76,312	53,143	2013
26.3					68%		397,274	308,255	2014
26.4					68%		246,800	203,053	
27	**Zhenjiang National University Science Park Project**	Joyous House	Zhenjiang Technological Development Zone, Jiangsu Province	Residential	100%	114,493	232,287	212,121	
28	**Jiangsu Jiangyin Yuyue Project**	Auspicious House	Yushan Bay, Jiangyin, Jiangsu Province	Residential/ Commercial	100%	78,258	176,171	169,181	
28.1							55,942	51,922	2013
28.2							120,229	117,259	2014

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/ Achieved Completion (Year)
29	**Guangdong Foshan Sanshui Project**	Foshan Outlets Integrated Project	Sanshui District, Foshan, Guangdong Province	Residential/ Commercial/ Service Apartment		1,631,200	1,675,399	1,569,999	
29.1					55%		95,259	95,259	2012
29.2					55%		119,774	102,832	2013
29.3					68%		495,167	495,167	2014
29.4					68%		138,624	138,624	2015
29.5					68%		344,491	344,491	2016
29.6					68%		482,084	393,626	
30	**Hainan Wanning Project**	Hainan Outlets Integrated Project	Liji Town, Wanning, Hainan Province	Residential/ Commercial/ Service Apartment	55%	451,333	298,690	284,987	
30.1							103,180	100,879	2012
30.2							195,510	184,108	2013
31	**Qingdao Central Park No. 1 Project**	Qingdao Central Park No. 1	Chengyang District, Qingdao, Shandong Province	Residential/ Commercial	100%	81,016	103,049	94,744	
31.1							50,690	43,006	2011
31.2							33,137	32,516	2012
31.3							19,222	19,222	2013
32	**Qingdao Yangbuzhai Project**		Chengyang District, Qingdao Shandong Province	Residential/ Commercial	100%	41,450	67,734	58,208	
32.1							67,734	58,208	2013
33	**Qingdao Qianqianshu Project**	Sunny Xiangmi Lake	Licang District, Qingdao, Shandong Province	Residential/ Commercial	100%	96,695	140,381	121,348	
33.1							50,599	45,525	2012
33.2							89,782	75,823	2013
34	**Yantai Sunny Chief Yard Project**	Sunny Chief Yard	Fushan District, Yantai, Shandong Province	Residential/ Commercial	100%	195,609	420,520	388,727	
34.1							40,927	30,976	2012
34.2							204,989	192,093	2013
34.3							174,604	165,658	2014
35	**Qingdao Xinli Project**	Airport International Centre	Chengyang District, Qingdao, Shandong Province	Commercial/ Office/Service Apartment	100%	92,455	235,010	184,910	
35.1							103,446	81,277	2013
35.2							131,564	103,633	2014
	TOTAL						**10,085,731**	**8,741,348**	

Note:
1. Information stated in table updated as at 31 December 2011.
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 planning.
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 planning.

CORPORATE MILESTONES OF THE YEAR

February 2011	The Group successfully issued a 3-year RMB guaranteed bonds totaling RMB1.15 billion with a coupon rate of 4.75% through a structure of onshore holding company as the guarantor to finance its offshore subsidiary. The Company was the first onshore non-financial institution that utilized the guarantor structure to issue RMB guaranteed bonds in Hong Kong.
March 2011	The Group successfully acquired a residential land plot located near the exit of Beijing-Tianjin Expressway in Gaocun of Wuqing District, Tianjin. The land acquisition was a remarkable breakthrough of BCL's business model that features primary and secondary land development, enabling the Group to accumulate the experience for adopting the business model nationwide.
April 2011	The Group entered a strategic collaboration agreement with Evergreen Fund under the China Social Welfare Education Foundation, for exploring the property development model for elderly retirement in China.
May 2011	The Group acquired the Outlets integrated project in Wanning, Hainan in open market with planned GFA of 300,000 sq. m.. The Outlets product line has extended to 4 projects.
June 2011	The Group entered into an agreement of financial development with the Beijing branch of China Development Bank, which granted the Group RMB20 billion of integrated credit facilities.

CORPORATE MILESTONES OF THE YEAR

July 2011	The Group launched two new projects – Chengdu Wanjuanshan and Tianjin A-Z Town. Chengdu Wanjuanshan project achieved a record-breaking sale-through rate of 90% of the 724 units on the first debut day. Tianjin A-Z Town also reported satisfactory sales performance with approximately half of the units launched on the first day subscribed.
September 2011	The Company was awarded "First Merit for the Company's use of informational technology in the structuring and implementation of an information management system that is standardized and trans-regional in multiple formats at the 26th Reporting of Beijing Innovative Modernized Enterprise Management." The event was co-organized by the leaders of State-owned Assets Supervision and Administration Commission of the State Council and Beijing Enterprise Confederation.
November 2011	The Group launched a series of activities themed "Living Plus", realizing the concept of "Total Value, Total Life". By enhancing aspects of "Service+, Quality+, Model+, Charity+", the Company created an all-rounded customer-service system providing more comprehensive and quality services. The activities will be launched simultaneously in the Company's 27 projects.
December 2011	The Group obtained four projects from Yang Guang Co., Ltd located in Jiaodong Peninsular through acquisition. The four projects acquired included The Central Park No. 1 Project, Yangbuzhai Project and Xiangmi Lake Project in Qingdao, as well as Sunny Chief Yard Project in Yantai, with total GFA of approximately 750,000 sq. m. This successful acquisition will further complete the strategic expansion in Jiaodong Peninsula.

MAJOR AWARDS OF THE YEAR AT A GLANCE

Major Awards of the Year 2011 at a Glance			
Award-winning Unit	**Date**	**Award**	**Judge and Organizer**
Beijing Capital Land	April 2011	The Most Influential Commercial Real Estate Enterprise in the PRC	China Commercial Real Estate Industry Development Forum
Mr. Liu Xiaoguang, Chairman	May 2011	Leader in China's Commercial Real Estate	China Commercial Real Estate Industry Development Forum
Beijing Capital Land	September 2011	Top 10 Real Estate Enterprises for Brand Equity in the PRC 2011 (RMB 4.336 billion)	China Index Research Institute, Real Estate Research institute of Tsing Hua University, Corporate Research Institute of the Development Research Institute of the State Council
Beijing Capital Land	October 2011	Blue-chip PRC Property Developer for seven consecutive years	The Economic Observer
Beijing Capital Land	October 2011	Ranked 11th of Listed Real Estate Enterprise in the first half of 2011	Capital Week
Beijing Capital Land	November 2011	The Most Innovative Enterprise with Integrated Product and Resources 2011	China Internet Network Information Center and House.china.com.cn

MAJOR AWARDS OF THE YEAR AT A GLANCE

Major Awards of the Year 2011 at a Glance

Award-winning Unit	Date	Award	Judge and Organizer
Mr. Liu Xiaoguang, Chairman	December 2011	Top 10 Leaders in Beijing Real Estate Industry in 2011	The Beijing News
Beijing Capital Land	December 2011	Gold Real Estate Enterprise in the PRC 2011	Beijing Youth Daily
Beijing Capital Land	December 2011	Benchmark Real Estate Enterprise in Corporate Responsibility in Beijing 2011	The Beijing News
Beijing Capital Land	December 2011	Top 10 Real Estate Brands in the PRC	China Real Estate Chamber of Commerce and An Jia Magazine
Beijing Capital Land	December 2011	CIHAF Special Award for Outstanding Customer Services in China Real Estate Industry	Organizing Committee of China International Real Estate & Archi-tech Fairs (CIHAF) and the League of Mainstream Media for China Real Estate Sector
Beijing Capital Land	December 2011	Ranked 20th in Top 30 Real Estate Enterprises in the PRC 2011	Guandian.cn

Chairman's Statement

CHAIRMAN'S STATEMENT

The Group accelerated its strategic transformation of business, optimized product portfolio continuously, and took the leading role in property industry with brand philosophy of "Total Value, Total Life".

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 31 December 2011.

In 2011, the growth of the global economy generally slowed down under the cloud of the euro-zone sovereign debt crisis. Against this backdrop, China's economy continued to stay on track of stable and healthy growth. Meanwhile, the structure of China's economy had undergone changes, with the emergence of domestic consumption which became a key driving force for the stable and brisk growth of the economy, as growth of external demand was shrinking.

The central government and the governments of all levels promulgated a series of stringent regulatory measures including the "Notice of the State Council on Resolutely Curbing the Soaring of Housing Prices in Some Cities" (also known as the "The State Council's No. 8 National Notice"), home buying restriction and differentiated credit policies to effectively suppress speculative investments in the property market, enable the stable and healthy development of the property market, and restore property prices to reasonable levels to protect people's livelihood in 2011. As the regulatory measures became increasingly stern, investment and speculative demand would gradually fade out, replaced with solid market demand and demand for improving living conditions. As consumers are becoming more rational, the balance in the supply and demand of the market is gradually restored.

CHAIRMAN'S STATEMENT

In 2011, the Group accelerated its strategic transformation of business, optimized product portfolio continuously, and took the leading role in property industry with brand philosophy of "Total Value, Total Life" amidst the adjustment of economic structure and tightening regulatory control in the property market. While the Group further consolidated its development strategy of "Integrated and Value Operation", it continuously promoted urbanization in mainstream regions and economic development of emerging districts. During the year, the Group had 28 projects on sale in 11 key cities of the three main economic regions at the Bohai Rim, the Yangtze River Delta and Mid-southwestern China. As at 31 December 2011, contracted sales gross floor area ("GFA") of the Group amounted to approximately 1.18 million sq. m. and contracted sales totaled RMB11 billion, a generally stable sales performance in spite of the slowdown of overall sale-through rate in the industry.

In 2011, the Group's revenue and profit attributable to equity holders reached to RMB7,523,321,000 and RMB955,062,000, representing growth of 16% and 4% year-on-year respectively. The Board resolved the payment of RMB0.19 per share as the final dividend for the year ended 31 December 2011.

In retrospect, despite the fall in transaction volumes in some major cities as a result of tightening austerity measures, solid market demand, especially demand for improving living conditions remained vibrant. Consumers raised their concerns for variety of supporting facilities other than their residence, making integrated development projects a mainstream product type in the industry. Upon comprehensive evaluation of market changes and future industry development trend as a result of regulatory policies implementation's impact of market demand, the Group had timely adjustment of its product structure by increasing the supply of flats for first time home buyers and buyers with a aim of improving their living conditions first time, and strengthening integrated developments and the launch of residential complexes, to keep abreast with market demand. Meanwhile, the Group is enhancing its market influence through the regional economic development brought forth by the Group's projects. This created competitive edges for the Group in realizing scale breakthrough, stabilizing its market position and gaining larger market share. During the year, the Group launched a number of new projects, including Beijing Landscape Villa, Tianjin International Peninsula, Tianjin A-Z Town, Chengdu Wanjuanshan, Qingdao Sunny Central Park

CHAIRMAN'S STATEMENT

No. 1 and all these projects posted satisfactory sales performance and were well-received by the market. Other major projects on sale, such as Beijing Urban Town, Beijing Ballet Town, Tianjin First City, Tianjin Noble City, Tianjin Fortune City, Tianjin Landing House, Chengdu First City, Chengdu Cittá Villa, Xi'an First City, Shenyang First City etc, continued to deliver stable sales performance.

Leveraging on the edges of three mature business lines, namely traditional residential development, new integrated residential projects and primary land development, the Group proactively accumulates quality land bank resources, further enhancing its advantages in integrated operations and business innovation. During the year, the Group accelerated balanced development across China in accordance with its strategy of focusing on developed cities while expanding in second and third-tier cities. The Group increased its land bank with total GFA of 2.46 million sq. m in Beijing, Tianjin, Qingdao, Yantai, Jiangyin, and Wanning in Hainan. As the Group's new integrated residential projects grew steadily, the Group secured the fourth Outlets integrated project in Hainan Wanning, forming a national planning of Outlets in Beijing, Foshan, Huzhou and Hainan Wanning. The Group's primary land development also made further progress, through the creation of synergy with the infrastructure business of the parent company, Capital Group, supporting the implementation of primary and secondary development at full speed. The newly acquired projects including Beijing Shunyi Zhaoquanying Project, Beijing Pinggu Jinhaihu Project and Tianjin Wuqing Project are also in steady progress.

During the year under review, the Group spearheaded some innovative financing channels with its unique characteristics through long-term strategic collaboration with large-scale financial institutions, despite of tightening credit policy for property developers. By transforming the Group's business model from "asset-focus" to "asset-light", it creates diverse financing channels which provide ample capital for the Group's expansion against the industry cycle. In February 2011, the Group successfully issued a three-year RMB 1.15 billion guaranteed bond with a coupon rate of 4.75% in Hong Kong, further broadening financial channels. This has also made the Group the first non-financial enterprise to issue RMB guaranteed bond using the guarantor structure.

CHAIRMAN'S STATEMENT

Looking ahead in 2012, the Group will adhere to the operating principle of "economies of scale and continuous efficiency enhancement" and continue the core strategy of "resources integration, value operation and accelerated turnover". The Group will strive to maintain steady growth in major operation indicators through realizing the scale breakthrough by accelerated asset turnover and steady expansion, on the basis of the solid foundation of 2011 exploration of new business. The Group will continue its national strategy that focuses on the three major circles of the cities in the Bohai Rim, Yangtze River Delta and Pearl River Delta, and step up development of regions with potential such as the Mid-west regions and Hainan International Tourist Island, to diversify risk and cultivate new growth drivers. In terms of business model, the Group will continue to explore the new "integrated operation" business model which combines primary land development with property development, strengthen the strategic involvement in the emerging industries in major regional development projects as well as the commercial operation of Outlets integrated residential projects. In the aspect of financing, the Group will actively explore the possible cooperation with strategic partners who have a solid financial position, so as to implement diversified financing channels such as real estate investment fund, and equity and debt financing in domestic and international markets.

At last, I, on behalf of the Board, would like to express our sincere gratitude to our clients, business partners and shareholders, for their care, support and help to the Group. The group will work with our staff members hand in hand to create a better future. Leveraging our solid foundation of integrated business operation, competitive edges in product differentiation and innovative development strategy, the group endeavors to promote standard improvement and complete transformation of China's property market, so as to become the most valuable integrated property operator.

Liu Xiaoguang
Chairman

Hong Kong, 19 March 2012

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS ON BUSINESS ENVIRONMENT

Overview of China's Property Market

In 2011, the growth momentum of the Chinese economy remained strong, despite a slowdown in its economic growth and investment growth in addition to the suppression in the potential growth in export. With inflation effectively under control, maintaining a stable growth and promote domestic demand have become the main themes of China's macroeconomic policies and economic transformation.

In 2011, China's GDP amounted to RMB47,156.4 billion, a 9.2% increase as compared to 2010 in terms of constant prices. Annual investment maintained rapid growth with fixed assets investment amounted to RMB30,193.3 billion, up 23.8% year-on-year. The disposable income of urban and rural residents per capita amounted to RMB23,979, representing a nominal growth of 14.1% as compared to last year and a real growth of 8.4% if excluding price factor. Among it, the disposable income of urban residents per capita reached RMB21,810, up 14.1% nominally and grew by 8.4% after taking into account of price factor.

During the year under review, the investment of property development in China reached RMB6,174 billion, a year-on-year increase of 27.9%. Of which, investment for residential property rose 30.2% and accounted for 71.8% of total investment in property development. A total of 1,099.46 million sq. m. of commodity housing were sold in China, representing an increase of 4.9% as compared to last year although the growth is down 5.7 percentage points year-on-year. Among the commodity housing sold, total area sold for residential properties, office and commercial properties increased by 3.9%, 6.2% and 12.6% respectively. The sales revenue of commodity housing in the nation rose 12.1% to RMB5,911.9 billion, though the growth was

MANAGEMENT DISCUSSION AND ANALYSIS

6.8 percentage points lower than last year; of which, the sales revenue from residential properties, office and commercial properties up 10.2%, 16.1% and 23.7% respectively. During the year under review, the total funding of property developers totaled RMB8,324.6 billion, a year-on-year increase of 14.1% while the percentage of growth was down 12.1 percentage points as compared to last year. Overall, the skyrocketing of property prices were under control and gradually fall within a reasonable range. Speculative and investment demand were curbed while solid market demand and demand for improving living conditions becoming mainstream. In the meantime, the sales growth of commercial property is significantly faster than residential property, forming an important driving force supporting the prosperity of the property market.

In terms of geographical presence, the market focus is making an apparent shift to Mid-west China and second and third-tier cities. In 2011, the area and sales revenue of commodity housing sold reached 511 million sq. m. and RMB3,462.8 billion, up 0.1% and 3.8% respectively from last year. As for Central China, the area and sales revenue of commodity housing sold amounted to 293 million sq. m. and RMB1,189.5 billion, a year-on-year increase of 11.3% and 29.4% respectively. In Western China, 296 million sq. m. of commodity housing was sold, up 8.0% as compared to 2010, whereas its sales revenue rose 23.9% year-on-year to RMB1,259.6 billion.

In 2011, economic growth in major cities with the Group's presence was generally in good shape, income of residents posted a significant growth. Both fixed asset investment and investment in property sector grew rapidly. For those first-tier cities which suffered larger impact on the implementation of austerity measure, market demand dropped abruptly, while there was a release of market demand in second and third- tier cities due to a relatively minor impact. Meanwhile, having greater market potential, better sales performance was achieved in western region of China.

(Source: National Bureau of Statistics and National Reform and Development Commission)

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Property Market of Bohai Rim Region

Bohai Economic Rim consists of the Beijing-centered Beijing-Tianjin-Hebei Metropolis Circle, Liaoning Coastal Economic Belt which is now a national strategic region, and secondary regions such as Shandong Peninsula Economic Zone. The Bohai Economic Rom includes two cities and three provinces, i.e. Beijing and Tianjin, Hebei, Liaoning and Shangdong. In 2011, GDP of Bohai Rim Region amounted to RMB11,890 billion, accounting for 25.2% of national GDP. As the core region for China's political and economic stability, Bohai Rim Region has become the third growth pole in China's economic development. The Bohai Rim Region is not only the key growth driver of northern China, but also the frontline for international economic collaboration for Northeast Asia.

In 2011, the plan to "construct Capital Economic Circle" has been promoted as a national strategy and included in China's 12th Five-year Plan, after its inclusion to Beijing's 12th Five-year Plan. The development of "Capital Economic Circle", including over ten cities and counties such as Zhuozhou, Sanhe, Xianghe, Gu'an in Hebei Province, was sped up. The Circle aims to connect with Beijing aspects of agricultural tourism, elderly retirement and resort, creating new opportunities to the Beijing-Tianjin-Hebei Metropolis Circle for its accelerated development.

With the construction of infrastructures and transportation networks being carried out at a faster rate in the future, the Bohai Economic Rim will be connected to the economic zone of Liaodong Peninsula and the Shandong Peninsula Economic Zone of which Beijing-Tianjin-Hebei Metropolis Circle as the center. Five intercity railways, namely Beijing-Tianjin, Beijing-Shenyang, Beijing-Jiangjiakou, Beijing-Tangshan, Beijing-Shijiazhuang, will commence operation in succession. Comprehensive infrastructures and facilities will divert pressure on major cities, it also helps to develop satellite cities and cities of mid-to-small scale and allocate resources more sensibly in the region. Population redistribution and specialized industries will be the catalysts to the rapid development of the property market in emerging regions surrounding core cities.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Property Market of Yangtze River Delta Region

Covering an area of 210,700 sq. km, Yangtze River Delta Region includes Shanghai, Jiangsu Province and Zhejiang Province. In 2011, GDP of Yangtze River Delta Region reached RMB9,980 billion, accounting for 21.2% of the national GDP. Capitalizing on the favorable geographical location of the region, as well as its admirable natural endowment, solid economic foundation, all-rounded urban system and developed scientific education culture, the region is of important strategic significance in China's economic setting, with one of the highest level of economic and social development and strongest comprehensive strength among all regions in China. Currently, the Yangtze River Delta Region is at a critical phase of transformation and upgrade, as it faces constraints on enhancing independent innovation and environmental resources, as well as advocating active reforms and improvements.

In 2010, the National Development and Improvement Commission officially approved the implementation of the regional plan of Yangtze River Delta. The plan expected that by 2020, the Yangtze River Delta Region will consist of "one core, nine belts". With Shanghai as the core, the regional development will be along development belts of Shanghai-Ningbo, Shanghai-Hangzhou-Ningbo, Ningbo-Wuzhou-Hangzhou, East Longhai, and Wenzhou-Lishui-Jinhua-Quzhou rail lines, Yangtze River, Hangzhou Bay, the coast, around Tai Lake and along the canal. The regional plan focused on developing the Yangtze River Delta into a key international gateway for the Asia-Pacific region, as well as an important global center for the modern service industry and advanced manufacturing industry. The plan further aims to develop the Yangtze River Delta region into a world-level metropolis with strong international competitiveness.

By 2015, it is expected the Yangtze River Delta Region to surpass other regions in achieving the objective of developing a well-off society with GDP per capita of RMB82,000. The plan also aspires the region's proportion of service industry to reach 48%, with 67% of area urbanized. By 2020, the region will realize modernization with GDP per capita amounted to RMB110,000, proportion of service industry to 53% and urbanization of the region to 72%. The significant acceleration of the region's urbanization and increase in purchasing power will reflect in solid market demand and demand for improving living condition. In addition, the increase in the proportion of service industry will also promote the rapid development of commodity property.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Property Market of Pearl River Delta Region

Covering an area of 41,698 sq. km. with a population of 42.3 million, Pearl River Delta Region comprises of Guangzhou, Shenzhen, Zhuhai, Foshan, Jiangmen, Dongguan, Zhongshan, Huizhou and Zhaoqing. As the trailblazer of China's reform, Pearl River Delta Region is also the key economic hub of China and play a dominant role in driving national economic and social development and the general reform situation. In 2011, Pearl River Delta Region achieved a GDP of RMB5,270 billion, representing 11.2% of the State's GDP. Property development and investment of the region amounted RMB410.4 billion, representing growth rate of 31.6% year-on-year and 6.6% of the nation's total.

The present Pearl River Delta Region is comprise of "one bay, three districts", including Pearl River Estuary and three metropolis circles, namely Guangzhou-Foshan, Hong Kong-Shenzhen and Macau-Zhuhai. In the future, the Greater Pearl River Delta region will establish a "1-hour transportation circle" through the construction of railed transportation and highways.

Foshan is an important component of the Guangzhou-Foshan metropolis area in Pearl River Delta Region which is also a gateway towards Guangzhou from the western coastal of Guandong Province. With the promulgation of "Guangzhou-Foshan Integrated Urban Development Planning", an integrated urban development approach will then be further implemented. Guangzhou and Foshan will develop and complement each other with their competitive strengths. Investment on the infrastructure among two cities will further be increased. In terms of city structure, "2+5 districts" will be formed with the Central district and Daliangronggui district as the core, promoting Shishan district, Xinan district, Xijiang district, Dali district and Jiujianglongjiang district to undergo comprehensive development. In long run, it is expected that Foshan have a population of 13.5 million with urbanization rate up to 85% to 90%. The Guangzhou-Foshan Integrated Urban Development has been implemented gradually, resulting in the continued growth of the urbanization level. The business strategy of combining development of urban core district and emerging district, it will able to push up the long term demand of Foshan property effectively and enhance its radiation effect to the surrounding areas.

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Overview of Western China Property Market

Western China has the greatest development potential in China and in the coming economic transition, western China's ability to tied up the industries in Eastern China will be critical in the continuity of economic growth in China. At present, the most developed areas in western China include Chengdu-Chongqing Economic Zone and Guanzhong-Tianshui Economic Zone, as well as major cities such as Chengdu, Chongqing and Xi'an. In 2011, property development and investment in Chengdu, Chongqing and Xi'an amounted RMB159.564 billion, RMB201.509 billion and RMB100.267 billion respectively, a year-on-year increase of 24.8%, 24.4% and 19%. The overall growth rate of western China in property development and investment was higher than major cities in Eastern China.

Chengdu is one of the central cities in Western China with potential huge demand and has a radiating and significant impact to its surrounding areas. Chengdu has proposed its goal of strategic development to be "the world class modern garden city". The proposal included building a world class international city, a modern super city center in western China and an urban-rural integrated garden city. Based on the development concept, Chengdu will place dedicating effort on integrating the first inner circle of old city and the second inner circle of suburban districts, creating a new major urban area of Chengdu. With the expansion of the new core urban area, it will have a positive impact to the Chengdu property market development and in particular in the suburban areas.

Chongqing, is not only one of the China's direct-controlled municipalities and a state-leve historical city with rich culture, it is also the largest economic centers in the Southwest region and upper Yangtze River. According to the "National Urban Township System Plans" by Ministry of Housing and Urban-Rural Development, Chongqing is one of the top five central cities and the only Mid-west city on the list. "Liangjiang New Area", as the only inland national development zone, has already been written into the Twelfth Five-Year Plan. Its influence spreads over to some 68 million sq. km. The expected high-speed growth in the industries and influx of workforce are expected to bring continuous growth in property demand.

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Xi'an is the central city in China Western Development, the core city of Guanzhong-Tianshui Economic Zone and a notable historical city. The Development Plan of Guanzhong-Tianshui Economic Zone, approved by the State Council in 2009, mentioned the need to "dedicate effort in building Xi'an into a world class metropolis". In 2011, Xixian New District, which encompassed Xi'an and Xianyang, was officially upgraded to the nation's fourth sub-provincial-level new district. According to the plan, Xixian New District would occupy urban construction area of 160 sq. km. by 2015 and 272 sq. km. by 2020. Under the nation's strategic planning, the land problems that once curbed Xi'an's development will be solved effectively. In the next decade, Xi'an's city size, urban population, industrial structure and infrastructures and facilities will be significantly enhanced. The upgrade in economy and development of new industries will bring out the comprehensive development in integrated property and residential property.

Overview of Hainan Property Market

Hainan is the largest special economic zone and the only tropical island of the nation. Hainan Province has a total land area of 35,354 sq. km with high forestation coverage of 60.2%. In 2011, the total population of the province reached 8.7738 million. Its GDP amounted to RMB 251.529 billion, a year-on-year increase of 12%. The investment in property development amounted to RMB66.305 billion for the whole year, up 41.7% as compared to 2010. The construction GFA and sales GFA of Hainan property market was 36.5988 million sq. m. and 8.8819 million sq. m., a year-on-year increase of 35.6% and 3.9% respectively.

In 2010, the "Guideline of Hainan International Tourist Island Development Plan" was approved by the State Council, which proposed to develop Hainan into a world-class destination for leisure and vacation with focus on the development of tourism and property industries. The development of tourism will not only drive off the huge demand for off-island investment, but also increase the purchasing power of local residents, so as to improve the sustained needs.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2011 marked the end of easing of monetary policy and the beginning of more stabilizing measures, with the central bank's three interest rate hikes, reserve requirement ratio were raised six times, and gradual tightening of financing. Austerity measures launched in 2010 to stabilize the property market were upgraded and fine-tuned in 2011, with property price control targets set in 120 cities, home buying restrictions were launched in 50 mid-to-big cities and mandatory home buying restrictions targeting certain property projects were launched in 10 cities. With all these price restrictions, home buying restrictions and mortgage restrictions measures, liquidity in the property market was completely stalled, with effect of the austerity measures becoming evident. In all the key cities across the country, transaction volume of commodity housing immediately fell, resulting in marked decline of property prices in cities where the buying restrictions were in place. The stringent measures launched in 2011 were intended to deter speculative activities in the property market and inevitably affected genuine housing demand for first homes and improving living conditions, which is conducive to the long-term and healthy development of the property market. It is expected boosting solid market demand for first homes and improving living conditions should be the dominant factor for housing policies in future.

In 2011, the Group's revenue reached RMB7,523,321,000, representing an increase of 16% as compared to that of last year. Net profit amounted to RMB1,180,039,000, up 11% year-on-year. Net profit attributable to holders of the Company reached RMB955,062,000, representing an increase of 4% as compared to that of last year. Basic earnings per share amounted to RMB0.47, while that of 2010 was RMB0.45. The Board resolved to recommend the payment of RMB0.19 per share as the final dividend for the year ended 31 December 2011. (2010: RMB0.18 per share)

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

Innovative business model – breakthrough in multiple business lines

- The Group has established the three business lines of traditional residential development, new integrated residential projects and primary land development, initially achieving a unique business model featuring rapid asset turnover, value enhancement of residential development and commercial properties, and primary land development via resources development.

- Steady progression of new integrated residential projects, by securing the fourth Outlets integrated project, forming a national planning of Outlets in Beijing, Foshan, Huzhou and Wanning in Hainan. The phase 1 & 2 of the residential section of Outlets in Beijing was almost sold out whereas the Hainan and Huzhou projects will be launched for sale in early 2012. The commercial section of the four projects is commenced to solicit business, and is expected to be operated by 2012.

- There was breakthrough in the primary land development. During the year, the group created synergy with the infrastructure business of the parent company, Capital Group and proactively participated in primary land development and management: the newly acquired Beijing Shunyi Zhaoquanying Project (1,249 acres), and Beijing Pinggu Jinhaihu Project (1,081 acres). The development of Tianjin Wuqing Project was progressing smoothly and land plot of 710,000 sq. m. for secondary land development via open auction. The Group also signed land development intention agreements with local governments for Hainan Ganshiling Project (3 sq. km.) and Shunyi Beishicao Town Project (1.7 sq. km.).

MANAGEMENT DISCUSSION AND ANALYSIS

Implementation of value-oriented operation and management reform to optimize incentives mechanism

- The Group enhanced its value-oriented operation under the principle of "priorities in scale and efficiency enhancement". The Group made according adjustment in the structure of its headquarter and branch offices and implemented a series of value-oriented operation enhancement measures through the management of "strategy, planning, budgeting and efficiency" and achieved satisfactory results. As a result, the operation was greatly strengthened, with a strong determination to deliver solid returns to shareholders and increase operational efficiency.

- Building a value-oriented operation platform via innovation – there was a shift of focus from the "year's biggest project" to "the biggest project value". There was also a change from the pursuit of the project of the highest profitability to portfolio optimization with focus on regional growth. The headquarters also changed its role from direct operation management to strategic control, resources allocation, and standard setting. All these structural changes were made to the headquarters and branch offices in the cities.

- Strengthening the management of "strategy, planning, budgeting and efficiency" and making a five-year strategic plan on the basis of "priorities in scale and efficiency enhancement". During the operation, the Group also made forecast and adjustments to the overall project according to the prevailing external and internal resources situation and the execution of the preceding phase of development on a regular basis, and also compiled a new operation plan and budget.

- In order to offer incentives to branch offices in cities for accelerated asset turnover, and accelerated function change of profit centers, the Group optimized the evaluation system and focused on customer satisfaction, IRR of shareholders, net profit of value-added and free cash flow of shareholders as key indicator. It also introduced incentives scheme alongside the evaluation system. Meanwhile, through the charge of shareholder fund occupation, it further enhanced the concern of high turnover of shareholder fund for first-tier company, resulting in the better capital management of the Group.

Fine-tuning management, further enhancement of product standardization and speeding up information technology

- In order to accelerate the building of the standardization platform, the "Professional Standardization Platform Series" was compiled, with guidelines and systems for every stage of development, from strategic planning, investment strategy, product mix standards, cost control standards, operation and development plans, and standardization of all areas of brand-building. Benchmarks for regional product standardization were put in place, according to customers of different regions, different markets. The foundation for rapid duplication of product standardization was laid down. Currently, five standardization product lines such as high-end core residential areas, A-Z Town, First City, low-density residence, newly integrated residential projects and Tuscany City State were built.

- Accelerated construction of the customer relationship management (CRM) system, and launch of quality inspection centers, IClub and 400 call centers. The CRM system is carrying out trial operations, helping to enhance CRM standards. Among projects delivered in 2011, quality inspection centers were in place, helping to resolve complaints from customers and handle the ensuing repairs. The core principles, development plan, function and duties, human resources, and budgets of IClub have been set. The "400 call" centers commenced operation in January 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

- The first phase of information technology construction for the core business was complete, helping the Group secure competitive advantages. The Group was awarded "First Merit in respect of innovations in the 26th Reporting of Beijing Innovative Modernized Enterprise Management", under the guidance of Beijing State-owned Assets Supervision and Administration Commission of the State Council and organized by Beijing Enterprise Confederation. The second phase of information technology construction for cost management was being carried out, for the knowledge sharing of different projects and fine-tuning of cost control. The Group will increase its efforts in information technology construction for professional areas, building a uniformed information technology platform for finance, costs, and project management, and using information technology as an engine to drive innovation in business models.

Strengthening internal control and stepping up risks control measures

- The Group will establish an operational environment with the five key elements of "internal environmental control, risk identification, activity control, communication and internal supervision", and 20 sub-divisions at second grade, in accordance with the changes in value-oriented operation, and control and management model.

- The Group will launch a series of risk prevention and inspection work, identifying the key risks area in the Group's strategy and operation and business, according to the principle of "prevention, control and supervision". The work will include continuous optimization of workflow, implementation of inspection, off-office auditing and legal risk prevention work, in order to strengthen authorization management and system, cost management and internal control, etc.

MANAGEMENT DISCUSSION AND ANALYSIS

Continuous broadening of financing channels, proactively exploring property investment fund

- The Group will seize market opportunities and explore financing channels to establish direct link with renminbi sources outside China. It sought the guarantee of the parent company and used the debt issuance structure of the overseas subsidiary to secure financing for the Group in an innovative attempt. In February 2011, the Group successfully issued a three-year RMB1.15 billion guaranteed bond, outside China, with a coupon rate of 4.75%, and became the first non-financial enterprise to issue a renminbi guaranteed bond in Hong Kong.

- During the year, the Group actively consolidated its market-leading position, leveraging on its advantage as a listed enterprise, huge resources and professional advantage of respective financial institutions, and strived to build a cooperation development model featuring "capital, government resources, assets, and professional division of labor". It is jointly planning to develop a property investment fund with other first-tier property companies, insurance companies, banks and financial institutions and government guidance fund.

PROPERTY DEVELOPMENT

During the year, the Group and its jointly controlled entities and associates have completed parts of development of the projects with approximate GFA completed of approximately 1,336,347 sq. m.

Projects completed in 2011

Projects	Type	Approximate GFA Completed (sq.m.)	Attributable Interest
Xanadu, Beijing	Residential	55,018	100%
Beijing Ballet Town	Residential	72,617	99%
Tianjin First City	Residential/Commercial	131,216	55%
Tianjin Noble City	Residential	24,447	40%
Tianjin Fortune Class	Residential/Commercial	193,696	55%
Chengdu First City	Residential/Commercial	178,051	100%
Shenyang First City	Residential/Commercial	161,085	30%
Shenyang Qipan Hills First Villa	Residential/Commercial	64,183	50%
Xi'an First City	Residential/Commercial	273,092	40%
Wuxi Gentle House	Residential	99,926	100%
Qingdao Central Park No. 1	Residential	73,687	100%
Yantai Sunny Chief Yard	Residential	6,628	100%
Foshan Outlets	Commercial	2,701	55%
TOTAL		1,336,347	

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)	**354,926**	**14,066**	**4,992,294**
The Reflections, Beijing	11,541	43,138	497,850
Xanadu, Beijing	6,323	61,969	391,830
Urban Town, Beijing	10,923	37,976	414,810
Beijing Ballet Town	60,080	16,671	1,001,583
Beijing Landscape Villa	13,999	14,034	196,460
Tianjin First City	93,187	9,125	850,375
Tianjin Noble City	34,090	11,044	376,507
Tianjin Fortune Class	37,343	12,943	483,339
Tianjin Landing House	41,705	9,802	408,776
Tianjin International Peninsula	15,635	8,092	126,520
Tianjin A-Z Town	30,100	8,114	244,244
Residential (Outside Beijing and Tianjin)	**694,468**	**6,650**	**4,617,895**
Chengdu A-Z TOWN	534	10,204	5,449
Chengdu First City	55,232	6,784	374,676
Chengdu Cittá Villa	103,899	5,328	553,560
Chengdu Wanjuanshan	83,068	5,223	433,875
Shenyang First City	79,484	6,736	535,407
Shenyang Qipan Hills First Villa	12,057	13,418	161,783
Wuxi Gental House	21,087	8,082	170,420
Wuxi Joyous House	28,850	8,401	242,379
Zhenjiang Joyous House	2,052	5,210	10,690
Xi'an First City	148,420	6,539	970,450
Chongqing Hong'en International Living District	118,943	6,825	811,804
Hainan Wanning Ballet Town	305	8,990	2,742
Qingdao Central Park No.1	26,564	8,186	217,450
Yantai Sunny Chief Yard	13,973	9,104	127,210
Commercial/Office	**73,977**	**16,463**	**1,217,882**
The Reflections, Beijing	153	53,856	8,240
Beijing Forest Convention Centre	10,714	28,001	300,000
Tianjin Fortune Class	42,614	8,510	362,652
Xi'an First City	10,294	14,163	145,790
North Ring World Centre	10,202	39,326	401,200
Car Park Space	**57,756**	**3,639**	**210,202**
Total	**1,181,127**		**11,038,273**

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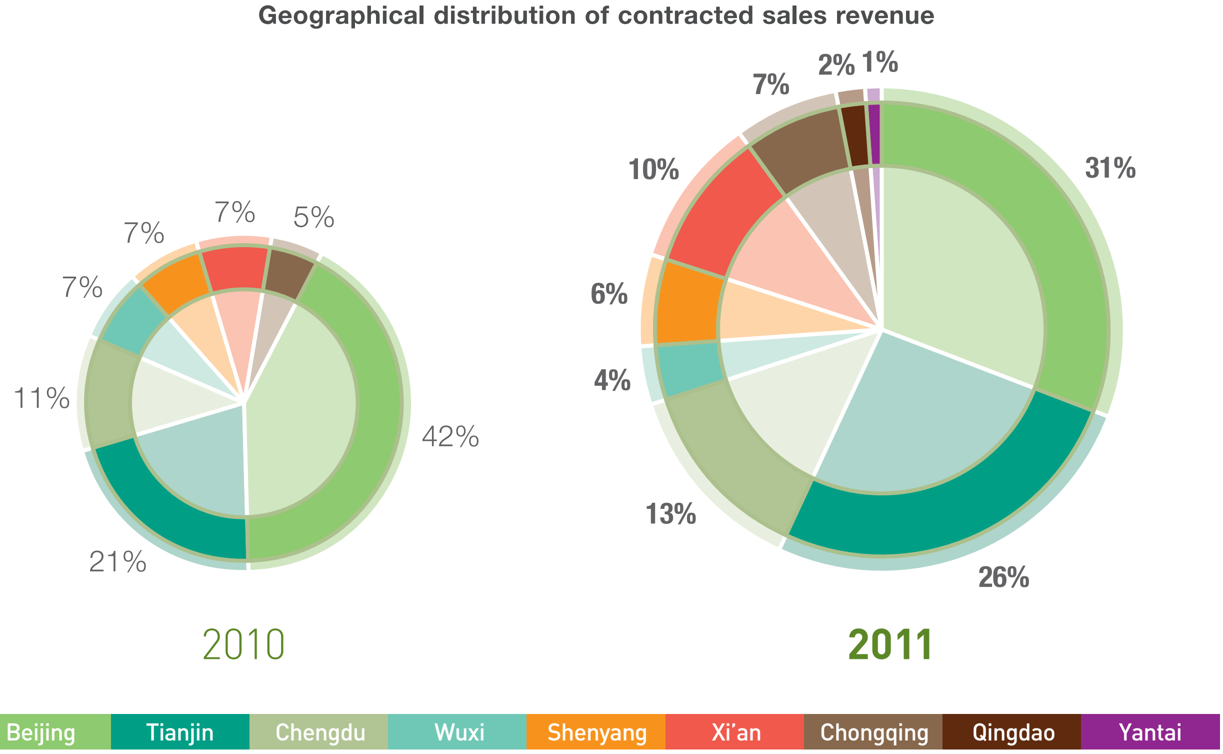

The home buying restriction has become one of the main factors affecting the market since 2010. Promulgated in January 2011, The State Council's No. 8 National Notice has extended the home buying restriction to all provincial capital cities, cities with independent planning and cities with soaring housing prices. The enforcement of restriction has been strengthened with the "restriction of buying in one new unit" in 2010 was further expanded to "restriction of buying three residential units for local family residence and two for foreign family residence". Under the new policy, transaction volumes of residential flats in most "restricted" cities have fallen sharply and the situation was more evident in cities with strict implementation.

With certain part of the on sale projects located in the first and second-tier cities where the home buying restriction was strictly implemented, the Group was largely affected by the policy. Facing the challenging market conditions, the Group appropriately adjusted its strategies to keep abreast with market demand. Through increasing the proportion of small-to-medium sized units and other sales strategies such as customer referral program, off-site promotion and price adjustment to stimulate sales performance, the Group successfully maintained its contracted sales amount at above RMB10 billion.

During the year, the Group and its jointly controlled entities and associates achieved contracted sales area of approximately 1.18 million sq. m., basically the same as in 2010. Of which, contracted sales area of residential properties was approximately 1.05 million sq. m.. Contracted sales reached about RMB11 billion, down 11.5% year-on-year, and residential properties accounted for RMB9.6 billion.

In 2012, there will be 32 projects in 14 cities across the country on sale. Besides ensuring adequate supply of products, the Group will pursue the strategy of "high turnover rate and high sale-through rate" through continuously enlarging the proportion of hot-selling products and products for solid market demand, increasing the sale-through rate of each single project. At the same time, the Group will accelerate the construction of the CRM system to enhance customer relationships and increase brand awareness and reputation. It will also continue to respond to market changes actively through flexible pricing that helps to boost the sales volume.

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High-end Core Residential

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

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

The project recorded contracted sales of approximately RMB 450 million 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 approximately RMB510 million in 2011.

A-Z Town Series

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.

Contracted sales amounted to approximately RMB420 million in 2011.

A-Z Town, Beijing — Live a Life Full of Variety

Situated at a residential district in the eastern part of the CBD in Beijing. GFA of Beijing A-Z Town is around 450,000 sq. m, while plot ratio is at 2.8, height of building is 60m and the percentage of greenery is 30%. This project is a large-scale integrated property which signifies the beginning of a diversified community. Equipped with a commercial plaza of close to 100,000 sq. m and up to 300,000 sq. m of high-end furnished apartments; a central view greenbelt over 10,000 meters lies in the middle, leveling close with the Northern part of the modernized apartments.

The project was completely sold out in 2011.

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A-Z Town Series

A-Z Town, Tianjin — Live a Life Full of Variety

Tianjin A-Z Town is located at Dameijiang district in Tianjin, at the intersection of Li Shuang highway and Weishan South Road. The project includes a variety of elements, such as Youke Loft, Langshi Gongguan, Zaijian Baihuo再見百貨, commercial centers and Zaoan Park. It is anticipated for the project to become and integrated community, so as to include major shopping areas, specialty business districts, serviced apartments and office space. The goal is to let our customers get a taste of the multi-faceted and vibrant living environment that we are offering.

Launched the first phase of the project in July 2011 and achieved contracted sales of RMB240 million during the year. Phase 2 and 3 will be launched in 2012.

A-Z Town, Chengdu — Live a Life Full of Variety

Chengdu A-Z Town is situated at Chengdu East Second Ring Road, close to Shahe, on top of that, the mature municipal administration and the convenient transportation are attributable to a high quality lifestyle. This is the first replica project based on the blueprint of Beijing A-Z Town in the A-Z Town product line. Taking the structure form Beijing A-Z Town, combining it with Chengdu's actual land development, and produced a set of modern apartments, smart space, Houhai (low density low-rise buidling) and a large scale shopping centre (Ito Yokado flagship store), combining all sorts of elements together to create a micro-urban town.

The project was completely sold out 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.

The project recorded contracted sales of RMB560 million in 2011. Phases 2, 3 and 4 are currently on sale.

Chengdu Wanjuanshan

Chengdu Wanjuanshan is located on Dongdajie's extension line in the Chengdong financial centre of Chengdu. It is adjacent to Yidu Road and Chenglong Road as well as the Subway No. 2 line (extension) which will be in operation by 2013. The project is close to SCE (Chenglong district), neighboring with Sichuan Normal University in the South. The situated location has a unique sense of natural surroundings, including Sansheng Flower Garden and Swan Lake that makes up a natural resource supporting system.

Launched Phase 1 in July 2011 and already achieved contracted sales of RMB 430 million. Planning to launch Phase 2 in 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

First City Series

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 Beijing-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 7 was launched in 2011 with contracted sales of RMB850 million, it is expected to be sold out by 2012.

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.

Accumulated contracted sales of RMB410 million during 2011. Phases 4 and 5 are expected to be launched in 2012.

Shenyang First City — In Close Proximity to Natural Landscape of Wulihe

Located at the core area of Hunan 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, near 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 3 of the project was launched in 2011 with contracted sales of RMB550 million. Plan to launch Phase 4 and 6 in 2012.

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 10 km away from city center. With an 800 meter 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 4 of the project was launched in 2011, recording contracted sales of RMB 1.15 billion. It is expected for phases 5, 6 and 7 to be launched in 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

First City Series

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 2 was launched in 2011 with contracted sales of RMB590 million.

Low Density Residence

Tianjin Noble City — An England Village in Urban City

Noble City is next to Tianjin Free Trade Zone and Dongli Tourist Resort, and is approximately 13 km away from Tianjin Binhai International Airport. With hundreds and thousands mu of forestation, the landscape garden adopts a classic English style, with a theme of "romanticism", offering a feel of countryside environment.

Phase 5 was launched in 2011. Contracted sales amounted to RMB380 million.

Tianjin Fortune Class — An Elegant and Extraordinary Residence

Adjacent to the Honghan Lingshiqun Villa sector, Fortune Class is in close proximity to the Subway Route No.1 and the planned Route No. 6 in addition to public transportation. Adopting British style of gardening, the project emphasizes the perfect combination of hardscape and softscape, as well as green plants and surrounding architecture.

The project launched Phase 3 in 2011, reaching contracted sales of RMB 850 million.

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 in the Southern and Northern part, and in the middle of which is the current "Music Theme Park". The Southern land plot is developed along the lakeside, offering room for leisure.

The project recorded contracted sales of RMB410 million, and will be launching Phase 3 in 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Newly Integrated Residential Community

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

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 2 was launched in 2011, reaching contracted sales of RMB240 million.

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 a 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 2 of residential section launched in 2011 with contracted sales of RMB1 billion.

Ballet Town, Hainan

Ballet Town is located east of the prime district of International Tourist Island – Wanning city, Hainan Province. As the coastal city of Southern China, to the east, there is the South China sea, to the west, there is Qiongzhong, to the South, there is Lingshui, and lastly, with the North adjacent to Qionghai, fully equipped with rich and natural surroundings. The project plans to build a large-scale modern service business complex that includes an outlet for world class brands, leisure and high quality residential areas.

Launched Phase 1 of its residential section during late 2011, and is planning to launch Phase 2 in 2012.

Ballet Town, Huzhou

Situated at the center of Nantaihu tourist district, Ballet Town is surrounded by Taihu, Changdougang, Meixi Road and Binhu Road runs through the whole project. One of the main special features is that it is equipped with The Outlets, luxurious five star hotels and high end residential villas. The residential part was built based on the blueprint of small town in European style, which includes private villas, townhouse, houses with gardens and apartments with a view of the lake. With the vast view of water resources, infused with a taste of Tuscan environment, to produce high-end villas with breathtaking surroundings of international standards.

Plan to launched Phase 1 of its residential section in 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Newly Integrated Residential Community

Ballet Town, Foshan, Guangdong

Ballet Town is situated at the heart of the Pearl River Delta Region – Sanshui district, Foshan of Guangdong province. It is equipped with beautiful scenery, excellent environment and an advanced transportation network. Only 35 km from downtown Guangdong, 180 km from Macau and 230 km from Hong Kong. The project is located at the core area of the Pearl River Delta region. The aim is to create an outlet center, entertainment and commercial plaza of international standards and a high quality, low density residential community – just like metropolitan cities in Europe.

It is expected to launch Phase 1 of the residential section in 2012.

Tianjin International Peninsula

The International Peninsula is one of the most important strategically developed projects of the Group. A lot of work has been put into constructing this metropolitan residential community. Preliminary ideas were developed with the help of world class construction company – Atkins Ltd., who provided us with valuable consultation to reach the idea of having a low density, private houses with gardens, small scale high-rise apartments, education sector, commercial finance sector, medical sector and municipal sector community, with a total floor area of 298 hectares and GFA of 3 million sq. m.

The project launched Phase 1 of its residential portion in 2011, reaching contracted sales of RMB130 million.

Tuscany Series

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 not only provides scarce natural resources to the project, but also created an elegant ambience to the surroundings. The design of the project adopts an Italian Tuscan style.

Phase 1 of the project was launched in 2011, generating contracted sales of RMB330 million, expecting to launch Phase 2 and 3 in 2012.

Qingdao Central Park No. 1

Qingdao Central Park No. 1 is located at the free trade economic zone in Chengyang area of Qingdao – only a street away from Olympic Park, the biggest ecological park in the Shangdong Province. Flower shrubs, trees, lakes and lawns were all used to create the Mediterranean design. Elements like water, flowers, forests, corridors and pillars are delicately featured in the whole project to construct a Spanish style front yard and back garden.

Phase 2 was launched in 2011 with contracted sales of RMB220 million, expecting to launch Phase 3 in 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Tuscany Series

Yantai Sunny Chief Yard

The project is located in the Fushan district of Yantai, the intersection of Huifu Street and Songxia Road. The project went through levels of development, including "green corridor with city views, community centre park, group neighboring park, residents' lawn" to create a public community in the city – half of it with open space and the other with a closed section.

Launched Phase 1 in 2011, and achieved contracted sales of RMB130 million, planning to launch Phase 2 in 2012.

Sunny Xiangmi Lake, Qingdao

The project is located in the core area of Lichaung living community – Minchang residential area and Shimeian residential area. It is surrounded by Loushan Park, Hushansenlin Park and Qiangkou Park. There are also well known sceneries such as Ximenchangge and Hanlinyuan. Equipped with convenient transportation systems, M1 line of the Xingguo line passes by this project, and its only 2 km from the Chongqing station of the M3 line. The project was constructed based on a Spanish style residential town.

Launched Phase 1 in 2011, with the intention to launch Phase 2 in 2012.

Hotel Operations

During the year, Holiday Inn Central Plaza kept improving service quality, exploring customer sources and maintaining stable operation and management. As at 31 December 2011, revenue of Holiday Inn Central Plaza amounted to approximately RMB102,541,000, an increase of 16% year-on-year. The average occupancy rate was approximately 68%, an increase of 4 percentage points year-on-year. The Group is considering withdrawing from single hotel development and operation and gradually exploring a new integrated operation model that comprises residential, commercial, educational, hotel and other businesses.

Land Bank

During the year, according to the Group's "balanced and focused" land bank strategy, the Group effectively managed risks brought by rapid expansion through a nationally-balanced layout and enjoyed stable returns generated by investment portfolio composed of cities in different economic development stages. At the same time, the Group focused on three major circles of the cities in the Bohai Rim, Yangtze River Delta and Pearl River Delta and cultivated new growth drivers by increasing investment moderately in the regions with good potential, such as central and western regions as well as Hainan, which has become an international tourist resort.

In 2011, under the macro-economic control measures such as "home buying restriction", "credit limit" and monetary policy tightening, property developers were slowing down to purchase land due to financing difficulty. As transaction volume of residential land declined significantly, failed land auctions, and transactions at "zero-premium" became more common, creating more project acquisitions opportunities. Leveraging on its sound financial position and capital reserve, the Group seized opportunities to acquire land at relatively lower

MANAGEMENT DISCUSSION AND ANALYSIS

costs through various channels, such as open auctions, tenders, primary and secondary land development, and mergers and acquisitions. The Group has increased a land bank of 2.46 million sq. m. high quality land resources, to fulfill the Group's targets according to its Five-Year Plan.

The Group newly acquired land bank in 2011 was as follows:

Added 1,330,000 sq. m. of land bank through acquisition:

In March 2011, the Group acquired Beijing Miyun Landscape Villa Project, with a GFA of 280,000 sq. m.. This further enhanced the Group's competitive edge in the Beijing region;

In May 2011, the Group acquired Hainan Wanning Outlets Integrated Project, with a GFA of 300,000 sq. m. The Outlet product line was extended to four projects.

In November 2011, the Group acquired four projects from Yang Guang Co., Ltd located in Jiaodong Peninsula, including Qingdao Central Park No. 1 Project, Yangbuzhai Project and Xiangmi Lake Project in Qingdao, and Sunny Chief Yard Project in Yantai, totaling a GFA of approximately 750,000 sq. m. The acquisition will further optimize the Group's strategic development in Jiaodong Peninsula. Qingdao Central Park No. 1 Project in Qingdao and Sunny Chief Yard Project in Yantai have already been launched for sale.

Added 1,130,000 sq. m. of land bank in open market:

In February 2011, the Group obtained Qingdao Chengyang Project through open market, with a GFA of 240,000 sq. m. The project comprises mainly commercial facilities, SOHO office, and service apartments, which are expected to be less affected by the current control policies;

In March 2011, the Group successfully obtained Tianjin Wuqing Project Plots 08-02 and 08-07, with a total GFA of 250,000 sq. m., through open market. In December 2011, the Group successfully obtained another Plots 01-05 and 03-02 for its Tianjin Wuqing Project, with a total GFA of 460,000 sq. m..

Being the crucial strategic development project of which the Group has fully participated in the land development previously, Tianjin Wuqing Project has a total area of 4,500 acres for development, and it will provide a GFA of nearly 2.2 million sq. m. after completion. With the provision of international education being the core business, the project comprises facilities for education, industry, tourism and residential units. It will become a model community project enhancing further integration of Beijing and Tianjin and boosting the growth of regional value.

In July 2011, the Group obtained Jiangyin Yushan Bay Project through open market in Wuxi, Jiangsu, with a GFA of 180,000 sq. m.

As at 31 December 2011, the total GFA of the Group's land bank amounted 10.09 million sq. m., with total saleable GFA of 8.74 million sq. m. (among which attributable GFA was 6 million sq. m.). In terms of the geographical distribution of saleable GFA, Beijing and Tianjin region accounted for 24.4%, followed by Chengdu and Chongqing region, which was 13.2%. Wuxi, Xi'an and Shenyang accounted for 3.6%, 9.7% and 8.1% respectively, and that for Foshan was 18%, Huzhou 7.6%, Wanning 3.3%, Qingdao 5.3%, Yantai 4.4% and Zhenjiang 2.4%. In terms of land use, approximately 77% is for residential projects, 21% for commercial projects and 2% for hotels. The existing land bank is of optimum scale and is sufficient for the Group's development in the coming three to four years.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, the Group has obtained the primary land development right for nearly 7,000 acres of land, with a total saleable GFA of 3.3 million sq. m., including Tianjing Wuqing Project, Beijing Shunyi Zhaoquanying Project and Pinggu Jinhaihu Project. The Group has also signed land development intention agreements with local governments for Hainan Ganshiling Project (3 sq. km.) and Shunyi Beishicao Town Project (1.7 sq. km).

It is expected that the direction of the austerity measures will remain unchanged in 2012. Property developers will therefore have limited appetite for land, increasing the possibility of a downward trend of land prices. The Group will actively seize opportunities to acquire low-cost land in accordance with its own development strategies. In January 2012, the Group successfully obtained Changyang Plot 4 in Fangshan District of Beijing, with a GFA of 200,000 sq. m., which will further consolidating the Group's dominant position in Fangshan Region. In February 2012, the Group successfully obtained Huzhou Renhuangshan Project, with a total GFA of 150,000 sq. m., in the open market. This is the Group's second project in Huzhou, and it further increases the Group's business proportion in the third to fourth-tier cities which are not affected by the home buying restriction policy. Since 2012, the Group has had new land bank of a total GFA of 350,000 sq. m., with a total saleable GFA of 290,000 sq. m.

Human Resources

As at 31 December 2011, the Group had a professional team of 1,068 staff with an average age of 32. In terms of education level, about 11.8% and 67.5% of the employees received master's degree or above and undergraduate respectively. Of the total number of staff, employees at the middle level accounted for 26.2% and those at senior level accounted for 3.9%.

In 2011, the Group developed its human resources strategy in order to continuously enhance the value of human capital. To tie in with the needs of business diversification and scale expansion, the Group actively carried out the reform of its control and management systems, further improved the incentive mechanism, and strengthened the recruitment and training of personnel for key positions within the Group. As at 31 December 2011, the Group provided management skill training to management at all levels and offered a series of professional and technical training programs with total training hours and per capita training reaching 22,373 hours and 21 hours respectively. The Group was awarded "2011 China Top 100 Human Resources Management Enterprise" in the year, in view of its efforts in enhancing staff quality, innovation and application of management tools, brand recognition of the Group as a caring employer in the market, and its industry-leading integrated human resources management.

MANAGEMENT DISCUSSION AND ANALYSIS

Prospects

Looking ahead, the property development industry will continue to play a significant role in the long-term development of China's economy, faced with both opportunities and challenges. On one hand, the position of the property industry as a pillar will be further strengthened under the economic environment led by domestic demand. On the other hand, the industry has entered a phase of comprehensive transformation and differentiation, and the inherent rapid growth was ended. The pace of industry optimization and upgrading is accelerated and motivation of innovation development is enhanced due to the continuous austerity measures, and the demand for more integrated and diversified products is evident.

As such, the Group will continue to adopt the following strategies in 2012:

- Pursue the strategy of "high turnover rate and high sale-through rate" by responding proactively to the changing market. The Group will increase the scale of sales through enlarging the proportion of hot-selling products and adopting flexible pricing and promotional strategies

- Achieve a balanced development along the three core business lines, including consolidating the business of traditional residential development, expanding the business of primary land development and steadily advancing the Outlets business, in order to create a long-term stable income portfolio. The Group will also enhance the embedding of emerging industries, such as retirement, education and tourism, into its projects in large regions strategically

- Expand moderately, on the premise of a healthy financial position, and continue to strengthen synergies with the infrastructure business of its parent group and obtain high-quality land resources at low cost through various channels such as pre-applications, primary and secondary land development, and mergers and acquisitions

- Continue to explore innovative financing channels, actively explore co-operations with strategic partners with financial advantages, such as strategic investors, government guidance funds, banks and insurance funds, and diversified financing channels such as real estate investment fund, and share equity and debt financing in domestic and international markets, so as to speed up the transformation of the enterprise from an "asset-focus model" to a "asset-light model"

FINANCIAL ANALYSIS

1. Change in accounting standard

Pursuant to the "Consultation Conclusion on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" issued by the Stock Exchange of Hong Kong Limited in December 2010, Mainland incorporated issuers are allowed to prepare financial statements in accordance with China Accounting Standards for Business Enterprises ("CAS").

The net assets as at 31 December 2010 of the Group prepared in accordance with Hong Kong Accounting Standard ("HKAS") are RMB7,669,514,000 and the net assets prepared in accordance with CAS are RMB7,629,946,000 and the difference is RMB39,568,000. The different measurement for investment properties held by associates leads to the above GAAP difference. Under HKAS and CAS, the Group adopted the fair value model and cost model respectively. There is no difference in net profit for the year ended 31 December 2010 which is prepared by both standards.

The financial statement of the Group for the year 2011, including the comparative figures of the previous year, was prepared according to China Accounting Standard and has been stated and disclosed in accordance with Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The financial statement has been prepared in both Chinese and English. For any discrepancies, the Chinese version shall prevail.

2. Revenue and Operating Results

During the year 2011, the turnover of the Group was approximately RMB7,523,321,000 (2010: RMB6,493,795,000), representing an increase of 16% from the year 2010. Such increase in turnover was attributable to the increase in projects completed and occupied during the year, which included Tianjin Fortune City and Wuxi Joyous House.

During the year 2011, the Group achieved a gross margin after business tax of 33%, which remained at a similar level when comparing with 35% in 2010.

During the year 2011, the operating profit of the Group was approximately RMB1,626,434,000 (2010: RMB1,410,851,000), representing an increase of approximately 15% from the year 2010.

3. 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 31 December 2011, the Group's total assets were RMB37,711,118,000 (2010: RMB30,513,787,000) and non-current assets were RMB4,766,943,000 (2010: RMB3,591,357,000) and the total liabilities were RMB29,482,884,000 (2010: RMB22,883,841,000) (of which, current liabilities were RMB21,205,573,000 (2010: RMB15,270,411,000) and non-current liabilities were RMB8,277,311,000 (2010: RMB7,613,430,000), and shareholder's equity reached RMB8,228,234,000 (2010: RMB7,629,946,000).

The Group is of sound liquidity and solvency. Current ratio of the Group as at 31 December 2011 was 1.55 (2010: 1.76).

As at 31 December 2011, the Group's cash and cash equivalents amounted to RMB8,352,243,000 (2010: RMB8,460,068,000), which represented sufficient cash flow for operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Bank borrowings and bond of the Group as at 31 December 2011 amounted to RMB12,975,783,000 (2010: RMB9,771,502,000), of which the long-term borrowings and bond amounted to RMB8,134,261,000 (2010: RMB7,468,391,000), which were mainly used to meet the capital requirements of the Group's property development projects.

The Group currently only makes investments in China. As at 31 December 2011, US$46,600,000 (approximately RMB293,427,000) of the Group's bank borrowings came from Hong Kong and shall be repayable in U.S. Dollars. Most of the Group's long-term bank borrowings are granted on a floating rate basis.

As at 31 December 2011, the Company's net gearing ratio was 82% (31 December 2010: 26%). 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.

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

During the year, by acquiring shareholders' equity, the Group held 100% equity interests in Beijing Xinbocheng Real Estate Development Co., Ltd.（北京新博城房地產開發有限公司）.

During the year, by acquiring shareholders' equity in AG Wuxi Residential SRL（安高無錫住宅有限公司）, the Group held 40% equity interests in Jiangsu Capital Real Estate Development Limited. Upon acquisition, the Group held 100% equity interest in AG Wuxi Residential SRL（安高無錫住宅有限公司）and Jiangsu Capital Real Estate Development Limited（江蘇首創置業有限公司）.

During the year, the Group signed an equity interests transfer agreement with Yang Guang Co., Ltd.（陽光新業地產股份有限公司）, pursuant to which the Group obtained 100% equity interest in Qingdao Qianqianshu Properties Company Limited（青島千千樹置業有限公司）, Yantai Yuangguang Lizhen Real Estate Development Company Limited（煙台陽光驪臻房地產開發有限公司）, Yantai Yangguang Xinye Real Estate Development Company Limited（煙台陽光新業房地產開發有限公司）, Yantai Yuangguang Lidu Real Estate Development Company Limited（煙台陽光驪都房地產開發有限公司）and Qingdao Yangguang Binhai Properties Company Limited（青島陽光濱海置業有限公司）.

During the year, the Group jointly established a joint venture company, BCL Jiaming New Town Investment and Development Ltd.（首創嘉銘新城鎮投資發展有限公司）, with Beijing Jiaming Real Estate Development Ltd.（北京嘉銘房地產開發有限責任公司）Both parties held 50% equity interest in BCL Jiaming（首創嘉銘）respectively.

Capital Tianshun Infrastructure Investment Co., Ltd.（首創天順基礎設施投資有限公司）, a subsidiary of the Group, was incorporated in the year, and 100% of its equity interest were held by the Group.

Qingdao Xinli Weiye Real Estate Development Company Limited（青島信立偉業房地產開發有限公司）, a subsidiary of the Group, was incorporated in the year, and 100% of its equity interest were held by the Group.

Tianjin Yongyuan Investment Company Limited（天津永元投資有限公司）, a subsidiary of the Group, was incorporated in the year, and 100% of its equity interest were held by the Group.

Jiangyin Yuyue Properties and Development Company Limited（江陰敔悅置業有限公司）, a subsidiary of the Group, was incorporated in the year, and 100% of its equity interest were held by the Group.

During the year, Guangdong Shouxin Xinnong Investment and Development Ltd.（廣東首信新農投資發展有限公司）, Beijing Century Yinghua Retail Management Ltd.（北京世紀英華商業管理有限公司）and the Group has acquired 100% equity interest in Beijing Outlet Innovation Retail Management Ltd.（北京奧萊創新商業管理有限公司）and make a capital contribution in accordance with its respective interest. After that, the Group has 38% equity interest in Beijing Outlet Innovation Retail Management Ltd.（北京奧萊創新商業管理有限公司）.

5. Entrusted Deposits and Overdue Time Deposits

As at 31 December 2011, the Group did not have any deposits under trusts in financial institutions in the PRC and Hong Kong. All of the Group's cash was held in commercial banks in the PRC and Hong Kong in accordance with applicable laws and regulations. The Group has no bank deposits which are not recoverable upon maturity.

6. Secured Borrowings

As at 31 December 2011, bank borrowings of RMB2,550,000,000 (2010: RMB3,550,000,000) 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 31 December 2011, bank borrowings of RMB4,188,880,000 (2010: RMB2,211,560,000) were secured by certain properties under development.

As at 31 December 2011, bank borrowings of RMB393,234,000 (2010: RMB240,000,000) were secured by the hotel properties and the land use rights.

As at 31 December 2011, bank borrowings of RMB100,000,000 (2010: nil) were secured by bank deposit of RMB100,000,000 as temporary guaranty, which has been exchanged with land use rights under development costs of the subsidiaries of the Company in February 2012.

As at 31 December 2011, bank borrowings of RMB360,193,000 (2010: nil) were secured by the guarantee provided by the Group for its subsidiaries.

As at 31 December 2011, bank borrowings of RMB155,000,000 (2010: nil) were secured by the Group by primary land development rights and its corresponding equity and income right interest.

As at 31 December 2011, bank borrowings of RMB30,000,000 (2010: nil) were credit loan obtained by the Group.

As at 31 December 2011, trust loans of RMB500,000,000 (2010: RMB700,000,000) were secured by the receivables of the Company due from subsidiaries, and guaranteed by the Company; the trust loans of RMB825,000,000 (2010: RMB825,000,000) were secured by the equity of a subsidiary, trust loan of RMB800,000,000 (2010: RMB750,000,000) were secured by certain properties held for sale by the Group; trust loan of RMB400,000,000 (2010: nil) were secured by certain investment properties held by the Group. Trust loans of RMB282,620,000 (2010: RMB282,620,000) were guaranteed by a third party; the trust loans of RMB50,000,000 (2010: nil) were trust loans guaranteed by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

7. Corporate Bonds

As at 31 December 2011, there was no early redemption of the corporate bond of RMB2,134,974,000 in value which was issued by the Company, of which the 3-year bond of RMB1,150,000,000 at a coupon rate of 4.75% per year issued by BECL Investment Holding Limited in February 2011 was guaranteed by the Group.

8. Contingent Liabilities

The Group had arranged bank facilities for certain purchasers of its properties and provided guarantees to secure the repayment obligations of such purchasers. The outstanding balances of guarantees amounted to RMB3,028,311,000 as at 31 December 2011 (2010: RMB2,973,167,000).

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.

As at 31 December 2011, other than guarantees provided for long term bank borrowings of RMB910,193,000 (2010: RMB700,000,000) and guarantee provided for BECL Investment Holding Limited, a subsidiary, for the issuance of corporate bond of RMB1,150,000,000, the Group had no other material external guarantee.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The third session of the Board of Directors ends on 4 December 2011 and the fourth session of the Board of Directors took effect on 5 December 2011 for a term of three years.

CHAIRMAN

Liu Xiaoguang (劉曉光), aged 57, 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 The Capital Group since 1995. Prior to his appointment with The 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. Mr. Liu has also served as the Executive Director of New Environmental Energy Holdings Limited (Stock Code: 3989) since 2011. Currently, Mr. Liu is the visiting lecturer at Beijing Institute of Business and Beijing Jiaotong University. Mr. Liu obtained his Bachelor of Economics degree from the Beijing Institute of Commerce in 1982.

EXECUTIVE DIRECTORS

Tang Jun (唐軍), aged 52, 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. Mr. Tang is also served as Chairman of Yang Guang Co., Ltd. (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 57, was appointed as the executive Director of the Company in December 2008. 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 was appointed as the vice-president of the Company in December 2002. 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.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Feng Chunqin (馮春勤), aged 59, has been appointed as a non-executive Director since December 2005. Mr. Feng has been serving as the deputy general manager of The Capital Group since June 2001 and becomes the Chairman of The Capital Group since December 2008. Mr. Feng has served as the vice-chairman of Beijing Capital Co., Ltd. (Stock Code: 600008) since November 2008. Prior to his appointment with The 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.

Cao Guijie (曹桂杰), aged 59, 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 The Capital Group since 1996. Prior to her appointment with The 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 served as the vice-chairperson of Beijing Capital Co., Ltd. (Stock Code: 600008) from December 2008 to April 2010 and has acted as the chairperson of the Supervisor Committee since April 2010. Ms. Cao was a postgraduate student in Money and Banking in the Chinese Academy of Social Sciences in 1996.

Zhang Shengli (張勝利), aged 48, had worked in the Planning Office and the Foreign Economic Cooperation Office of Beijing Material Bureau, and the Production Balance Office of Beijing Planning Commission from 1985 to 1993. From 1993 to 1996, Mr. Zhang had served as a manager of the Operation Department in Beijing International Power Development and Investment Company and a general manger of Beijing Material & Power Company. Mr. Zhang joined The Capital Group in January 1996, and he has served as the general manger of Beijing Production Materials Trading Company and Beijing Tengfei Technology Investment and Development Corporation, director and deputy general manager of Beijing Capital Group Trading Co. Ltd., and the chairman of the industry restructuring office of The Capital Group. Mr. Zhang has served as general manager of the department of operation management of The Capital Group since May 2010. Mr. Zhang obtained his bachelor degree in material management from Capital University of Economics and Business in 1985. He was a postgraduate student majoring Economics in the Graduate School of the Chinese Academy of Social Sciences from 1997 to 1999 and obtained the MBA degree from Guanghua School of Management of Peking University in 2004.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Zhaojie（李兆杰）, aged 56, 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. 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 since 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 47, 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) from 2006 to 2010. Mr. Ng is an independent non-executive director of 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). Since March 2010, Mr. Ng served as the Executive Director and Chief Financial Officer of China NT Pharma Group Company Limited (Stock Code: 1011) 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 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.

Wang Hong（王洪）, aged 47, has been appointed as an independent non-executive Director since December 2011. Mr. Wang is an associate professor of School of Economics and Management of Tsinghua University, a fellow and eminent member of the Royal Institution of Chartered Surveyors, a member of American Urban Land Institute, and a member of the experts' committee of China Institute of Real Estate Appraisers and Agents. From 1994 to 1996, Mr. Wang was a lecturer at National University of Singapore. From 1997 to 2000, Mr. Wang was the Group Property Manager of Global Operational Center (Singapore) of The East Asiatic Company Ltd. From 2000 to 2002, Mr. Wang was an associate Professor of Institute of Real Estate Studies, School of Civil Engineering, Tsinghua University. Since 2002, Mr. Wang has been an associate professor of School of Economics and Management of Tsinghua University. From December 2009 to June 2011, Mr. Wang was an independent non-executive director of Shenzhen Capstone Industrial Co., Ltd. (Stock code: 000038). Mr. Wang obtained his Bachelor degree in architecture from Tianjin University in 1985, Master degree in architectural design from Tsinghua University in 1989, and Master degree in real estate development from Massachusetts Institute of Technology (MIT) in 1993.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

Liu Yongzheng（劉永政）, aged 43, has been appointed as a supervisor since December, 2011, he worked as a teacher at the Social Science Faculty of Beijing Institute of Meteorology from 1990 to 1993. From 1993 through 2003, Mr. Liu had worked as a lawyer at Zhong Lun Law Firm, Li Wen Law Firm and J&J Law Firm in Beijing. Mr. Liu joined The Capital Group in August 2003, he served as the deputy general manager of audit and legal department, general manager of legal department and the General Counsel of The Capital Group. Mr. Liu has served as the general manager of the legal department, and the vice general manager as well as the General Counsel of The Capital Group since September 2011. Mr. Liu obtained the bachelor degree in Economic Law from Renmin University of China in 1990, and the Master of Laws degree from Temple University of the United States in 2001.

Fan Shubin（范書斌）, aged 42, has been appointed as a supervisor since December, 2011, he served as the head of the accounting department of China Nonferrous Metals Industry Technology Development Company Limited from May 1992 to February 1995. He served as the manager of the financial department of China Rare Earth Development Company from March 1995 to April 2002. He served as the general manager of the financial management department of Beijing Capital Co., Ltd. (stock code: 600008) from May 2002 to January 2010. He joined The Capital Group in February 2010 and has served as the deputy general manager of the planning and financial department. He obtained a Bachelor's Degree in accounting of industrial enterprises from North China University of Technology in 1991 and a MBA degree from Guanghua School of Management, Peking University in 2000.

Jiang Hebin（蔣和斌）, aged 41, has been appointed as a supervisor since December, 2011, he served as a project budget engineer of Beijing Central Iron & Steel Research Institute, a senior supervisor of the planning and consultation department of China Energy Conservation Investment Corporation, and a budget engineer of Beijing Sunshine Real Estate Development Comprehensive Development Company from 1993 to 2002. He joined the Company in December 2002 and served as a tendering supervisor of the department of operation management, a contractual budget manager, assistant to general manager and deputy general manager of Beijing Anhua Shiji Real Estate Development Company Limited, and a senior professional manager and the general manager of the cost control center subsequently. Mr. Jiang has served as the general manager of the risk control center of the Company since January 2011. Mr. Jiang obtained the bachelor degree in works pricing management from Jiangxi University of Science and Technology in 1993 and obtained the master degree in management science and engineering from the Graduate University of Chinese Academy of Sciences in 2007.

SECRETARY OF THE BOARD OF DIRECTORS

Hu Weimin（胡衛民）, aged 47, was appointed secretary of the Board of Directors in August 2007 and was appointed as a vice president of the Company in December 2008. 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.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Lee Sing Yeung, Simon (李聲揚), aged 43, was appointed as the Company Secretary of the Company in April 2008. Mr. Lee is a fellow of both The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants and an associate member of both the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Mr. Lee 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 and master degree of corporate governance from the Hong Kong Polytechnic University.

SENIOR MANAGEMENT

Sun Baojie (孫寶杰), aged 41, 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 Shiji/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.

Zhang Fuxiang (張馥香), aged 50, 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 Yang Guang Co., Ltd. (Stock Code: 000608) and Beijing Sunshine Real Estate Comprehensive Development Company respectively and as supervisor of Yang Guang Co., Ltd. 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.

Luo Jun (羅俊), aged 39, was appointed as the vice president of the Company in December 2011. He was appointed as the chief financial officer of the Company in February 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.

Zhong Beichen (鍾北辰), aged 38, was appointed as the vice president of the Company in December 2011. He has served as an architect of the Planning and Design Institute of the Department of Light Industry of the PRC from July 1996 to May 2000. He joined the Company in June 2000 and served as a architect of Beijing Sunshine Real Estate Comprehensive Development Company and the deputy general manager of Beijing Anhua Shiji Real Estate Development Co., Ltd./Beijing Sunshine City Real Estate Development Co., Ltd. Mr. Zhong served as the general manager of the Product R&D Centre of the Company from January 2008. Since September 2011, Mr. Zhong served as an assistant president and general manager of the Commercial Property Development Department of the Company. Mr. Zhong graduated from Xiamen University and obtained his Bachelor's Degree in Architecture 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 31 December 2011.

PRINCIPAL ACTIVITIES

The Group is principally engaged in real estate development and investment, hotel operation and property consulting services and investment holding.

RESULTS

The results of the Group for the year ended 31 December 2011, prepared in accordance with China Accounting Standards for Business Enterprises and its financial position as at the same date are set out on pages 78 to 85 of the annual report.

DIVIDENDS

At a Board meeting held on 19 March 2012, the directors proposed a final dividend of RMB0.19 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 approximately RMB385,312,000. 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 31 December 2011.

OTHER RESERVES

Details of movements of other reserves of the Group and the Company during the year are set out in note 5(27), 5(28) and 12(16) 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 11.73% of goods and services from its five largest suppliers and sold less than 6.42% of its goods and services to its five largest customers. The Group's revenue from the largest customer accounted for less than 5.31% 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.

FIXED ASSETS

Details of the movement of fixed assets of the Group during the year are set out in note 5(10) 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 27 September 2007, the Company had adopted the long term incentive fund scheme (the "Scheme") which was subsequently amended on 25 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 31 December 2011, the Scheme had through the trustee purchased 11,100,000 H shares, representing 1.09% of H shares and 0.55% of the entire issued share capital of the Company. Up to the date of this report, 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
Mr. Zhang Shengli (appointed on 5 December 2011)
Ms. Zhu Min (retired on 4 December 2011)

Independent Non-executive Directors
Mr. Li Zhaojie
Mr. Ng Yuk Keung
Mr. Wang Hong (appointed on 5 December 2011)
Mr. Ke Jianmin (retired on 4 December 2011)

Supervisors
Mr. Liu Yongzheng (appointed on 5 December 2011)
Mr. Fan Shubin (appointed on 5 December 2011)
Mr. Jiang Hebin (appointed on 5 December 2011)
Mr. Yu Changjian (retired on 4 December 2011)
Mr. Wang Qi (retired on 4 December 2011)
Mr. Wei Jianping (retired on 4 December 2011)

The biographical details of directors, supervisors and senior management are set out on pages 51 to 55 of the annual report.

DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of directors' and supervisors' emoluments are set out in note 7(5)j 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 31 December 2011, 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").

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the changes in information of directors of the Company subsequent to the date of the 2011 Interim Report is set out below:

Mr. Ng Yuk Keung, an independent non-executive director of the Company has ceased to be an independent non-executive director of Xinjiang Xinxin Mining Industry Co. Ltd. (Stock Code: 3833) in October 2011.

SHARE CAPITAL

As at 31 December 2011, 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%

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2011, 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 (%)			Approximate percentages in total issued share capital (%)		
			Direct interests	Indirect interests	Aggregate interests	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
	32,436,000 (1)	H Shares	–	3.22 (long position)	3.22	–	1.60 (long position)	1.60
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
	32,436,000 (2)	H Shares	–	3.22 (long position)	3.22	–	1.60 (long position)	1.60
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
	32,436,000 (3)	H Shares	–	3.22 (long position)	3.22	–	1.60 (long position)	1.60
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
	32,436,000	H Shares	3.22 (long position)	–	3.22	1.60 (long position)	–	1.60
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
Chung Pok Ying	82,762,100 (5)	Non-listed Shares	–	8.22 (long position)	8.22	–	4.08 (long position)	4.08

DIRECTORS' REPORT

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
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
Templeton Asset Management Limited	92,176,000	H Shares	9.03 (long position)	–	9.03	4.55 (long position)	–	4.55
The Hamon Investment Group Pte Limited	81,199,000 [9]	H Shares	–	7.95 (long position)	7.95	–	4.00 (long position)	4.00
The Deryfus Corporation	59,892,000	H Shares	5.87 (long position)	–	5.87	2.95 (long position)	–	2.95

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. 32,436,000 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. 32,436,000 H Shares are deemed corporate interests under the SFO indirectly held through China Resource Products Limited.

3. 275,236,200 non-listed Shares and 32,436,000 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.

DIRECTORS' REPORT

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. 81,199,000 Shares are deemed corporate interests under the SFO indirectly held through Hamon Asset Management Limited, Hamon Asians 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 31 December 2011, 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 31 December 2011, the Group had no Designated Deposit and Due Fixed Deposit.

EMPLOYEES

As at 31 December 2011, the Group had 1,068 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 10 June 2003. As at 31 December 2011, 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 31 August 2007 and in the Amended Draft Long Term Incentive Fund Scheme of the Company dated 7 September 2007 and passed in the Extraordinary General Meeting held on 27 September 2007, The Long Term Incentive fund Scheme has further amended in 2009, details of which have been laid out in the Circular dated 4 September 2009 and approved in the Extraordinary General Meeting held on 25 September 2009.

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 7(4) to the consolidated financial statements.

LONG-TERM BORROWINGS

Details of the long-term borrowings of the Group are set out in note 5(23) 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 significant subsidiaries are set out in note 4(1) to the consolidated financial statements.

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.

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.

CANCELLATION OF THE PREPARATION OF FINANCIAL STATEMENTS USING HONG KONG FINANCIAL REPORTING STANDARDS

According to the *Consultation Conclusions of Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong* which was published by the Stock Exchange in December 2010, the Mainland incorporated companies listed in Hong Kong are allowed to prepare financial statements in accordance with the CAS and to be audited by Mainland China audit firms which are approved by the Ministry of Finance of PRC and the China Securities Regulatory Commission.

AUDITORS

The consolidated financial statements for the years ended 31 December 2007 to 2010 were audited by PricewaterhouseCoopers. As disclosed in the announcement of the Company dated 28 March 2011, the Board proposed not to appoint PricewaterhouseCoopers as the auditors and appoint PricewaterhouseCoopers Zhong Tian CPAs Limited Company as auditors of the Company, the proposal was approved by the shareholders in the AGM dated 9 May 2011.

The financial statements have been audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company, who retire and being eligible, offer themselves for reappointment. A resolution reappointing PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the auditors of the Company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Liu Xiaoguang
Chairman

Hong Kong, 19 March 2012

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 31 December 2011.

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 55 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 four physical Board meetings during the year ended 31 December 2011. 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 2011:

	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
Mr. Zhang Shengli (appointed on 5 December 2011)	1/1
Ms. Zhu Min (retired on 4 December 2011)	3/3
Independent Non-executive Directors	
Mr. Li Zhaojie	4/4
Mr. Ng Yuk Keung	4/4
Mr. Wang Hong (appointed on 5 December 2011)	1/1
Mr. Ke Jianmin (retired on 4 December 2011)	3/3

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.

CORPORATE GOVERNANCE REPORT

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 31 December 2011, 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 31 December 2011, the Board at all times complied the minimum requirements of the Listing Rules relating to the appointment of at least one-third of 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.

CORPORATE GOVERNANCE REPORT

The interests in the Company's securities held by Directors as at 31 December 2011 are disclosed in the Directors' Report on page 60 and 61 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 independence pursuant to rule 3.13 of the Listing Rules and the Company considers the independent non-executive directors to be independent.

According to the Company's articles of association, the term of office for the Directors is three years and can be re-elected. The third session of the Board of Directors was ended on 4 December 2011, while the fourth session of the Board of Directors (including non-executive directors) was formed on 5 December 2011 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. Wang Hong. 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.

CORPORATE GOVERNANCE REPORT

- 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.

During the year under review, the Audit Committee held a total of two meetings. In the meetings, the Audit Committee reviewed the financial statements for the year ended 31 December 2010 and for the six months ended 30 June 2011, 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 2011:

	Number of Attendance/ Number of Meeting
Mr. Ng Yuk Keung	2/2
Mr. Li Zhaojie	2/2
Mr. Wang Hong (appointed on 5 December 2011)	Not applicable
Mr. Ke Jianmin (retired on 4 December 2011)	2/2

The Group's results for the year ended 31 December 2011 have been reviewed by the Audit Committee with a recommendation to the Board for approval.

CORPORATE GOVERNANCE REPORT

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 Independent Non-executive Directors. It is chaired by Mr. Liu Xiaoguang with two other members, namely, Mr. Li Zhaojie and Mr. Ng Yuk Keung. During the year under review, the Nomination Committee held three meetings for annual review of the current Board structure, assessment of the independence of independent non-executive directors, assessment of the candidates for the new session's directors, supervisors, President, Secretary of the Board, Company Secretary, and making recommendation to the board.

Attendance of individual members at Nomination Committee meeting in 2011:

	Number of Attendance/ Number of Meeting
Mr. Liu Xiaoguang	3/3
Mr. Li Zhaojie	3/3
Mr. Ng Yuk Keung (appointed on 5 December 2011)	1/1
Mr. Ke Jianmin (retired on 4 December 2011)	2/2

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 Mr. Li Zhaojie with two other members, namely, Ms. Cao Guijie and Mr. Ng Yuk Keung. During the year under review, the Remuneration Committee held two meetings to review the Long Term Incentive Fund Scheme and relevant matters, review the Group's remuneration policy for directors, supervisors, senior executives, and making recommendation to the board.

Attendance of individual members at Remuneration Committee meeting in 2011:

	Number of Attendance/ Number of Meeting
Mr. Li ZhaoJie	2/2
Ms. Gao Guijie	2/2
Mr. Ng Yuk Keung (appointed on 5 December 2011)	1/1
Mr. Ke Jianmin (retired on 4 December 2011)	1/1

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

(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. Wang Hong 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 31 December 2011. 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 Group's external auditors. The recommendation will be put forward for the approval of shareholders at the Annual General Meeting to be held on 26 April 2012.

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 Zhong Tian CPAs Limited Company for providing audit and audit related services for the year ended 31 December 2011 amounted to RMB7,000,000 (of which RMB5,200,000 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 31 December 2011 amounted to RMB1,550,000.

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.

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.

CORPORATE GOVERNANCE REPORT

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 31 December 2011, the Group participated in the following activities:

- 283 one-on-one investor meetings
- 13 corporate conferences
- 3 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, 19 March 2012

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the year ended 31 December 2011, 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 Accounting Standards for Business Enterprises 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 2011 and has great confidence in the future of the Company.

By order of the Supervisory Committee

Liu Yongzheng
Chairman

Beijing, the PRC, 19 March 2012

AUDITOR'S REPORT

To the Shareholders of Beijing Capital Land Ltd.,

We have audited the accompanying financial statements of Beijing Capital Land Ltd. (hereinafter "The Company"), which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated and company income statements, the consolidated and company statements of changes in equity and the consolidated and company cash flow statements for the year then ended, and the notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 management, as well as evaluating the overall presentation of the 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 accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of the Company as at 31 December 2011, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company
Shanghai, the People's Republic of China

19 March 2012

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at 31 December 2011 (All amounts in thousands of units of RMB unless otherwise stated)

ASSETS	Note	31 December 2011 Consolidated	31 December 2010 Consolidated	31 December 2011 Company	31 December 2010 Company
Current assets					
Cash at bank and on hand	5(1);12(1)	**8,352,243**	8,460,068	**1,366,081**	2,795,108
Accounts receivable	5(2)(a);12(2)(a)	**139,987**	385,364	**160**	160
Advances to suppliers	5(3)	**231,596**	989,824	**11,100**	554
Dividends receivable	5(4);12(4)	**71,032**	283,606	**12,400**	207,202
Other receivables	5(2)(b);12(2)(b)	**769,031**	782,026	**13,827,716**	5,793,910
Inventories	5(5);12(3)	**22,568,908**	15,378,261	**44,076**	46,137
Other current assets	5(6)	**811,378**	643,281	**–**	–
Total current assets		**32,944,175**	26,922,430	**15,261,533**	8,843,071
Non-current assets					
Available-for-sale financial assets	5(7);12(5)	**112,480**	140,615	**73,961**	140,610
Long-term receivables	5(12);12(6)	**824,167**	395,453	**404,597**	148,914
Long-term equity investments	5(8);12(7)	**1,627,197**	1,419,389	**2,811,874**	6,241,069
Investment properties	5(9);12(8)	**1,296,468**	893,890	**1,958**	–
Fixed assets	5(10);12(9)	**500,916**	529,355	**71,295**	74,080
Intangible assets	5(11)	**42,697**	43,743	**–**	–
Long-term prepaid expenses		**1,335**	–	**–**	–
Deferred tax assets	5(25)(c);12(14)(c)	**188,913**	168,912	**40,986**	12,757
Other non-current assets	5(13)	**172,770**	–	**–**	–
Total non-current assets		**4,766,943**	3,591,357	**3,404,671**	6,617,430
TOTAL ASSETS		**37,711,118**	30,513,787	**18,666,204**	15,460,501
LIABILITIES AND OWNERS' EQUITY					
Current liabilities					
Short-term borrowings	5(15);12(11)	**1,260,000**	750,000	**–**	750,000
Accounts payable	5(16);12(10)	**2,813,588**	2,014,310	**10,783**	10,783
Advances from customers	5(17)	**7,768,754**	7,336,834	**1,625**	807
Employee benefits payable	5(18)	**121,355**	104,739	**89,344**	82,389
Taxes payable	5(19);12(15)	**1,740,933**	1,406,485	**40,914**	12,643
Interest payable		**132,724**	104,182	**24,144**	24,938
Dividends payable	5(20)	**884,747**	947,049	**64,521**	–
Other payables	5(21);12(12)	**2,901,950**	1,053,701	**8,642,050**	5,146,210
Current portion of non-current liabilities	5(22)	**3,581,522**	1,553,111	**1,502,000**	1,200,000
Total current liabilities		**21,205,573**	15,270,411	**10,375,381**	7,227,770

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at 31 December 2011 (All amounts in thousands of units of RMB unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY	Note	31 December 2011 Consolidated	31 December 2010 Consolidated	31 December 2011 Company	31 December 2010 Company
Non-current liabilities					
Long-term borrowings	5(23);12(13)	**5,999,287**	6,479,180	**1,678,000**	3,050,000
Debentures payable	5(24)	**2,134,974**	989,211	**991,872**	989,211
Deferred tax liabilities	5(25)(c);12(14)(c)	**143,050**	145,039	**–**	–
Total non-current liabilities		**8,277,311**	7,613,430	**2,669,872**	4,039,211
Total liabilities		**29,482,884**	22,883,841	**13,045,253**	11,266,981
Owners' equity					
Paid-in capital	5(26)	**2,027,960**	2,027,960	**2,027,960**	2,027,960
Capital surplus	5(27);12(16)	**1,081,696**	1,233,985	**1,303,865**	1,353,372
Surplus reserve	5(28)	**330,231**	146,034	**330,231**	146,034
Undistributed profits	5(29)	**2,224,879**	1,819,047	**1,958,895**	666,154
Difference on translation of foreign currency financial statements		**2,638**	(661)	**–**	–
Total equity attributable to equity holders of the Company		**5,667,404**	5,226,365	**5,620,951**	4,193,520
Non-controlling interest	5(30)	**2,560,830**	2,403,581	**–**	–
Total owners' equity		**8,228,234**	7,629,946	**5,620,591**	4,193,520
TOTAL LIABILITIES AND OWNERS' EQUITY		**37,711,118**	30,513,787	**18,666,204**	15,460,501

The accompanying notes form an integral part of these financial statements.

Legal representative: Person in charge of accounting: Head of accounting department:

CONSOLIDATED AND COMPANY INCOME STATEMENTS

For the year ended 31 December 2011 (All amounts in thousands of units of RMB unless otherwise stated)

Item	Note	Year ended 31 December 2011 Consolidated	Year ended 31 December 2010 Consolidated	Year ended 31 December 2011 Company	Year ended 31 December 2010 Company
Revenue	5(31);12(17)	**7,523,321**	6,493,795	**130,047**	220,300
Less: Cost of sales	5(31);12(17)	**(4,614,417)**	(3,897,360)	**(103)**	(6,018)
Taxes and surcharges	5(32)	**(816,782)**	(832,907)	**(25,454)**	(21,518)
Selling and distribution expenses		**(244,366)**	(183,198)	**–**	(140)
General and administrative expenses		**(292,295)**	(175,280)	**(198,074)**	(127,555)
Financial expenses – net	5(33);12(18)	**(18,214)**	(36,650)	**63,688**	(103,342)
Asset impairment losses	5(34)	**(9,104)**	(1,203)	**–**	–
Add: Investment income	5(35);12(19)	**98,291**	43,654	**1,868,864**	430,250
Including: Share of profit/(loss) of associates and joint ventures		**96,973**	(4,551)	**12,769**	5,137
Operating profit		**1,626,434**	1,410,851	**1,838,968**	391,977
Add: Non-operating income		**13,681**	28,838	**10,000**	–
Less: Non-operating expenses		**(4,224)**	(3,533)	**(200)**	(1,045)
Including: Losses on disposal of non-current assets		**(54)**	(991)	**–**	–
Total profit		**1,635,891**	1,436,156	**1,848,768**	390,932
Less: Income tax expenses	5(37);12(20)	**(455,852)**	(375,231)	**(6,797)**	9,634
Net profit		**1,180,039**	1,060,925	**1,841,971**	400,566
Attributable to equity holders of the Company		**955,062**	918,155	**N/A**	N/A
Non-controlling interest		**224,977**	142,770	**N/A**	N/A
Earnings per share for profit attributable to the equity holders of the Company	5(38)				
– Basic earnings per share (RMB yuan)		**0.47**	0.45	**N/A**	N/A
– Diluted earnings per share (RMB yuan)		**0.47**	0.45	**N/A**	N/A
Other comprehensive income	5(39)	**(46,041)**	(70,214)	**(49,507)**	(39,665)
Total comprehensive income		**1,133,998**	990,711	**1,792,464**	360,901
Attributable to equity holders of the Company		**909,021**	862,885	**N/A**	N/A
Non-controlling interest		**224,977**	127,826	**N/A**	N/A

The accompanying notes form an integral part of these financial statements.

Legal representative: Person in charge of accounting: Head of accounting department:

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2011 (All amounts in thousands of units of RMB unless otherwise stated)

		Attributable to equity holders of the Company						
Item	Note	**Paid-in capital**	**Capital surplus**	**Surplus reserves**	**Undistributed profits**	**Difference on translation of foreign currency financial statements**	**Minority interest**	**Total owners' equity**
Balance at 1 January 2010		2,027,960	1,287,782	105,978	1,164,024	–	2,051,433	6,637,177
Movement for the year ended 31 December 2010		–	(53,797)	40,056	655,023	(661)	352,148	992,769
Net profit		–	–	–	918,155	–	142,770	1,060,925
Other comprehensive income	5(39)	–	(54,609)	–	–	(661)	(14,944)	(70,214)
Capital contribution and withdrawal by owners, including:								
Capital contribution by owners		–	–	–	–	–	115,670	115,670
Others	5(27)	–	812	–	–	–	527,002	527,814
Profit distribution to equity owners	5(29)	–	–	–	(223,076)	–	(418,350)	(641,426)
Appropriation of surplus reserve	5(28)	–	–	40,056	(40,056)	–	–	–
Balance at 31 December 2010		2,027,960	1,233,985	146,034	1,819,047	(661)	2,403,581	7,629,946
Balance at 1 January 2011		2,027,960	1,233,985	146,034	1,819,047	(661)	2,403,581	7,629,946
Movement for the year ended 31 December 2011		–	(152,289)	184,197	405,832	3,299	157,249	598,288
Net profit		–	–	–	955,062	–	224,977	1,180,039
Other comprehensive income	5(39)	–	(49,340)	–	–	3,299	–	(46,041)
Capital contribution and withdrawal by owners, including:								
Capital contribution by owners		–	–	–	–	–	42,226	42,226
Others	5(27)	–	(102,949)	–	–	–	(109,954)	(212,903)
Profit distribution to equity owners	5(29)	–	–	–	(365,033)	–	–	(365,033)
Appropriation of surplus reserve	5(28)	–	–	184,197	(184,197)	–	–	–
Balance at 31 December 2011		**2,027,960**	**1,081,696**	**330,231**	**2,224,879**	**2,638**	**2,560,830**	**8,228,234**

COMPANY STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2011 (All amounts in thousands of units of RMB unless otherwise stated)

Item	Note	Attributable to equity holders of the Company Paid-in capital	Capital surplus	Surplus reserves	Undistributed profits	Total owners' equity
Balance at 1 January 2010		2,027,960	1,393,037	105,978	528,720	4,055,695
Movement for the year ended 31 December 2010		–	(39,665)	40,056	137,434	137,825
Net profit		–	–	–	400,566	400,566
Other comprehensive income		–	(39,665)	–	–	(39,665)
Profit distribution to equity owners	5(29)	–	–	–	(223,076)	(223,076)
Appropriation of surplus reserve	5(28)	–	–	40,056	(40,056)	–
Balance at 31 December 2010		2,027,960	1,353,372	146,034	666,154	4,193,520
Balance at 1 January 2011		2,027,960	1,353,372	146,034	666,154	4,193,520
Movement for the year ended 31 December 2011		–	(49,507)	184,197	1,292,741	1,427,431
Net profit		–	–	–	1,841,971	1,841,971
Other comprehensive income		–	(49,507)	–	–	(49,507)
Profit distribution to equity owners	5(29)	–	–	–	(365,033)	(365,033)
Appropriation of surplus reserve	5(28)	–	–	184,197	(184,197)	–
Balance at 31 December 2011		**2,027,960**	**1,303,865**	**330,231**	**1,958,895**	**5,620,951**

The accompanying notes form an integral part of these financial statements.

Legal representative: Person in charge of accounting: Head of accounting department:

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

For the year ended 31 December 2011 (All amounts in thousands of units of RMB unless otherwise stated)

Item	Note	Year ended 31 December 2011 Consolidated	Year ended 31 December 2010 Consolidated	Year ended 31 December 2011 Company	Year ended 31 December 2010 Company
Cash flows from operating activities					
Cash received from sales of goods or rendering of services		**8,025,451**	8,775,797	**130,865**	206,277
Cash received relating to other operating activities		**548,146**	477,421	**4,276,848**	2,398,448
Sub-total of cash inflows		**8,573,597**	9,253,218	**4,407,713**	2,604,725
Cash paid for goods and services		**(6,691,037)**	(4,472,805)	**(864)**	(8,360)
Cash paid to and on behalf of employees	5(18)	**(317,014)**	(197,901)	**(162,850)**	(92,137)
Payments of taxes and surcharges		**(1,150,566)**	(1,078,931)	**(29,554)**	(13,735)
Cash paid relating to other operating activities		**(845,220)**	(1,938,083)	**(2,930,103)**	(1,438,821)
Sub-total of cash outflows		**(9,003,837)**	(7,687,720)	**(3,123,371)**	(1,553,053)
Net cash flows from operating activities	5(40)(a);12(21)(a)	**(430,240)**	1,565,498	**1,284,342**	1,051,672
Cash flows from investing activities					
Cash received from disposal of investments		**640**	13,591	**640**	13,591
Cash received from returns on investments		**215,852**	35,814	**198,080**	35,814
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**149**	807	**–**	–
Net cash received from disposal of subsidiaries		**–**	24,556	**–**	43,125
Net cash received for purchase of subsidiaries	4(2)	**44,509**	28,549	**–**	–
Cash received relating to other investing activities		**3,634**	–	**364**	–
Sub-total of cash inflows		**264,784**	103,317	**199,084**	92,530
Cash paid to acquire fixed assets, intangible assets and other long-term assets		**(416,323)**	(645,683)	**(3,437)**	(7,082)
Cash paid to acquire investments		**(38,291)**	(188,019)	**(25,010)**	(83,297)
Cash paid to acquire subsidiaries and other business units		**(192,116)**	–	**–**	–
Cash paid relating to other investing activities		**(491,902)**	(44,424)	**(262,290)**	(43,991)
Sub-total of cash outflows		**(1,138,632)**	(878,126)	**(290,737)**	(134,370)
Net cash flows from investing activities		**(873,848)**	(774,809)	**(91,653)**	(41,840)

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

For the year ended 31 December 2011 (All amounts in thousands of units of RMB unless otherwise stated)

Item	Note	Year ended 31 December 2011 Consolidated	Year ended 31 December 2010 Consolidated	Year ended 31 December 2011 Company	Year ended 31 December 2010 Company
Cash flows from financing activities					
Cash received from capital contributions		**2,000**	135,670	**–**	–
Including: Cash received from capital contributions by non-controlling shareholders of subsidiaries		**2,000**	127,000	**–**	–
Cash received from borrowings		**4,036,427**	4,816,415	**130,000**	1,450,000
Cash received from issuance of debentures	5(24)	**1,140,078**	–	**–**	–
Proceeds from partial disposal of interest in subsidiaries		**29,301**	–	**29,301**	–
Sub-total of cash inflows		**5,207,806**	4,952,085	**159,301**	1,450,000
Cash repayments of borrowings		**(2,530,680)**	(1,572,640)	**(1,950,000)**	(309,000)
Cash payments for interest expenses and distribution of dividends and profits		**(1,302,053)**	(619,467)	**(562,960)**	(511,511)
Cash paid to acquire shares in subsidiaries from non-controlling shareholder		**(520,545)**	–	**(369,500)**	–
Sub-total of cash outflows		**(4,353,278)**	(2,192,107)	**(2,882,460)**	(820,511)
Net cash flows from financing activities		**854,528**	2,759,978	**(2,723,159)**	629,489
Effect of foreign exchange rate changes on cash and cash equivalents		**(4,984)**	(595)	**1,443**	179
Net (decrease)/increase in cash	5(40)(b);12(21)(b)	**(454,544)**	3,550,072	**(1,529,027)**	1,639,500
Add: Cash at beginning of year	5(40)(b);12(21)(b)	**8,429,444**	4,879,372	**2,795,108**	1,155,608
Cash at end of year	5(40)(b);12(21)(b)	**7,974,900**	8,429,444	**1,266,081**	2,795,108

The accompanying notes form an integral part of these financial statements.

Legal representative: Person in charge of accounting: Head of accounting department:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

1. GENERAL INFORMATION

Beijing Capital Land Ltd. (the "Company") was established by seven companies on 23 July 2002, namely Beijing Capital Group Ltd. ("Capital Group"), Beijing Sunshine Real Estate Comprehensive Development Company ("Sunshine Comprehensive"), Beijing Capital Sunshine Real Estate Development Co., Ltd. ("Capital Sunshine"), Beijing Capital Technology Investment Co., Ltd. ("Capital Technology"), Beijing Capital Hangyu Economic Development Co., Ltd. (change to "Beijing Capital Development Co., Ltd." afterwards, "Capital Development"), China Resource Products Limited ("China Resource") and Yieldwell International Enterprise Limited ("Yieldwell International") ("the promoters").

The Company was registered on 5 December 2002 in Beijing with total share capital of RMB1,100,000,000 at RMB1 per share. The Company issued 513,300,000 shares on the Main Board of the Stock Exchange of Hong Kong Limited ("H-shares") in June 2003. And 51,330,000 shares were transferred to public by some promoters from state-owned shares and state-owned entities shares.

On 27 January 2005, the Company placing 112,926,000 H-shares (RMB1 per share), of which, 102,660,000 shares were newly issued, and 10,266,000 shares were transferred to public by some promoters from state-owned shares and state-owned entities shares.

On 26 October 2006, the Company placing 343,200,000 H-shares (RMB1 per share), of which, 312,000,000 shares were newly issued, and 31,200,000 shares were transferred to public by some promoters from state-owned shares and state-owned entities shares.

On 30 December 2008, Capital Sunshine, one of the Company's promoters, disposed 14.11% share of the Company to Capital Group. After the transaction, Capital Group directly holds 15.34% interests of the Company.

The parent company and the ultimate parent company of the Company is Capital Group.

The company and its subsidiaries (the "Group") are principally engaged in the real estate development and investment, hotel operation and property consulting services and investment holding, in the People's Republic of China (the "PRC").

These consolidated financial statements were approved for issue by the Board of Directors on 19 March 2012.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1). Basis of preparation

The consolidated financial statements have been prepared in accordance with the Basis Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (herein collectively referred to as "the Accounting Standards for Business Enterprises" or "CAS").

(2). Statement of compliance with the Accounting Standards for Business Enterprises

The consolidated financial statements of the Company for the year 2011 truly and completely present the financial position as of 31 December 2011 and the operating results, cash flows and other information for the year then ended of the Group and the Company in compliance with the Accounting Standards for Business Enterprises.

(3). Accounting year

The accounting year starts on 1 January and ends on 31 December.

(4). Recording currency

The recording currency is Renminbi (RMB).

(5). Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (capital premium). If the capital surplus (capital premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings.

Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(5). Business combinations *(Continued)*

(b) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period.

For a business combination achieved in stages on the separate financial statements, the initial cost shall be the summation of the book value of the previously held interest before the acquisition date and the additional investment cost at the acquisition date. On the consolidated financial statements, the previously held interest is remeasured to fair value at the acquisition date and the a gain or loss is recognised in the income statement. When control is obtained, reserves held in equity that related to the previously held interest would be recycled through profit and loss. 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 in the acquiree, over the fair value of the identifiable net assets acquired is recorded as goodwill.

Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred.

(6). Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(6). Preparation of consolidated financial statements *(Continued)*

All significant inter-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profits and losses for the period not attributable to Company are recognised as non-controlling interests and presented separately in the consolidated financial statements within equity and net profits respectively.

(7). Cash

Cash comprise cash on hand and call deposits with banks.

(8). Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the owners' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented separately in the owners' equity. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(9). Financial instruments

(a) Financial assets

(i) Classification of financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets. The financial assets of the Group are majorly comprised of receivables and available-for-sale financial assets.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition. Available-for-sale financial assets are included in other current assets on the balance sheet if management intends to dispose of them within 12 months of the balance sheet date.

(ii) Recognition and measurement

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument, transaction costs that are attributable to the acquisition of the financial assets are included in their initial recognition amounts.

Available-for-sale financial assets are subsequently measured at fair value, and they are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables are measured at amortised cost using the effective interest method.

Gain or loss arising from change in fair value of available-for-sale financial assets is recognised directly in equity, except for impairment losses and foreign exchange gains and losses arising from translation of monetary financial assets. When such financial assets are derecognised, the cumulative gain or loss previously recognised directly into equity is recycled into profit or loss for the current period.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(9). Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

(iii) Impairment of financial assets

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, the Group shall determine the amount of impairment loss.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

In the case of a significant or prolonged decline in the fair value of an available-for-sale financial asset, the cumulative loss arising from the decline in fair value that had been recognised directly in equity is removed from equity and recognised in impairment loss. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised in equity directly.

(iv) Derecognition of financial assets

A financial asset is derecognised when any of the below criteria is met: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (iii) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in equity, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(9). Financial instruments *(Continued)*

(b) Financial liabilities

Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. The Group's financial liabilities are majorly comprised of other financial liabilities, including payables, borrowings and debentures payable.

Payables include accounts payables and other payables which are initially recognised at fair value and recorded at amortised cost using effective interest rate in subsequent measurement.

Borrowings and debentures payable are initially recognised at fair value less trading expenses and recorded at amortised cost using effective interest rate in subsequent measurement.

Other financial liabilities with repayment period within 1 year (including 1 year) are stated as current liabilities; other financial liabilities with repayment period over 1 year but repayment date within 1 year from balance sheet date are stated as current portion of non-current liabilities; others are stated as non-current liabilities.

When the present liabilities of financial liability have been entirely or partially released, the financial liability or released part of financial liability should be de-recognised, and the difference between carrying value and the price of the released part is recognised in profit or loss.

(c) Fair value of financial instrument

If the market for a financial instrument is not active, fair value should be determined using valuation technique. Valuation techniques that are well established in financial markets include recent market transactions, reference to a transaction that is substantially the same and discounted cash flows and option pricing models. An appropriate valuation technique should make the most of observable market data and minimize the input from sources dependent of the entity.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(10). Receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

Receivables that are individually significant are subject to separate impairment assessment. If there is objective evidence that the Group will not be able to collect the full amount under the original terms, a provision for impairment of that receivable is established at the difference between the carrying amount of that receivable and the present value of its estimated future cash flows.

Receivables that are not individually significant and those receivables that have been individually evaluated for impairment and have been found not impaired are combined into certain groups based on their credit risk characteristics. The impairment losses are determined based on the historical loss experience for the groups of receivables with the similar credit risk characteristics and taking into consideration of the current circumstances.

(11). Inventories

(a) Classification

Inventories include properties under development, properties held for sale, merchandise and low-cost assumables, and are presented at the lower of cost and net realisable value.

(b) Measurement of inventories

Inventories are initially recognised at the actual costs. The costs of properties under development and properties held for sale comprise land cost, construction cost, borrowing costs, and other direct and indirect fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale at the actual costs. For land use rights that are developed for subsequent sales, the cost paid for land use rights are classified and accounted for as part of the costs of properties.

Public ancillary facilities comprise government-approved public ancillary projects, i.e. roads. The relevant costs are recognised under the properties under development, and are recorded by each cost items, the cost paid for land use rights are classified and accounted for as part of properties under development.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(11). Inventories *(Continued)*

(c) Measurement of net realisable value and provisions of inventories

Provisions are determined at the excess amount of the carrying value of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

(d) The Group adopts the perpetual inventory system.

(e) Low-cost consumables are expensed when issued.

(12). Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control; joint ventures are the investees over which the Group is able to exercise joint control together with other ventures; associates are the investees that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted for preparing the consolidated financial statements using the equity method. Investments in joint ventures and associates are accounted for using the equity method. Other long-term equity investments, where the Group does not have control, joint control or significant influence over the investee and which are not quoted in an active market and whose fair value cannot be reliably measured, are accounted for using the cost method.

(a) Measurement of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(12). Long-term equity investments *(Continued)*

(b) Subsequent measurement and recognition of investment income and loss

For long-term equity investments accounted for using the cost method, they are measured at the initial investment costs, and cash dividends or profit distribution declared by the investees are recognised as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, the Group records its proportionate share directly into capital surplus, provided that the Group's proportion of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment gains or losses are recognised. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(12). Long-term equity investments *(Continued)*

(c) Definitions of control, joint control and significant influence

Control is the power to govern the investees' financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of all the parties sharing control.

Significant influence is the power to participate the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

(d) Impairment of long-term equity investment

If the recoverable amount of a subsidiary, an associate or a joint venture is less than the carrying value, the carrying value shall be reduced to its recoverable amount (note 2(19)).

(13). 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.

(14). Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of lease and buildings that is being constructed or developed for future use for leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and its cost can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(14). Investment properties *(Continued)*

The Group adopts the cost model for subsequent measurement of the investment properties. Buildings and land use rights are depreciated or amortised to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation (amortisation) rates of the investment properties are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation (amortisation) rate
Buildings	10-40 years	0% to 10%	2.3% to 10.0%
Land use rights	40 years	–	2.5%

When an investment property is transferred to an owner-occupied property, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment property at its carrying amount at the date of the transfer.

The estimated useful life, net residual value of the investment property and the depreciation (amortisation) method applied are reviewed and adjusted as appropriate at each year-end.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

If the recoverable amount of investment property is less than its carrying value, the carrying value should be reduced to the recoverable amount (note 2(19)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(15). Fixed assets

(a) Recognition and initial measurement

Fixed assets comprise buildings, motor vehicles, and office equipment.

Fixed assets are recognised when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is de-recognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

(b) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	10-40 years	0% to 10%	2.3% to 10.0%
Motor vehicles	5 years	0% to 10%	18.0% to 20.0%
Office equipment	3-10 years	0% to 10%	9.0% to 33.3%

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at least at each year end.

(c) When recoverable amount of fixed asset is lower than its carrying value, the carrying value should be written down to the recoverable amount (note 2(19)).

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(15). Fixed assets *(Continued)*

(d) Disposal of fixed assets

A fixed asset is de-recognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposal on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(16). Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of investment properties or real estate projects that need a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of the asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For borrowings that specified for acquisition and construction of investment properties and real estate projects and qualified for capitalisation, the capitalisation amount is measured as current actual interests of the specified borrowings net of interest revenue earned from unused borrowings deposited at bank or investment income earned from temporary investment activities with unused borrowings.

For general borrowings that occupied by the acquisition and for construction of investment properties and real estate projects qualified accumulated, the capitalization amount should be the weighted average exceeds of accumulated capital expenditures for capitalization over the amount of specialized borrowings multiplied by the weighted average effective interest rate. The effective interest rate is the rate used to discount the future cash flows of the borrowings to the initial measurement of the borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(17). Intangible assets

Intangible assets include land use rights and are measured at cost. The cost of land use rights obtained for construction of real estate projects, are recognised in inventory development costs.

(a) Land use rights

Land use rights are amortised on straight-line basis. If the purchase costs of land use rights and the buildings located thereon cannot be reliably allocated between the land use rights and the buildings, all of the purchase costs are recognised as fixed assets.

(b) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review and adjustment on its useful life and amortisation method are performed at each year end.

(c) Impairment of intangible assets

When the recoverable amount of an intangible asset is less than its carrying value, the carrying value should be written down to the recoverable amount (note 2(19)).

(18). Long-term prepaid expenses

Long-term prepaid expenses include expenditures that have been made but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(19). Impairment of long-term assets

Fixed assets, intangible assets with finite useful life, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are 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 the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(20). Employee benefits

Employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labour union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees.

Employees of the Group participate in the defined contribution pension plan set up and administered by government authorities. Based on salaries of the employees, basic pensions are provided for monthly according to stipulated proportions (20%), which is paid to local labour and social security institutions. Apart from this, the Group has no other post-retirement benefit commitments.

The Group provides a pension scheme, which is established 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.

Employee benefits are recognised as salaries and wages payable in the accounting period in which an employee has rendered service, as costs of assets or expenses to whichever the employee service is attributable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(21). Distribution of dividends

The amount of cash dividends proposed to distribute is recognised as a liability in the current period in which it is approved by general meeting of shareholders.

(22). Revenue recognition

The amount of revenue is determined in accordance with 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 rebates, discounts and returns.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Group, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's activities as described below:

(a) Sale of goods

Revenue of sale of properties held for sale is recognised when all the following conditions have been satisfied:

- properties are completed and accepted after check;
- a legally binding sales contract has been signed in proper manner and form;
- all the significant risks and rewards of ownership of the properties held for sale have been transferred to the buyer;
- the Company does not retain either continuing managerial involvement to the degree usually associated with ownership or effective control over the sold properties and meet the other criteria required when recognising revenue mentioned above.

(b) Rendering of services

The Group provides service to external parties. The related revenue is recognised using the percentage of completion method, with the stage of completion being determined based on proportion of costs incurred to date to the estimated total costs.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(22). Revenue recognition *(Continued)*

(c) Transfer of asset use rights

Interest income is recognised on a time-proportion basis using the effective interest method.

Income from an operating lease is recognised on a straight-line basis over the period of the lease.

(23). Government grants

Government grants are monetary or non-monetary assets obtained from the government with no consideration, including tax returns and financial subsidies.

Grants from the government are recognised as revenue where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Monetary assets of the government grants are measured as the amount received or receivable. Non-monetary assets of the government grants are measured as fair value or notional value if the fair value cannot be obtained reliably.

Government grants related to assets are recognised as deferred revenue and will be amortised on a straight-line basis in current profit or loss over the useful life of the related assets. Government grants recognised at notional value are directly recognised in profit or loss for the current period.

Government grants related to income which are used to compensate expenses or losses in subsequent periods, are recognised as deferred revenue and realized in profit or loss for the period such expenses or losses occurred; the ones which are to compensate expenses or losses occurred in previous periods are directly recognised in profit or loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(24). Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, joint ventures and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer has a legally enforceable right to offset current tax assets against current tax liabilities.

(25). Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

The Group does not have finance leases. Lease payments under an operating lease are recognised in the profit or loss on a straight-line basis over the period of the lease.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(26). Maintenance and quality guarantee funds

Maintenance fund is collected from property buyers according to related regulations on behalf of housing administration bureau, by certain percentage of selling price of property, the fund will be remitted to housing administration bureau upon registration of property ownership.

Quality guarantee fund is reserved by certain percentage of the project payment and payment will be repaid to constructor when the properties are completed, in condition that examined by government authorities with no quality issue, and after the agreed warranty period.

(27). Held for sale and discontinued operations

A non-current asset or a component of the Group satisfying the following conditions is classified as held for sale: (1) the Group has made a resolution for disposal of the non-current asset or the component; (2) an irrevocable contract with the transferee has been signed and; (3) the transfer will be completed within one year.

Non-current assets, except for financial assets and deferred tax assets, that meet the recognition criteria for held for sale are included in other current assets at the amount equal to the lower of the fair value less costs to sell and the carrying amount. Any excess of the original carrying amount over the fair value less costs to sell is recognised as an asset impairment loss.

Discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and can be distinguished from other components within the Group in business operation and in preparation of financial statements.

(28). Segment information

The Group identifies operating segments based on the internal organisation, management requirements and internal reporting system, and the reportable segments is determined based on the operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its operation activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(29). Purchase shares in subsidiaries from non-controlling shareholders and partial disposal of interest in a subsidiary without loss of control

The transaction with non-controlling interest to partially or wholly acquire interests in a subsidiary after obtaining the control rights over the subsidiary, the assets and liabilities of the subsidiary are measured consistently following their value at the acquisition or merger date in the consolidated financial statements. The difference between additions in long-term investment due to the interest purchase and additions of shared net assets of the subsidiary calculated by the additional share proportion, should be recorded in capital surplus (share premium). In case share premium is not sufficient to offset the difference, retained earnings should be adjusted.

The transaction with non-controlling interest to dispose interests in a subsidiary without losing control rights over the subsidiary, the difference between the proceeds from disposal of interests and the decrease of the shared net assets of the subsidiary is adjusted to capital surplus (share premium). In case share premium is not sufficient to offset the difference, retained earnings will be adjusted.

(30). Critical accounting estimates and judgments

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

(a) Critical accounting estimates and key assumptions

The critical accounting estimates and key 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 as following:

(i) Property development cost

Critical estimates and judgments on budget cost and development progress are required in determining property development cost. The budget cost and development progress of the project is reviewed by the Group on a regular basis and adjusted as appropriate. Should the actual cost differs from the budget cost, such difference will impact the accuracy of cost of properties held for sale.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(30). Critical accounting estimates and judgments *(Continued)*

(a) Critical accounting estimates and key assumptions *(Continued)*

(ii) Taxes

The Group is subject to various taxes in the PRC. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required in determining the provision for land appreciation tax ("LAT") and other taxes. 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.

(iii) Impairment of assets

The Group tests annually whether assets have suffered any impairment in accordance with the accounting policy stated in note 2(19), If there is objective evidence that the Group will not be able to collect the full amount under the original terms, a provision for impairment of that receivable is established at the difference between the carrying amount of that receivable and the present value of its estimated future cash flows.

(iv) Provisions for bad debts 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(10). If there is objective evidence that the Group will not be able to collect the full amount under the original terms, a provision for impairment of that receivable is established at the difference between the carrying amount of that receivable and the present value of its estimated future cash flows.

(v) 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 FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(30). Critical accounting estimates and judgments *(Continued)*

(b) Key Judgment on application of accounting policy – revenue recognition

According to the accounting policy stated in note 2(22), 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 point 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 9, 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. The Group believe that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers when the equitable interest in the property vests with the buyer upon release of the respective property to the buyer.

3. TAXATION

The types and rates of taxes applicable to the Group are set out below:

Type	Tax rate	Taxable base
Enterprise income tax	25%	Taxable income
Business tax	5%	Taxable turnover amount
LAT	30% – 60%	Taxable value added amount(Tax payable is calculated using the value appreciation amount realised through sales multiplied by the effective tax rate of current period)
Urban maintenance and construction tax	5% – 7%	Business tax payable
Education Surcharge	3%	Business tax payable
Property Taxes	1.2%	Taxable residual value of properties

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT

(1). Significant subsidiaries

(a). Subsidiaries incorporated by promoters at establishment of the Company,

Name	Place of registration	Principal activities	Bonds issued	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2011	31 December 2010	**31 December 2011**		31 December 2010		**31 December 2011**		31 December 2010	
						Direct	**In-direct**	Direct	In-direct	**Direct**	**In-direct**	Direct	In-direct
						%	**%**	%	%	**%**	**%**	%	%
(1) Central Plaza Real Estate Development Co., Ltd. ("Central Company")	Beijing, the PRC	Property Development and Investment	–	**USD 11,258,000**	USD 11,258,000	**75**	**25**	75	25	**75**	**25**	75	25
(2) Beijing Rongjin Real Estate Development Co., Ltd. ("Rongjin Company")	Beijing, the PRC	Property Development and Investment	–	**USD 6,360,000**	USD 6,360,000	**10**	**49.5**	10	49.5	**10**	**49.5**	10	49.5
(3) Beijing Sunshine Jindu Properties Co.,Ltd. ("Jindu Company")	Beijing, the PRC	Property Development and sales	–	**RMB 370,000,000**	RMB 370,000,000	**100**	**-**	100	–	**100**	**-**	100	–
(4) Central Plaza Co., Ltd. ("Central Plaza")	B.V.I	Investment Holding	–	**USD1**	USD1	**100**	**-**	100	–	**100**	**-**	100	–
(5) International Finance Center Property Co., Ltd. ("IFC")	B.V.I	Investment Holding	–	**USD1**	USD1	**100**	**-**	100	–	**100**	**-**	100	–

(b). Subsidiaries obtained from business combinations involving enterprises not under common control:

Name	Place of registration	Principal activities	Bonds issued	Registered capital		Attributable interest held				Attributable vote held			
				31 December 2011	31 December 2010	**31 December 2011**		31 December 2010		**31 December 2011**		31 December 2010	
						Direct	**In-direct**	Direct	In-direct	**Direct**	**In-direct**	Direct	In-direct
						%	**%**	%	%	**%**	**%**	%	%
(1) S.C. Real Estate Development Co., Ltd. ("S.C.")	Beijing, the PRC	Property Development and sales	–	**RMB 640,000,000**	RMB 640,000,000	**100**	**-**	100	–	**100**	**-**	100	–
(2) Beijing HYHL Real Estate Development Co., Ltd. ("HYHL") *(iii)*	Beijing, the PRC	Property Development and sales	–	**USD 10,000,000**	USD 10,000,000	**-**	**100**	85	15	**-**	**100**	85	15
(3) Beijing Anhua Shiji Real Estate Development Co., Ltd. ("Anhua Shiji")	Beijing, the PRC	Property Development and sales	–	**USD 30,000,000**	USD 30,000,000	**55**	**-**	55	–	**60**	**-**	60	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT *(Continued)*

(1). Significant subsidiaries *(Continued)*

(b). Subsidiaries obtained from business combinations involving enterprises not under common control: *(Continued)*

Name	Place of registration	Principal activities	Bonds issued	Registered capital 31 December 2011	Registered capital 31 December 2010	Attributable interest held 31 December 2011 Direct %	Attributable interest held 31 December 2011 In-direct %	Attributable interest held 31 December 2010 Direct %	Attributable interest held 31 December 2010 In-direct %	Attributable vote held 31 December 2011 Direct %	Attributable vote held 31 December 2011 In-direct %	Attributable vote held 31 December 2010 Direct %	Attributable vote held 31 December 2010 In-direct %
(4) Tianjin Banshan Renjia Real Estate Co., Ltd. ("Tianjin Banshan") (iii)(v)	Tianjin, the PRC	Property Development and sales	–	**USD 89,000,000**	USD 60,000,000	**-**	**55**	55	–	**-**	**60**	60	–
(5) Beijing Sunshine City Real Estate Development Co., Ltd. ("Sunshine City") (i)	Beijing, the PRC	Property Development and sales	–	**USD 20,000,000**	USD 20,000,000	**50**	**-**	50	–	**60**	**-**	60	–
(6) Chongqing Xinshi Real Estate Development CO.,Ltd. ("Chongqing Xinshi") (i)(iii)	Chongqing, the PRC	Property Development and sales	–	**USD 95,000,000**	USD 95,000,000	**-**	**50**	50	–	**-**	**66.7**	66.7	–
(7) Outlets Property Investment Guang Dong Ltd. ("Outlets Guangdong")	Foshan, the PRC	Property Development and sales	–	**USD 40,000,000**	USD 40,000,000	**-**	**55**	–	55	**-**	**55**	–	55
(8) Beijing Xinbocheng Real Estate Development Co., Ltd. ("Xinbocheng") (ii)	Beijing, the PRC	Property Development and sales	–	**RMB 89,000,000**	RMB 89,000,000	**-**	**100**	–	–	**-**	**100**	–	–
(9) Qingdao Yangguang Binhai Properties Co. Ltd. ("Qingdao Binhai") (ii)	Qingdao, the PRC	Property Development and sales	–	**RMB 50,000,000**	RMB 50,000,000	**-**	**100**	–	–	**-**	**100**	–	–
(10) Qingdao Qianqianshu Investment Properties Co. Ltd. ("Qingdao Qianqianshu") (ii)	Qingdao, the PRC	Property Development and sales	–	**RMB 20,000,000**	RMB 20,000,000	**-**	**100**	–	–	**-**	**100**	–	–
(11) Yantai Yuangguang Lidu Real Estate Development Co., Ltd. ("Yantai Lidu") (ii)	Yantai, the PRC	Property Development and sales	–	**RMB 50,000,000**	RMB 50,000,000	**-**	**100**	–	–	**-**	**100**	–	–
(12) Yantai Yuangguang Lizhen Real Estate Development Co., Ltd. ("Yantai Lizhen") (ii)	Yantai, the PRC	Property Development and sales	–	**RMB 75,000,000**	RMB 75,000,000	**-**	**100**	–	–	**-**	**100**	–	–
(13) Yantai Yuangguang Xinye Real Estate Development Co., Ltd. ("Yantai Xinye") (ii)	Yantai, the PRC	Property Development and sales	–	**RMB 75,000,000**	RMB 75,000,000	**-**	**100**	–	–	**-**	**100**	–	–

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For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT *(Continued)*

(1). Significant subsidiaries *(Continued)*

(c). Subsidiaries obtained from investment and other procedures

Name	Place of registration	Principal activities	Bonds issued	Registered capital 31 December 2011	Registered capital 31 December 2010	Attributable interest held 31 December 2011 Direct %	Attributable interest held 31 December 2011 In-direct %	Attributable interest held 31 December 2010 Direct %	Attributable interest held 31 December 2010 In-direct %	Attributable vote held 31 December 2011 Direct %	Attributable vote held 31 December 2011 In-direct %	Attributable vote held 31 December 2010 Direct %	Attributable vote held 31 December 2010 In-direct %
(1) Beijing Capital Xinzi Real Estate Ltd. ("Beijing Xinzi")	Beijing, the PRC	Property Development and sales	–	**RMB 496,590,000**	RMB 496,590,000	**100**	**–**	100	–	**100**	**–**	100	–
(2) Beijing Shangboya Investment Consultant Co., Ltd. ("Shangboya")	Beijing, the PRC	Investment Holding	–	**RMB 30,000,000**	RMB 30,000,000	**100**	**–**	100	–	**100**	**–**	100	–
(3) Beijing Shangbodi Investment Consultant Co., Ltd. ("Shangbodi") (iv)	Beijing, the PRC	Investment holding	–	**RMB 30,000,000**	RMB 30,000,000	**51**	**–**	100	–	**51**	**–**	100	–
(4) Tianjin Xinchuang Land Ltd. ("Tianjin Xinchuang")	Tianjin, the PRC	Property Development and sales	–	**USD 25,000,000**	USD 25,000,000	**–**	**55**	–	55	**–**	**60**	–	60
(5) Chengdu Capital Xinzi Real Estate Development Ltd. ("Chengdu Xinzi") (iii)	Chengdu, the PRC	Property Development and sales	–	**USD 30,000,000**	USD 30,000,000	**–**	**55**	55	–	**–**	**60**	60	–
(6) Jiangsu Capital Real Estate Development Ltd. ("Jiangsu Capital") (iv)	Wuxi, the PRC	Property Development and sales	–	**USD 12,500,000**	USD 12,500,000	**60**	**40**	60	–	**60**	**40**	60	–
(7) Beijing Caotang Real Estate Development Ltd. ("Caotang Real Estate")	Beijing, the PRC	Property Development and sales	–	**RMB 10,000,000**	RMB 10,000,000	**–**	**100**	–	100	**–**	**100**	–	100
(8) Beijing Capital Land Chengdu Co., Ltd. ("Capital Chengdu")	Chengdu, the PRC	Property Development and sales	–	**RMB 150,000,000**	RMB 150,000,000	**100**	**–**	100	–	**100**	**–**	100	–
(9) Chengdu Capital Yidu Real Estate Development Co., Ltd. ("Chengdu Yidu") (iii)	Chengdu, the PRC	Property Development and sales	–	**USD 100,000,000**	USD 100,000,000	**–**	**55**	55	–	**–**	**60**	60	–
(10) Tianjin Capital Xinyuan Real Estate Development Co., Ltd. ("Tianjin Xinyuan") (iii)	Tianjin, the PRC	Property Development and sales	–	**USD 95,000,000**	USD 95,000,000	**–**	**55**	55	–	**–**	**60**	60	–
(11) Tianjin Capital Xingang Real Estate Development Co., Ltd. ("Tianjin Xingang") (iii)	Tianjin, the PRC	Property Development and sales	–	**USD 95,000,000**	USD 95,000,000	**–**	**55**	55	–	**–**	**60**	60	–
(12) Wuxi Xindong Real Estate Development Co., Ltd. ("Wuxi Xindong")	Wuxi, the PRC	Property Development and sales	–	**RMB 100,000,000**	RMB 100,000,000	**100**	**–**	100	–	**100**	**–**	100	–
(13) Central Plaza Xinrong Hotel Management Co., Ltd. ("Central Plaza Xinrong")	British Virgin Islands	Hotel Operation and Management	–	**USD 6,062,000**	USD 6,062,000	**75**	**25**	75	25	**75**	**25**	75	25
(14) Beijing Chuangxin Jianye Real Estate Investment Ltd. ("Chuangxin Jianye")	Beijing, the PRC	Investment Holding	–	**RMB 50,000,000**	RMB 50,000,000	**100**	**–**	100	–	**100**	**–**	100	–
(15) Jingjin Tongcheng (Tianjin) Investment Co., Ltd. ("Jingjin Tongcheng") (i)	Tianjin, the PRC	Property Development	–	**RMB 250,000,000**	RMB 250,000,000	**–**	**50**	–	50	**–**	**51**	–	51
(16) Outlets Property Investment Fang Shan Ltd. ("Outlets Fangshan")	Beijing, the PRC	Property Development and sales	–	**USD 127,000,000**	USD 127,000,000	**–**	**99**	–	99	**–**	**99**	–	99

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For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT *(Continued)*

(1). Significant subsidiaries *(Continued)*

(c). Subsidiaries obtained from investment and other procedures *(Continued)*

Name	Place of registration	Principal activities	Bonds issued	Registered capital 31 December 2011	Registered capital 31 December 2010	Attributable interest held 31 December 2011 Direct %	Attributable interest held 31 December 2011 In-direct %	Attributable interest held 31 December 2010 Direct %	Attributable interest held 31 December 2010 In-direct %	Attributable vote held 31 December 2011 Direct %	Attributable vote held 31 December 2011 In-direct %	Attributable vote held 31 December 2010 Direct %	Attributable vote held 31 December 2010 In-direct %
(17) Beijing Capital Zhongbei Real Estate Development Co., Ltd.	Beijing, the PRC	Property Development and sales	–	**RMB 100,000,000**	RMB 100,000,000	**-**	**100**	–	100	**-**	**100**	–	100
(18) Guangdong Guansheng Real Estate Development Co., Ltd.	Foshan, the PRC	Property Development and sales	–	**USD 40,000,000**	USD 40,000,000	**-**	**68**	–	68	**-**	**68**	–	68
(19) Guangdong Rongxin Real Estate Development Co., Ltd	Foshan, the PRC	Property Development and sales	–	**USD 30,000,000**	USD 30,000,000	**-**	**68**	–	68	**-**	**68**	–	68
(20) Guangdong Jingsheng Real Estate Development Co., Ltd.	Foshan, the PRC	Property Development and sales	–	**USD 10,000,000**	USD 10,000,000	**-**	**68**	–	68	**-**	**68**	–	68
(21) BECL Investment Holding Ltd. ("BECL")	Hong Kong	Investment Holding	RMB 1,150,000,000	**USD 9,900,000**	USD 9,900,000	**100**	**-**	100	–	**100**	**-**	100	–
(22) Beijing Shangyi Real Estate Development Co., Ltd. ("Beijing Shangyi"))(iv)	Beijing, the PRC	Property Development and sales	–	**RMB 10,310,000**	RMB 10,310,000	**-**	**100**	–	69	**-**	**100**	–	69
(23) Beijing Anshunyuan Real Estate Development Co., Ltd. ("Anshunyuan")	Beijing, the PR	Property Development and sales	–	**RMB 50,000,000**	RMB 50,000,000	**-**	**95**	–	95	**-**	**95**	–	95
(24) Zhenjiang Xianji Real Estate Development Co., Ltd.	Zhenjiang, the PRC	Property Development and sales	–	**USD 30,000,000**	N/A	**-**	**100**	–	–	**-**	**100**	–	–
(25) Zhejiang Shouxin Real Estate Development Co., Ltd.	Huzhou, the PRC	Property Development and sales	–	**USD 24,500,000**	USD 24,500,000	**-**	**68**	–	68	**-**	**68**	–	68
(26) Zhejiang Hualong Real Estate Development Co., Ltd. ("Zhejiang Hualong)	Huzhou, the PRC	Property Development and sales	–	**USD 67,000,000**	USD 67,000,000	**-**	**68**	–	68	**-**	**68**	–	68
(27) Beijing Ruiyuanfengji Real Estate Development Co., Ltd. ("Ruiyuanfengji")	Beijing, the PRC	Property Development	–	**RMB 10,000,000**	RMB 10,000,000	**100**	**-**	100	–	**100**	**-**	100	–
(28) Capital Tianshun Real Estate Development Co., Ltd.	Beijing, the PRC	Property Development	–	**RMB 100,000,000**	N/A	**-**	**100**	–	–	**-**	**100**	–	–
(29) Nanjing Ningchun Real Estate Development Co., Ltd.	Nanjing, the PRC	Infrastructure Investment	–	**RMB 100,000,000**	N/A	**-**	**100**	–	–	**-**	**100**	–	–
(30) Hainan Outletes Real Estate Development Co., Ltd. (Hainan Outlets")	Wanning, the PRC	Property Development	–	**USD 14,000,000**	N/A	**-**	**100**	–	–	**-**	**100**	–	–
(31) Jiangyin Yuyue Real Estate Development Co., Ltd.	Jiangyin, the PRC	Property Development	–	**USD 49,000,000**	N/A	**-**	**100**	–	–	**-**	**100**	–	–
(32) Sanya Shengxing Weiye Real Estate Development Co., Ltd.	Sanya, the PRC	Property Development and sales	–	**RMB 100,000,000**	N/A	**-**	**100**	–	–	**-**	**100**	–	–
(33) Qindao Xinli Weiye Real Estate Development Co., Ltd	Qingdao, the PRC	Property Development and sales	–	**RMB 30,000,000**	N/A	**-**	**100**	–	–	**-**	**100**	–	–

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT *(Continued)*

(1). Significant subsidiaries *(Continued)*

(i) According to the Articles of Association of Sunshine City, Chongqing Xinshi and Jingjin Tongcheng, the Group holds 50% equity interests and has control over all three companies.

(ii) Relevant information about the subsidiaries obtained from business combinations not under common control by the Group in the reporting period is stated in note 4(2).

(iii) In the year ended 31 December 2011, the Company transferred all equity interests of their subsidiaries to other wholly-owned subsidiaries of the Company. The Company recognised the difference between consideration of the proceeds and the cost of long-term equity investment as the investment income. (note 12(19))

(iv) Relevant information about the equity transactions between the Group and the non-controlling interests is stated in note 5(27).

(v) In September 2011, the Group and RECO Ziyang increased the capital of Tianjin Banshan based on their proportions of capital contribution respectively. The registered capital of Tianjin Banshan increased to USD 89,000,000 from USD 60,000,000 thereafter.

(2). Business combination involving entities not under common control

(a) In January 2011, Shangboya and Ruiyuan Fengji, two subsidiaries of the Company, acquired 92% and 8% equity interests of Xinbocheng respectively. The principal activity of Xinbocheng is property development. The Group treats this purchasing of subsidiary as business combination. The purchasing date of this transaction is 25 January 2011, the date on which The Group obtained control over Xinbocheng.

Details of net assets acquired and goodwill recognized are as follows:

	RMB'000
Total cost of combination	89,000
Less: Fair value of the identifiable net assets acquired	89,000
Goodwill	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT *(Continued)*

(2). Business combination involving entities not under common control *(Continued)*

(a) *(Continued)*

Assets, liabilities and related cash flow of Xinbocheng at acquisition date are as follows:

	Fair value	Book value	
	At acquisition date	**At acquisition date**	**31 December 2010**
Cash	684	684	684
Receivables	7,490	7,490	7,490
Inventories	1,110,374	1,074,241	1,074,241
Less: accounts payables	622,921	622,921	622,921
Other payables	302,579	302,579	302,579
Employee benefit payable	15	15	15
Short-term borrowings	95,000	95,000	95,000
Deferred tax liabilities	9,033	–	–
Net assets	89,000	61,900	61,900
Less: non-controlling interests	–	–	–
Net assets acquired	89,000		
Consideration paid in cash	89,000		
Less: cash balance of the subsidiary acquired	(684)		
Net cash paid in acquisition	88,316		

The Group adopts valuation techniques to determine the fair value of the assets and liabilities of Xinbocheng at the acquisition date. Main valuation methods of assets and its critical assumptions are as follows:

The inventory valuation method is hypothetical development method, valuation equals to the total proceeds from sales of properties deducted construction costs, taxes, selling expenses on completion of construction. The key assumption used is as follows:

Properties with contracted sales amounts are taking reference to contract price; the remained properties are evaluated by market comparison approach taking reference to expected sales price.

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT *(Continued)*

(2). Business combination involving entities not under common control *(Continued)*

(a) *(Continued)*

The revenues, net loss and cash flows of Xinbocheng for the period from the acquisition date to 31 December 2011 are as follows:

	RMB'000
Revenues	–
Net loss	13,840
Net cash in-flows of operational activities	175,188
Net cash in-flows	298,946

(b) In January 2011, Capital Chaoyang, a subsidiary of the Company, acquired 100% equity interests of Qingdao Binhai, Qingdao Qianqianshu, Yantai Lidu, Yantai Lizhen and Yantai Xinye (hereinafter "Qingdao and Yantai Project Companies"). The principal activity of Qingdao and Yantai Project Companies is property development. The transaction was finished in December 2011. The Group treats this purchasing of subsidiaries as business combination. The purchasing date of this transaction is 31 December 2011, the date on which The Group obtained control over Qingdao and Yantai Project Companies.

Details of net assets acquired and goodwill recognized are as follows:

	RMB'000
Cost of combination –	
Cash Paid	50,000
Cash payable purchase of subsidiaries (note 5(21))	185,770
Total consideration	235,770
Less: Fair value of the identifiable net assets acquired	237,965
Excess of the fair value of the identifiable net assets acquired over the total consideration	(2,195)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT *(Continued)*

(2). Business combination involving entities not under common control *(Continued)*

(b) *(Continued)*

Assets, liabilities and related cash flow of Qingdao and Yantai Project Companies at acquisition date are as follows:

	Fair value	Book value	
	At acquisition date	At acquisition date	31 December 2010
Cash	94,509	94,509	35,510
Advances to suppliers	87,805	87,805	104,866
Other receivables	225,570	225,570	14,563
Inventories	2,138,078	2,114,756	1,435,784
Fixed assets	1,214	1,214	1,347
Long-term prepaid expenses	277	277	499
Less: Accounts payable	203,074	203,074	11,726
Advances from customers	198,296	198,296	54,864
Other payables	1,424,472	1,424,472	1,254,880
Taxes payable	814	814	4,076
Interest payable	917	917	708
Employee benefits payable	1,085	1,085	180
Long-term borrowings	475,000	475,000	218,000
Deferred tax liabilities	5,830	–	–
Net assets	237,965	220,473	48,135
Less: Non-controlling interests	–	–	–
Net assets acquired	237,965		
Consideration paid in cash	50,000		
Less: cash balance of the subsidiaries acquired	(94,509)		
Net cash received in acquisition	(44,509)		

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT *(Continued)*

(2). Business combination involving entities not under common control *(Continued)*

(b) *(Continued)*

The Group adopts valuation techniques to determine the fair value of the assets and liabilities of Qingdao and Yantai Project Companies at the acquisition date. Main valuation methods of assets and its critical assumptions are as follows:

The inventory valuation method is hypothetical development method, valuation is equal to the total proceeds from sales of properties deducted construction costs, taxes, selling expenses on completion of construction. The key assumption used is as follows:

Properties with contracted sales amounts are taking reference to contract price; the remained properties are evaluated by market comparison approach taking reference to expected sales price.

The revenues, net loss and cash flows of Qingdao and Yantai Project Companies for the period from the acquisition date to 31 December 2011 are as follows:

	RMB'000
Revenues	–
Net loss	–
Net cash in-flows of operational activities	–
Net cash in-flows	–

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1). Cash

	31 December 2011	31 December 2010
Cash on hand	**1,604**	1,517
Bank Deposits	**8,350,639**	8,458,551
Total	**8,352,243**	8,460,068

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(1). Cash *(Continued)*

As at 31 December 2011, cash at bank includes restricted bank deposits amounted to RMB377,343,000 (31 December 2010: RMB30,624,000). Of which, RMB55,315,000 (31 December 2010: RMB30,624,000) have been the supervised advance from customers and security deposits from certain mortgage loans to customers, and RMB100,000,000 (31 December 2010: nil) have been pledged for certain bank borrowings (note 5(23)(c)). In addition, according to the requirements of some local authorities (such as Beijing, Tianjin etc. in People's Republic of China ("PRC")), real estate developers need to open supervised bank accounts for the advances received from property customers. Such accounts are supervised by the Chinese government, and all cash expenditure from this account shall relate to the construction payment, and the developer need to gain permission before withdrawing the cash to fulfill the progress construction payment. As at 31 December 2011, the cash deposited in above-mentioned accounts amounted to RMB222,028,000 (31 December 2010: nil).

(2). Account receivable and other receivables

(a) Accounts receivable

	31 December 2011	31 December 2010
Accounts receivables	**143,831**	389,208
Less: provision for bad debts	**(3,844)**	(3,844)
Receivables – net	**139,987**	385,364

Most sales of the Group is in form of cash and advanced payment, other sales are collected subject to the agreed terms on sales contract.

At 31 December 2011, accounts receivables include property sale receivable due from Chengdu Zirui Xinli Co, Ltd., ("Zirui Xinli") and Bejing Ruijing Yangguang Properties Co,Ltd. ("Ruijing Yangguang") amounted to RMB60,000,000 (31 December 2010: RMB135,000,000), both are subsidiaries of related party Yangguang Co, Ltd ("Yangguang Xinye")). (note 7(5)(a)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(2). Account receivable and other receivables *(Continued)*

(a) Accounts receivable *(Continued)*

The ageing analysis of the accounts receivables are as follows:

	31 December 2011	31 December 2010
Within 1 year	**64,457**	381,535
1 to 2 years	**71,701**	–
Over 3 years	**7,673**	7,673
Total	**143,831**	389,208

Accounts receivables are classified as follows:

	31 December 2011				31 December 2010			
	Amount	**% of total balance %**	**Provision**	**% of the provision %**	Amount	% of total balance %	Provision	% of the provision %
Individually significant	**128,062**	**89**	**–**	**–**	374,140	96	–	–
others	**15,769**	**11**	**(3,844)**	**24**	15,068	4	(3,844)	26
Total	**143,831**	**100**	**(3,844)**	**3**	389,208	100	(3,844)	1

As at 31 December 2011, accounts receivables of RMB160,000 (31 December 2010: RMB160,000) were past due but not impaired with the ageing of over 3 years. An amount of RMB7,513,000 (31 December 2010: RMB7,513,000) is considered as past due and impaired with the ageing of over 3 years, with impairment of RMB3,844,000 (31 December 2010: RMB3,844,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(2). Account receivable and other receivables *(Continued)*

(b) Other receivables

	31 December 2011	31 December 2010
Amounts due from joint ventures	**164,500**	–
Amounts due from associates	**34,089**	105,554
Land deposit and other guarantee deposits	**417,194**	19,700
Property agency fees and other receivables due from Zirui Xinli	**13,873**	18,892
Development cooperation advances	**–**	494,820
Others	**178,801**	173,382
Total	**808,457**	812,348
Less: provisions for bad debts	**(39,426)**	(30,322)
Receivables – net	**769,031**	782,026

The analysis of other receivables and related provisions for bad debts are as follows:

	31 December 2011				31 December 2010			
	Amount	**% of total balance %**	**Provision**	**% of the provision %**	Amount	% of total balance %	Provision	% of the provision %
Within 1 year	**573,836**	**71**	**–**	**–**	663,245	82	–	–
1 to 2 years	**183,524**	**23**	**–**	**–**	107,738	13	–	–
2 to 3 years	**11,469**	**1**	**–**	**–**	1,109	–	–	–
Over 3 years	**39,628**	**5**	**(39,426)**	**99**	40,256	5	(30,322)	75
Total	**808,457**	**100**	**(39,426)**	**5**	812,348	100	(30,322)	4

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(2). Account receivable and other receivables *(Continued)*

(b) Other receivables *(Continued)*

Other receivables are classified as follows:

	31 December 2011				31 December 2010			
	Amount	**% of total balance %**	**Provision**	**% of the provision %**	Amount	% of total balance %	Provision	% of the provision %
Individually significant	**613,996**	**80**	**–**	**–**	742,891	95	–	–
Others	**194,461**	**20**	**(39,426)**	**25**	69,457	5	(30,322)	44
Total	**808,457**	**100**	**(39,426)**	**5**	812,348	100	(30,322)	4

(3). Advances to suppliers

The advances to suppliers are analysis as follows as at 31 December 2011:

	As at 31 December 2011	As at 31 December 2010
Prepaid sales commissions	**64,722**	63,418
Prepayment for acquisition of subsidiaries	**25,000**	169,680
Prepaid land costs, construction costs and project costs	**141,874**	756,726
Total	**231,596**	989,824

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(3). Advances to suppliers *(Continued)*

The ageing analysis of the advances to suppliers is as follows:

	As at 31 December 2011		As at 31 December 2010	
	Amount	**% of total balance %**	Amount	% of total balance %
Within 1 year	**176,916**	**76**	989,824	100
Over 1 year	**54,680**	**24**	–	–
Total	**231,596**	**100**	989,824	100

(4). Dividends Receivable

	31 December 2010	Current year additions	**Current year reductions**	**31 December 2011**
Beijing Xingtai Real Estate Development Co, Ltd. ("Xingtai Company")(i)	162,565	–	**(162,565)**	**–**
Beijing Capital Fengdu Real Estate Development Co., Ltd. ("Fengdu Company")(i)	32,237	–	**(32,237)**	**–**
Xi'an Capital Xinkai Real Estate Development Co., Ltd. ("Xi'an Xinkai")	12,400	–	**–**	**12,400**
Beijing Donghai Investment Development Co., Ltd.	76,404	–	**(17,772)**	**58,632**
Total	283,606	–	**(212,574)**	**71,032**

(i) Subsidiaries of Yangguang Xinye.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(5). Inventories

Inventories are classified as follows:

	As at 31 December 2011			As at 31 December 2010		
	Book balance	**Provisions of inventory**	**Book value**	Book balance	Provisions of inventory	Carrying value
Development cost	**19,575,113**	**–**	**19,575,113**	12,818,683	–	12,818,683
Inventories and properties	**2,884,226**	**–**	**2,884,226**	2,284,708	–	2,284,708
held for sale	**102,718**	**–**	**102,718**	266,956	–	266,956
Land under developing	**4,172**	**–**	**4,172**	4,172	–	4,172
Merchandise	**2,679**	**–**	**2,679**	3,742	–	3,742
Total	**22,568,908**	**–**	**22,568,908**	15,378,261	–	15,378,261

In the year ended 31 December 2011, the properties held for sale with the carrying amount of RMB4,513,231,000 (2010: RMB3,800,681,000) has been recognised as cost of sales. (note 5(31)(a))

As at 31 December 2011, the financed costs capitalised in the development cost amounted to RMB1,044,132,000 (31 December 2010: RMB681,063,000). In the year ended 31 December 2011, the capitalisation rate is 6.94% (2010: 5.92%).

As at 31 December 2011, certain properties held for sale with a carrying amount of RMB1,012,690,000 (31 December 2010: RMB1,010,835,000) were pledged as security for short-term borrowings of RMB800,000,000 (31 December 2010: RMB750,000,000) (note 5(15)).

As at 31 December 2011, certain land use rights under development with a carrying amount of RMB1,415,695,000 (31 December 2010: RMB212,823,000) have been pledged as security for long-term borrowings of RMB999,200,000 (31 December 2010: RMB20,000,000) (note 5(23)(c)).

As at 31 December 2011, right to yields on certain land use rights and real estate development projects under development with a carrying amount of RMB6,907,326,000 (31 December 2010: RMB4,132,315,000) have been pledged as security for long-term borrowings of RMB3,189,680,000 (31 December 2010: RMB2,191,560,000) (note 5(23)(c)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(5). Inventories *(Continued)*

As at 31 December 2011, bank borrowings of RMB2,550,000,000 (31 December 2010: RMB3,550,000,000) were pledged by the right to yields on certain land use rights pursuant to the agreement of line of credit loan signed in year 2003 (note 5(23)(d)).

As at 31 December 2011, bank borrowings of RMB155,000,000 (31 December 2010: nil) were secured by primary land development rights and its corresponding equity and income interest. (note 5(23)(f)).

No provision for impairment of inventory has been recognised since the net realisable value of inventory is higher than its carrying amount.

Land use rights according to the location and age are analysed as follows:

	31 December 2011	31 December 2010
In Mainland China:		
10 – 50 years	**2,347,956**	2,568,070
Over 50 years	**7,226,166**	5,059,408
Total	**9,574,122**	7,627,478

(6). Other liquidity Assets

	31 December 2011	31 December 2010
Prepay taxes	**811,378**	643,281

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(7). Available-for-sale Financial Assets

	31 December 2011	31 December 2010
Available-for-sale equity instrument (a)	**112,480**	140,615
Less: Provision of available-for-sale financial assets	**–**	–
Net	**112,480**	140,615
Including: Market value of listed security	**112,479**	140,610

(a) Available-for-sale equity instrument

	31 December 2011	31 December 2010
Listed equity instruments		
– in Mainland China	**73,961**	140,610
– in Hong Kong	**38,518**	–
Unlisted equity instruments	**1**	5
Total	**112,480**	140,615

As at 31 December 2011, the carrying amount of the investment in the mainland China listed company Yangguang Xinye is RMB73,961,000 (31 December 2010: RMB140,610,000). Yangguang Xinye was registered in Beijing, the PRC and its principal activities are real estate development, leasing and advisory services. The ordinary shares of Yangguang Xinye held by the Group amounted to 19,310,913 shares, which accounts for 2.6% of the total ordinary shares.

As at 31 December 2011, the Group invested in Beijing Jingneng Clean Energy Co., Limited ("Beijing Jingneng") which is listed in Hong Kong. The carrying amount of the investment is RMB38,518,000 (31 December 2010: nil). Beijing Jingneng was registered in Beijing, the PRC and its principal activities are gas generation power and heating, wind power, medium- and small-seized hydropower and other clean power services. The ordinary shares of Beijing Jingneng held by the Group was 28,000,000 shares, which accounts for 0.5% of the total ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(8). Long-term Equity Investments

	31 December 2011	31 December 2010
Joint ventures		
– non-listed companies (a)	**286,419**	125,897
Associates		
– non-listed companies (b)	**1,340,778**	1,293,492
Subtotal	**1,627,197**	1,419,389
Less: Provision for impairment of long-term equity investments	**–**	–
Net	**1,627,197**	1,419,389

The Group has no significant limitation on realization of long-term investment or collection of investment income.

(a) Joint ventures

	Place of registration	Principal activities	Registered capital	% of Equity interest held %	% of Voting rights held %	Total assets (31 December 2011)	Total liabilities (31 December 2011)	Net assets (31 December 2011)	Total revenue (2011)	Net profit/(loss) (2011)
Shenyang Jitian Real Estate Development Co., Ltd. ("Shenyang Jitian")	Shenyang, The PRC	Property Development and sales	USD 40,000,000	50	50	1,429,380	1,159,080	270,300	402,587	18,508
Capital Jiaming New Town Investment Co., Ltd. ("Capital Jiaming")	Beijing, The PRC	Property Development and sales	RMB 200,000,000	50	50	716,448	518,418	198,030	421	(1,970)
Hainan Dalecheng Real Estate Development Holding Ltd. ("Dalecheng") (i)	Haikou, The PRC	Property Development and sales	RMB 100,000,000	55	55	204,308	105,098	99,210	–	(780)

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(8). Long-term Equity Investments *(Continued)*

(a) Joint ventures *(Continued)*

Investment in joint ventures are as follows:

	31 December 2010	Additional investment costs	Net profit adjusted according to the equity method	Transferred from associates	31 December 2011
Shenyang Jitian	125,897	–	6,941	–	**132,838**
Capital Jiaming	–	100,000	(985)	–	**99,015**
Dalecheng (i)	–	24,998	(429)	29,997	**54,566**
Total	125,897	124,998	5,527	29,997	**286,419**

(i) In January 2011, the Group purchased 25% equity interests of Dalecheng. After the transaction, 55% of Dalecheng's interests were held by the Group. According to the Articles of Association of Dalecheng, the Group and other shareholders jointly control Dalecheng, therefore it has been recognised as a joint venture.

(b) Associates

						31 December 2011			2011	
	Place of registration	Principal activities	Registered capital	% of Equity interest held %	% of Voting rights held %	Total assets	Total liabilities	Net assets	Total revenue	Net profit/(loss)
Beijing GoldenNet Property Investment Consultant Co., Ltd. ("GoldenNet") (i)	Beijing, the PRC	Property Sales Agency	RMB 5,000,000	14	14	55,234	530	54,704	150	15,565
Beijing SCJF Real Estate Agency Co., Ltd. ("SCJF")	Beijing, the PRC	Property Sales Agency	RMB 18,000,00	49.22	49.22	5,909	5,799	110	4,098	(500)
Beijing Yang Guang Yuan Real Estate Development Co., Ltd. ("Yang Guang Yuan")	Beijing, the PRC	Property Development and sales	RMB 72,190,000	35	35	403,597	281,781	121,816	82,208	17,432
Shenyang Capital Xinzi Real Estate Development Co., Ltd. ("Shenyang Xinzi")	Shenyang, the PRC	Property Development and sales	USD 92,500,000	30	30	1,727,512	1,097,589	629,923	672,175	(15,905)
Tianjin Capital Xinqing Real Estate Development Co., Ltd. ("Tianjin Xinqing")	Tianjin, the PRC	Property Development and sales	USD 95,000,000	40	40	1,402,096	760,675	641,421	1,778	(4,324)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(8). Long-term Equity Investments *(Continued)*

(b) Associates (Continued)

						31 December 2011			2011	
	Place of registration	Principal activities	Registered capital	% of Equity interest held %	% of Voting rights held %	Total assets	Total liabilities	Net assets	Total revenue	Net profit/(loss)
Tianjin Capital Xinming Real Estate Development Co., Ltd. ("Tianjin Xinming")	Tianjin, the PRC	Property Development and sales	USD 95,000,000	40	40	1,365,663	680,349	685,314	192,240	26,204
Beijing Financial Street International Hotel Co., Ltd. ("Financial Street") (ii)	Beijing, the PRC	Hotel Operation and Management	USD 5,640,000	59.5	33	924,039	1,002,109	(78,070)	178,025	(28,725)
Xi'an Xinkai	Xi'an, the PRC	Property Development and sales	USD 165,000,000	40	40	2,676,570	1,224,473	1,452,097	1,254,269	199,161
Nice Grace Group Ltd. ("Nice Grace")	B.V.I	Investment Holding	USD 10,000	20	20	25	19	6	–	(20)
Outlets (China) Ltd. ("Outlets China")	Hong Kong	Investment Holding	USD 2,000,000	20	20	381,351	376,160	5,191	–	(6,640)
Beijing Outlets Chuangxin Business Management Co., Ltd. ("Outlets Chuangxin")	Beijing, the PRC	Business and Property Management	RMB 1,000,000	38	38	7,041	1,234	5,807	–	(4,152)

(i) The Group has significant impact on the board of the directors, which is responsible for determining the financial policies in the ordinary course of business, therefore this company is classified as an associate.

(ii) According to the Articles of Association, the Group holds 59.5% equity interests of Financial Street both directly and in-directly and enjoys 34% profit of it. The Group has no control over the board of directors and such board is responsible for determine the financial policies in the ordinary course of business, therefore this company is classified as an associate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(8). Long-term Equity Investments *(Continued)*

(b) Associates *(Continued)*

Investments in associates are as follows:

	31 December 2010	Additional investment costs	Net profit adjusted according to the equity method	Cash dividends	Transferred to joint ventures	31 December 2011
GoldenNet	7,440	–	2,179	(1,960)	–	7,659
SCJF	301	–	(246)	–	–	55
Yang Guang Yuan	36,535	–	6,101	–	–	42,636
Shenyang Xinzi	193,749	–	(6,158)	–	–	187,591
Tianjin Xinqing	258,295	–	(4,139)	–	–	254,156
Tianjin Xinming	263,643	–	6,392	–	–	270,035
Financial Street (iii)	–	–	–	–	–	–
Xi'an Xinkai	501,175	–	74,224	–	–	575,399
Nice Grace	10	–	(4)	–	–	6
Outlets China	2,347	–	(1,328)	–	–	1,019
Outlets Chuangxin	–	3,800	(1,578)	–	–	2,222
Dalecheng (note 5(8)(a))	29,997	–	–	–	(29,997)	–
Total	1,293,492	3,800	75,443	(1,960)	(29,997)	1,340,778

(iii) The net assets of Financial Street are negative due to continuous losses in the past years. As the Group does not have the obligation to bear the additional losses beyond the share that the Group should have assumed, the Group recognise the carrying value of the long-term equity investment as zero other than negative. As at 31 December 2011, the unrecognised investment loss amounted to RMB9,767,000 (For the year of 2010: RMB4,320,000). As at 31 December 2011, the accumulated investment losses that are not recognised amounted to RMB14,087,000 (31 December 2010: RMB4,320,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(9). Investment Properties

	Buildings	Land use Rights	Total
Cost			
31 December 2010	286,474	615,025	901,499
Additions	334,038	84,018	418,056
Disposals	–	–	–
31 December 2011	**620,512**	**699,043**	**1,319,555**
Accumulated Depreciation and Amortisation			
31 December 2010	–	(7,609)	(7,609)
Depreciation	(62)	(15,416)	(15,478)
Disposals	–	–	–
31 December 2011	**(62)**	**(23,025)**	**(23,087)**
Provision for Impairment Loss			
31 December 2010	–	–	–
Charges	–	–	–
Other reductions	–	–	–
31 December 2011	**–**	**–**	**–**
Net Book Value			
31 December 2011	**620,450**	**676,018**	**1,296,468**
31 December 2010	286,474	607,416	893,890

As at 31 December 2011, some of the investment properties are still under construction. The Group had capitalised the amortisation of the land use rights amounted to RMB15,375,000 (31 December 2010: RMB7,609,000).

As at 31 December 2011, the investment properties including capitalisation of the borrowing cost amounted to RMB78,453,000(as at 31 December 2010: RMB18,607,000). The capitalisation rate of year 2011 is 8.25% (2010: 5.79%).

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(9). Investment Properties *(Continued)*

As at 31 December 2011, certain investment properties with carrying amount of RMB476,015,000 (31 December 2010: RMB476,004,000) have been pledged as security for amount of RMB999,200,000 bank facilities (31 December 2010: line of credit RMB600,000,000) (note 5(23)(c)).

As at 31 December 2011, certain land use rights and buildings under investment properties with carrying amount of RMB100,240,000 (31 December 2010: nil) and RMB303,786,000 (31 December 2010: nil) have been pledged as security for trust loans of RMB400,000,000 (31 December 2010: nil) (note 5(15)).

The land use rights by locations and the approved land use periods are analysed as follows:

	As at 31 December 2011	As at 31 December 2010
In Mainland China – 10 to 50 years	**676,018**	607,416

In the year ended 31 December 2011, The rent income from the above investment properties amounted to RMB13,000,000 (2010: nil), and have no direct expenditure (2010: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(10). Fixed Assets

	Buildings	Motor Vehicles	Office Equipment	Total
Cost				
31 December 2010	674,266	43,828	34,257	752,351
Additions	–	7,311	4,723	12,034
Additions from purchase of subsidiaries	–	659	555	1,214
Disposals	–	(498)	(2,023)	(2,521)
31 December 2011	**674,266**	**51,300**	**37,512**	**763,078**
Accumulated Depreciation				
31 December 2010	(179,183)	(19,606)	(24,207)	(222,996)
Depreciation	(27,566)	(8,827)	(5,228)	(41,621)
Disposal	–	496	1,959	2,455
31 December 2011	**(206,749)**	**(27,937)**	**(27,476)**	**(262,162)**
Provision for impairment loss				
31 December 2010	–	–	–	–
Charges	–	–	–	–
31 December 2011	–	–	–	–
Net Book Value				
31 December 2011	**467,517**	**23,363**	**10,036**	**500,916**
31 December 2010	495,083	24,222	10,050	529,355

As at 31 December 2011, certain buildings with net book value of RMB405,094,000 (original value of RMB601,431,000) (31 December 2010: net book value of RMB430,919,000 (original value of RMB601,431,000)) have been pledged as security for long-term borrowings of RMB393,234,000 (31 December 2010: RMB240,000,000) (note 5(23)(c)).

In the year ended 31 December 2011, depreciation expense charged in cost of sales amounted to RMB25,825,000 and in administrative expenses amounted to RMB15,796,000 (2010: RMB25,825,000 and RMB14,041,000).

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(11). Intangible Assets

	Original cost	31 December 2010	Amortisation	**Transfer out**	**31 December 2011**	**Accumulative amortisation**
Land use rights	52,283	43,743	(1,046)	**–**	**42,697**	**(9,585)**
Less: Provisions for Intangible assets	–	–	–	**–**	**–**	**–**

In the year ended 31 December 2011, the amortisation of intangible assets amounted to RMB1,046,000 (2010: RMB1,046,000); in which, amount of RMB1,046,000 (2010: RMB1,046,000) has been recognised in profit and loss for the current period.

As at 31 December 2011, land use rights with net book value of RMB42,697,000 (original cost of RMB52,438,000) (31 December 2010: net book value of RMB43,743,000 (original cost of RMB52,283,000)) have been pledged as security for the long-term borrowings (note 5(23)(c)) of RMB393,243,000 (31 December 2010: RMB240,000,000).

The land use rights by locations and the approved land use periods are analysed as follows:

	31 December 2011	31 December 2010
In Mainland China – 10 to 50 years	**42,697**	43,743

(12). Long-term receivables

	31 December 2011	31 December 2010
Receivables from associates (note7(5)(c))	**603,877**	395,453
Beijing Wanzhu Real estate development ("Beijing Wanzhu") (i)	**220,290**	–
Total	**824,167**	395,453

(i) According to the agreement signed by the Company and the cooperation partner, the Company is planning to participate in the construction of the Fangshan Project by a capital injection to take 30% of Beijing Wanzhu's shares. The Company and the cooperation partner should provide the fund needed for project operating in the form of shareholder borrowings proportionately with the shares percentage. Therefore, the Company provides borrowing of RMB220,290,000 to Beijing Wanzhu, with the same interest rate of bank borrowings of the same period, and the loan is pledged by the 30% share of Beijing Wanzhu held by the cooperation partner. As at 31 December 2011, the capital injection is still under process.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(13). Other non-current assets

	31 December 2011	31 December 2010
Prepayment of investment property development	**172,770**	–

(14). Provisions for impairment of assets

	31 December 2010	Additions	Reductions: Through reversal	Reductions: Through realization	**31 December 2011**
Provisions of bad debts					
Including:					
account receivables	3,844	–	–	–	**3,844**
other receivables	30,322	9,104	–	–	**39,426**
Total	34,166	9,104	–	–	**43,270**

(15). Short-term borrowings

	Currency	**31 December 2011**	31 December 2010
Trust loans	RMB	**1,200,000**	750,000
Bank loans	RMB	**60,000**	–
Total	RMB	**1,260,000**	750,000

As at 31 December 2011, short-term borrowings of RMB800,000,000 (31 December 2010: RMB750,000,000) are secured by certain properties held for sale (note 5(5)).

As at 31 December 2011, short-term borrowings of RMB400,000,000 (31 December 2010: nil) are secured by land use rights and buildings under investment properties (note 5(9)).

As at 31 December 2011, short-term borrowings of RMB60,000,000 (31 December 2010: nil) are guaranteed by the Group.

In the year ended 31 December 2011, the weighted average interest rate of short-term loan is 9.85%. (In 2010: 6.02%).

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(16). Accounts payable

The aging analysis of accounts payable is as follows:

	31 December 2011	31 December 2010
Within 1 year	**2,752,337**	1,999,457
Over 1 year	**61,251**	14,853
Total	**2,813,588**	2,014,310

(17). Advances from customers

	31 December 2011	31 December 2010
Advances from sales of properties under development	**7,754,766**	7,323,768
Hotel deposits	**13,988**	13,066
Total	**7,768,754**	7,336,834

Advances from customers are amounts received from customers for properties sold, and the risks and rewards of the properties have not been transferred to the customers.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(18). Employee benefits payable

	31 December 2010	Current period additions	Current period reductions	**31 December 2011**
Wages and salaries, bonuses, allowances and subsidies	49,026	277,813	(222,388)	**104,451**
Staff welfare	302	1,446	(1,325)	**423**
Social security contributions	7,135	29,743	(34,785)	**2,093**
Including: Medical insurance	271	8,612	(8,127)	**756**
Basic pensions	336	17,557	(17,004)	**889**
Annuity	6,510	1,271	(7,413)	**368**
Unemployment insurance	11	1,085	(1,066)	**30**
Work injury insurance	7	556	(536)	**27**
Maternity insurance	–	662	(639)	**23**
Housing funds	–	10,550	(9,933)	**617**
Labour union funds and employee education funds	3,446	3,629	(2,369)	**4,706**
Director's emoluments	44,823	10,251	(46,206)	**8,868**
Others	7	198	(8)	**197**
Total	104,739	333,630	(317,014)	**121,355**

(19). Taxes payable

	31 December 2011	31 December 2010
Enterprise income tax payable	**496,294**	336,701
LAT payable	**1,095,912**	850,428
Business tax payable	**125,286**	200,582
Others	**23,441**	18,774
Total	**1,740,933**	1,406,485

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(20). Dividends payables

	31 December 2011	31 December 2010
Reco Ziyang	**220,839**	422,157
Reco Camellia Pte Ltd. ("Reco Camellia")	**294,042**	294,042
Reco Hibiscus Pte Ltd. ("Reco Hibiscus")	**285,764**	230,850
Sunshine Comprehensive	**8,535**	–
Capital Group	**55,986**	–
China Development Finance Limited Corporation ("China Development")	**14,000**	–
Beijing Jiayuan Hongye Investment Management Ltd. ("Jiayuan Hongye")	**5,581**	–
Total	**884,747**	947,049

(21). Other payables

	31 December 2011	31 December 2010
Payables to associates	**1,160,318**	170,582
Payables to joint ventures	**7,800**	–
Collection of deeds and maintenance funds on behalf of government	**98,844**	75,658
Guarantee for tendering	**23,948**	46,409
Consideration payable to acquire shares in subsidiaries from non-controlling shareholders (note4(2)(b))	**185,770**	369,500
Loans due to non-controlling Interests shareholders of subsidiaries (a)	**135,383**	56,714
Deposits from customers	**43,429**	112,243
Accounts payables for daily operations	**402,879**	62,637
Subsidiaries' payables to	**605,734**	–
Yangguang Xinye (b)	**19,285**	–
Subsidiaries payable to Beijing Hongcheng Zhanye Real Estate Development Co., Ltd. ("Hongcheng Zhanye")(b)	**183,024**	28,805
Borrowings from other entities	**35,536**	131,153
Total	**2,901,950**	1,053,701

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(21). Other payables *(Continued)*

(a) As at 31 December 2011, loans and related interests borrowed from non-controlling interest shareholders of subsidiaries are as follows: loan provided by Reco Ziyang to Chengdu Xinzi amounted to RMB56,714,000, which is interest free, have no fixed maturity date and is unsecured and unguaranteed; loans provided by Beijing Huitian Weiye investment management Co. Ltd.("Beijing Huitian Weiye") to Shangbodi amounted to RMB75,656,000 with no fixed maturity date and is unsecured and unguaranteed, the interest rate is 10% higher than the interest rate of bank borrowings of the same period.

(b) The payables are the obligations of Qingdao and Yantai Project Companies (Note 4(2)(b)) acquired through business combination by the Group in the year ended 31 December 2011 to pay their original shareholders Yanggyang Xinye and Hongcheng Zhanye (subsidiary of Yangguang Xinye). The payables is interest free, with no fixed maturity date and is unsecured and unguaranteed

(22). Current portion of non-current liabilities

	Currency	**31 December 2011**	31 December 2010
long-term borrowings due within one year (a)	RMB	**3,375,640**	1,330,000
Non-controlling interest shareholder borrowings Due within one year from subsidiaries (b)	USD	**205,882**	223,111
Total		**3,581,522**	1,553,111

(a) Long-term borrowings due within one year of the Group is stated in note 5(23).

(b) As at 31 December 2011 and 31 December 2010, borrowings of subsidiaries from non-controlling interests consist of the borrowings of Tianjin Xinchuang from Reco Ziyang and the borrowings of Sunshine City from Reco Camellia. Tianjin Xinchuang have two borrowings with principals and interest rates of USD12,375,000 and 6.336%, and USD17,300,000 and 6.633% respectively; the principal and interest rate of Sunshine City's borrowing is USD3,000,000 and 6.336%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(23). Long-term borrowings

	Currency	**31 December 2011**	31 December 2010
Credit loans (a)	RMB	**30,000**	–
Secured loans:			
– Guaranteed (b)	RMB	**35,000**	–
	USD	**110,193**	–
– Mortgaged (c)	RMB	**4,498,880**	2,451,560
	USD	**183,234**	–
– Pledged (d)	RMB	**2,550,000**	3,550,000
– Trust (e)	RMB	**1,657,620**	1,807,620
– Guaranteed, pledged (f)	RMB	**310,000**	–
Subtotal		**9,374,927**	7,809,180
Less: long-term borrowings due within one year:			
Credit loans (a)		**(2,000)**	–
Secured loans:			
– Guaranteed (b)	RMB	**(35,000)**	–
– Mortgaged (c)	RMB	**(731,020)**	(130,000)
– Pledged (d)	RMB	**(1,000,000)**	(1,000,000)
– Trust (e)	RMB	**(1,607,620)**	(200,000)
Subtotal		**(3,375,640)**	(1,330,000)
Net Long-term borrowings		**5,999,287**	6,479,180

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(23). Long-term borrowings *(Continued)*

As at 31 December 2011, long-term borrowings include:

(a) Credit loans

As at 31 December 2011, credit loan of RMB30,000,000 (31 December 2010: nil) obtained by the Group, the interest is payable every 3 months and the principal is payable by installment before 2016. As principal of RMB2,000,000 should be paid within one year, such amount was classified as current liability.

(b) Guaranteed loans

As at 31 December 2011, RMB and USD guaranteed loans amounting to RMB145,193,000 (31 December 2010: nil) are guaranteed by the Company for subsidiaries. Interests are payable every 3 months and the principal is due for repayment by instalment before February 2014, As principal of RMB35,000,000 should be repaid in December 2012, such amount was classified as current liability.

(c) Mortgaged loans

As at 31 December 2011, bank borrowings of RMB999,200,000 (31 December 2010: RMB20,000,000) were secured by land use rights under development costs (note 5(5)) and investment properties (note 5(9)). The interests are payable every 3 months and the principal is due for repayment by instalment before December 2020, As principal of RMB60,000,000 should be repaid on 1 December 2012, such amount was classified as current liability.

As at 31 December 2011, bank borrowings of RMB3,189,680,000 (31 December 2010: RMB2,191,560,000) are secured by land use rights and yields on related real estate developing projects of the subsidiaries of the Company (note 5(5)). Interest is payable every 3 months. Principal of RMB73,000,000 is due for repayment on 28 January 2012; RMB85,680,000 is due for repayment on 20 April 2012; RMB150,000,000 is due for repayment on 31 July 2012; RMB264,340,000 is due for repayment on 21 December 2012 and RMB68,000,000 is due for repayment on 31 December 2012. Thus, such amounts are classified as current liability, and the remaining principal is due for repayment by installment within the period between 2013 and 2015.

As at 31 December 2011, RMB and USD bank borrowings amounting to RMB393,234,000 (31 December 2010: RMB240,000,000) are secured by buildings (note 5(10)) and land use rights in intangible assets (note 5(11)) of the Group. Interests of the principal of RMB210,000,000 are payable every 3 months and the principal is due for repayment by installment before 28 January 2018. Of which, RMB30,000,000 is due for repayment on 28 January 2012. Thus, it is classified as current liability, the interest rate of the USD long-term loan of RMB183,234,000 is set at 1.8% above the Libor, and the principal is due for repayment by instalment before 30 March 2014.

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(23). Long-term borrowings *(Continued)*

(c) Mortgaged loans *(Continued)*

As at 31 December 2011, bank borrowings of RMB 100,000,000 (31 December 2010: nil) are secured temporarily by RMB100,000,000 cash of the Company; as at February 2012, the collateral of the loan has been changed to the land use right of subsidiary. Interests are payable every 3 months and the principal is payable by installment before December 2013.

(d) Pledged loans

As at 31 December 2011, bank borrowings of RMB2,550,000,000 (31 December 2010: RMB3,550,000,000) were secured by rights to yields on certain land use rights (note 5(5)) pursuant to the agreement of line of credit loan signed in 2003. The interests are payable every 3 months and the principal is payable by installment before 2014. As principal of RMB1,000,000,000 is due for repayment by installment in 2012, such amount was classified as current liability.

(e) Trust loans

As at December 2011, long-term borrowings of RMB500,000,000 (31 December 2010: RMB700,000,000) are secured by the Company's other receivables due from subsidiaries. The Company provides guarantee on the return of these receivables, and such receivables due from subsidiaries were offset in the consolidated financial statement. Interests are payable every 3 months. The principal will be due for repayment by March 2012. Therefore, it is classified as current liability.

As at December 2011, long-term borrowings of RMB282,620,000 (31 December 2010: RMB282,620,000) are guaranteed by a third party. Interests are payable every 3 months. The principal will be due for repayment by June 2012. Therefore, it is classified as current liability.

As at December 2011, long-term borrowings of RMB825,000,000 (31 December 2010: RMB825,000,000) is secured by 95% share equities of Outlets Guangdong held by the Group. Interests are payable every 3 months. The principal will be due for repayment by August 2012. Therefore, it is classified as current liability.

As at December 2011, long-term borrowings of RMB50,000,000 (31 December 2010: nil) are guaranteed by the Company for the subsidiaries. Interests are payable every 3 months. The principal will be due for repayment by June 2013. Therefore, it is classified as current liability.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(23). Long-term borrowings *(Continued)*

(f) Guaranteed and pledged loans

As at December 2011, the guaranteed and pledged loans of the Group amounted to RMB310,000,000 (31 December 2010: nil). Of which, RMB155,000,000 (31 December 2010: nil) was guaranteed by the Company and the other RMB155,500,000 (31 December 2010: nil) was secured by the gains of primary land development projects (note 5(5)). Interests are payable every 3 months and the principal is due for repayment by installment before April 2017.

In the year ended 31 December 2011, the weighted average interest rate of long-term loan is 6.57%. (In 2010: 5.53%).

(24). Debentures payable

	31 December 2010	Additions	Reductions	**31 December 2011**
Corporate Bonds	989,211	1,145,763	–	**2,134,974**

(a) According to the Document Number 764 (2009) "Approval of corporate bond public issuance by Beijing Capital Land Limited" released by China Securities Regulatory Commission on 10 August 2009, the Company was authorised to publicly issue domestic corporate bonds of no more than RMB1,800,000,000.

The Company issued RMB1,000,000,000 corporate bond on September 24, 2009, the proceeds net of issuance costs is RMB986,000,000. The bond carries a fixed interest rate of 6.5%, which will be period annually. The maturity period of the board is 5 years, the principal and the interest of the last period is repayable on the maturity date. As at 31 December 2011, net value of the corporate bond is RMB991,872,000.

Of the fund raised, RMB200,000,000 was used to repay the bank loan due to China Development Bank. The remaining proceeds are used for property development purposes.

Capital Group provides unconditional and irrevocable joint liability guarantees for the bond over the period of issuance and 180 days after the maturity date.

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(24). Debentures payable *(Continued)*

(b) On 14 February 2011, the Group's wholly-owned subsidiary BECL issued corporate bonds amounted to RMB1,150,000,000, and the proceeds net of issuance costs were RMB1,140,078,000. The bond carries a fixed annual interest rate of 4.75% with a maturity period of 3 years, and the interest will be paid every six months. The principal will be full repayable on the maturity date. The bond was raised for the investment of overseas property companies and for supplement of the liquidity of the Group. The Company provided guarantees for the repayment of both the principals and interests.

(25). Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	As at 31 December 2011		As at 31 December 2010	
	Deferred tax assets	**Deductable temporary differences**	Deferred tax assets	Deductable temporary differences
Provision for asset impairment	**8,276**	**33,104**	6,000	24,000
Accrued salaries and other costs	**75,580**	**302,320**	131,966	527,864
Accumulated losses	**66,124**	**264,496**	45,443	181,772
Internal unrealised profits elimination	**67,440**	**269,760**	19,025	76,100
Total	**217,420**	**869,680**	202,434	809,736

As at 31 December 2011, the Group has not recognised deferred tax assets of RMB414,979,000 (31 December 2010: RMB198,901,000) in respect of deductible losses amounting to RMB103,745,000 (31 December 2010: RMB49,725,000), which will be expired as follows:

	31 December 2011	31 December 2010
Within 1 year	**31,194**	23,322
1 to 2 years	**8,445**	31,194
2 to 3 years	**80,793**	8,445
3 to 4 years	**55,147**	80,793
Over 4 years	**239,400**	55,147
Total	**414,979**	198,901

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(25). Deferred tax assets and deferred tax liabilities *(Continued)*

(a) Deferred tax assets before offsetting *(Continued)*

As at 31 December 2011, the Group has not recognised deferred tax assets of RMB2,542,000 (31 December 2010: RMB2,542,000) in respect of impairment losses amounting to RMB10,166,000 (31 December 2010: RMB10,166,000).

(b) Deferred tax liabilities before offsetting

	As at 31 December 2011		As at 31 December 2010	
	Deferred tax liabilities	**Taxable temporary differences**	Deferred tax liabilities	Taxable temporary differences
Change in fair value of available-for-sale financial assets	**8,305**	**33,225**	24,752	99,008
Business combination not under common control	**140,248**	**560,992**	128,304	513,216
Capitalised interest	**23,004**	**92,016**	25,505	102,020
Total	**171,557**	**686,233**	178,561	714,244

(c) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	31 December 2011	31 December 2010
Deferred tax assets, net	**188,913**	168,912
Deferred tax liabilities, net	**143,050**	145,039

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(26). Share Capital

	Number of shares	Share capital
Registered, issued and fully paid: as at 31 December 2011	**2,027,960**	**2,027,960**
Registered, issued and fully paid: as at 31 December 2010	2,027,960	2,027,960

(27). Capital surplus

	31 December 2010	Additions	Reductions	**31 December 2011**
Capital premium (a)	1,028,215	–	(102,949)	**925,266**
Other capital surplus, including:				
Change in fair value of available-for-sale financial assets	74,258	–	(49,340)	**24,918**
LAT compensated by promoter	35,974	–	–	**35,974**
Fair value appreciation of previously held interest in a business combination achieved in stages	95,538	–	–	**95,538**
Total	1,233,985	–	(152,289)	**1,081,696**

	31 December 2009	Additions	Reductions	31 December 2010
Capital premium (b)	1,027,403	812	–	1,028,215
Other capital surplus, including:				
Change in fair value of available-for-sale financial assets	113,923	–	(39,665)	74,258
LAT compensated by promoter	35,974	–	–	35,974
Fair value appreciation of previously held interest in a business combination achieved in stages	110,482	–	(14,944)	95,538
Total	1,287,782	812	(54,609)	1,233,985

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(27). Capital surplus *(Continued)*

(a) In April 2011, the Group entered into a capital transfer agreement with AG BCL, LLC to purchased 100% equity interest of AG Wuxi Residential SRL ("AG Wuxi") held by AG BCL, LLC, at a total consideration of USD16,000,000. After the transaction, the Group acquired 40% equity interest of its subsidiary Capital Jiangsu held by AG Wuxi. The Group recognised a decrease in capital surplus of RMB48,867,000 according to the difference between the newly acquired long-term equity investment and the entitled net assets calculating from the date of acquisition. Capital Jiangsu is wholly owned by the Group after the transaction.

In August 2011, the Group entered into a capital transfer agreement with Beijing Chengxin Qiankun Investment Company ("Beijing Chengxin Qiankun") to purchase 31.04% equity of Beijing Shangyi held by Beijing Chengxin Qiankun at a total consideration of RMB47,500,000. The Group recognised a decrease in capital surplus of RMB70,490,000 according to the difference between the newly acquired long-term equity investment and the entitled net assets calculating continuously from the date of acquisition. Beijing Shangyi is wholly owned by the Group after the transaction.

In December 2011, the Group sold 49% equity of Shangbodi, which was wholly owned by the Group, to Beijing Huitian Weiye at a total consideration of RMB29,301,000. The Group recognised a decrease in capital surplus of RMB16,327,000, according to the difference between the consideration RMB20,301,000 and the entitled net assets of Shangbodi for the 49% of equity. After the transaction, the Group still holds 51% equity of Shangbodi and have the control over Shangbodi.

(b) In May 2010, the Group entered into a contract to transfer 40% share of Jingjin Tongcheng to China Development at a total consideration of RMB20,000,000. The Group recognised an increase in capital surplus of RMB812,000 according to the difference between the income of the transaction and the entitled net assets of Jingjin Tongcheng for the 40% of equity. After the transaction, the Group holds 50% equity of Jingjin Tongcheng and have the control over Jingjin Tongcheng.

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(28). Surplus reserve

	31 December 2010	Additions	Reductions	**31 December 2011**
Statutory surplus reserve	146,034	184,197	–	**330,231**

	31 December 2009	Additions	Reductions	31 December 2010
Statutory surplus reserve	105,978	40,056	–	146,034

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities. In the year ended 31 December 2011, surplus reserve of RMB184,197,000 have been appropriated (2010: RMB40,056,000).

The Company appropriates for the discretionary surplus reserve after the shareholders' meeting approves the proposal from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities. The Company did not appropriate discretionary surplus reserve in the year ended 31 December 2011 (2010: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(29). Undistributed profits

	31 December 2011	31 December 2010
Dividends proposed but not declared	**385,312**	365,033
Total proposed dividends in the year	**365,033**	223,076

As at 31 December 2011, included in the undistributed profits, RMB642,523,000 is subsidiaries' surplus reserve of subsidiaries attributable to the Company (31 December 2010, RMB404,145,000), RMB238,378,000 of which is appropriated for the year 2011 (2010, RMB107,133,000).

In accordance with the resolution at the Annual General Meeting dated on 29 March 2010, the Company declared a cash dividend of RMB0.11 per share to the shareholders for the year 2009, which amounted to RMB223,076,000 based on the Company's total issued number of shares which is 2,027,960,000.

In accordance with the resolution at the Annual General Meeting dated on 9 May 2011, the Company declared a cash dividend of RMB0.18 per share to the shareholders for the year 2010, which amounted to RMB365,033,000 based on the Company's total issued number of shares which is 2,027,960,000.

On the meeting of Board of directors which held on 19 March 2012, the Board of directors proposed to declare a dividend of RMB 0.19 per share for the Year 2011 with a total amount of RMB385,312,000. The dividend proposal will be approved by shareholders on the Annual General Meeting which will be held on 26 April 2012.

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(30). Non-controlling interests

Non-controlling interests attributable to non-controlling shareholders of subsidiaries are as follows:

	31 December 2011	31 December 2010
Tianjin Banshan	**393,158**	203,888
Sunshine City	**217,097**	211,058
Anhua Shiji	**146,144**	137,764
Tianjin Xinchuang	**104,769**	103,878
Tianjin Xinyuan	**332,287**	295,137
Tianjin Xingang	**294,518**	297,874
Jiangsu Capital	**–**	50,559
Chengdu Xinzi	**117,732**	117,816
Chengdu Yidu	**318,231**	322,126
Chongqing Xinshi	**337,001**	343,092
Jingjin Tongcheng	**93,543**	124,962
Rongjin Company	**22,251**	22,251
Shangbodi	**11,853**	–
Outlets Guangdong	**164,658**	168,206
Others	**7,588**	4,970
Total	**2,560,830**	2,403,581

(31). Revenue and cost of sales

	2011	2010
Main operating revenue (a)	**7,480,141**	6,492,649
Other operating revenue (b)	**43,180**	1,146
Total	**7,523,321**	6,493,795

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(31). Revenue and cost of sales *(Continued)*

	2011	2010
Main operating cost (a)	**4,613,997**	3,894,525
Other operating cost (b)	**420**	2,835
Total	**4,614,417**	3,897,360

(a) Revenue and cost of sales

	2011		2010	
	Revenue	**Cost of sales**	Revenue	Cost of sales
Sale of properties and related consulting services	**7,377,600**	**4,513,231**	6,404,370	3,803,989
Hotel Services	**102,541**	**100,766**	88,279	90,536
Total	**7,480,141**	**4,613,997**	6,492,649	3,894,525

In the prior years, risks and rewards of the Group's properties held for sales are transferred on the actual date of delivery of the relevant properties to customers. Commencing 1 November 2011, the delivery of property sales and transfer of ownership of the properties to the customers are deemed to be the earlier of the actual date of delivery or the first day after the last day of the delivery period as stipulated in the property delivery notice.

(b) Other operating revenue and cost

	2011		2010	
	Other operating	**Other operating**	Other operating	Other operating
Leasing and other operations	**43,180**	**420**	1,146	2,835

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(32). Tax and surcharges

	2011	2010
Business tax	**416,331**	342,229
LAT	**365,051**	469,478
Others	**35,400**	21,200
Total	**816,782**	832,907

(33). Financial expenses/(income)

	2011	2010
Interest expenses	**854,305**	399,221
Bank loans	**418,491**	244,034
Trust loans	**270,279**	68,851
Corporate bonds	**119,596**	65,662
Other loans	**45,939**	20,674
Long-term receivables discounted	**9,124**	49,716
Less: Amount capitalised	**(800,874)**	(348,367)
Financial cost	**62,555**	100,570
Financial income	**(78,215)**	(63,624)
Exchange gains or losses – net	**4,984**	(5,685)
Others	**28,890**	5,389
Net	**18,214**	36,650

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(33). Financial expenses/(income) *(Continued)*

Interest expenses are analysed by the repayment terms of bank and other borrowings as follows:

	31 December 2011		31 December 2010	
	Bank borrowings	**Other borrowings**	Bank borrowings	Other borrowings
Wholly repayable within five years	**372,917**	**435,814**	232,024	155,187
Not wholly repayable within five years	**45,574**	**–**	12,010	–
Total	**418,491**	**435,814**	244,034	155,187

(34). Impairment losses

	2011	2010
Provisions of bad debts	**9,104**	1,203

(35). Investment income

	2011	2010
Share of profit less loss of investees under equity method	**96,973**	(4,551)
Loss from disposal of subsidiaries	**–**	(396)
Gains from disposal of available-for-sale financial assets	**1,318**	32,979
Dividends from available-for-sale financial assets	**–**	2,835
Fair value appreciation of previously held interest in a business combination achieved in stages	**–**	19,891
Others	**–**	(7,104)
Total	**98,291**	43,654

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(35). Investment income *(Continued)*

The Group has no significant limitation on realization of investment income.

In the year ended 31 December 2011, the Group has investment income of RMB1,318,000 from listed securities and RMB96,973,000 from unlisted securities respectively (2010: RMB32,979,000 and RMB10,675,000)

(36). Depreciation, Amortisation and other operating expenses

	2011	2010
Depreciation of fixed assets	**41,621**	39,866
Amortisation of intangible assets	**1,046**	1,046
Amortisation of investment property	**103**	–
Amortisation of long-term prepaid expenses	**273**	–
Employee benefits	**191,892**	94,955
Audit fees	**8,550**	6,968
Operating lease rentals	**1,462**	481

(37). Income tax expenses

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for Year 2011 (2010: nil).

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

	2011	2010
Current income tax	**473,339**	463,154
Deferred income tax	**(17,487)**	(87,923)
Total	**455,852**	375,231

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(37). Income tax expenses *(Continued)*

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	2011	2010
Total profit	**1,635,891**	1,436,156
Income tax expenses calculated at applicable tax rates (25%)	**408,973**	359,039
Share of profits less losses of joint ventures and associates	**(24,243)**	1,138
Income not subject to tax	**–**	(12,238)
Expenses, costs and losses not deductible for tax purposes	**11,272**	13,091
Unrecognised deductible temporary differences of deferred tax assets	**–**	304
Tax losses for which no deferred income tax asset was recognised	**59,850**	13,897
Income tax expenses	**455,852**	375,231

(38). Earnings per share

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

	2011	2010
Profit attributable to equity holders of the Company	**955,062**	918,155
Weighted average number of shares in issue (thousands)	**2,027,960**	2,027,960
Basic earnings per share (RMB cents per share)	**47**	45
Including:		
– Basic earnings per share relating to continuing operation	**47**	45
– Basic earnings per share relating to discontinue operation	**–**	–

Diluted earnings per share is equal to the basic earnings per share since the Company has no dilutive potential shares during the period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(39). Other Comprehensive Income

	2011	2010
Fair value losses on available-for-sale financial assets, gross	**(64,465)**	(19,908)
Reserve realised upon disposal of available-for-sale financial assets, net of tax	**(1,321)**	(32,979)
Less: Income tax arise	**16,446**	13,222
Subtotal	**(49,340)**	(39,665)
Fair value appreciation of previously held interest in a business combination achieved in stages	**–**	(29,888)
Exchange differences in foreign operations	**3,299**	(661)
Total	**(46,041)**	(70,214)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(40). Notes to consolidated cash flow statements

(a) Reconciliation from net profit to cash flows from operating activities

	2011	2010
Net profit	**1,180,039**	1,060,925
Add: Provisions for asset impairment (note 5(34))	**9,104**	1,203
Depreciation of fixed assets (note 5(10))	**41,621**	39,866
Amortization of intangible assets (note 5(11))	**1,046**	1,046
Amortisation of long-term prepaid expenses	**273**	–
Amortization of Investment Properties	**103**	–
Gain on disposal of fixed assets, intangible assets and other long-term assets	**(83)**	(266)
Financial expenses	**64,269**	94,885
Investment profit (note 5(35))	**(98,291)**	(43,654)
Excess of acquirer's interests in fair value of identifiable net assets over consideration (note 4(2)(b))	**(2,195)**	(5,264)
Increase in deferred tax assets	**(19,997)**	(110,246)
(Decrease)/increase in deferred tax liabilities	**(406)**	22,323
Increase in inventories	**(2,934,702)**	(2,059,258)
Transfer out of assets value in a business combination achieved in stages through disposal of relevant assets	**–**	(39,850)
(Increase)/decrease in restricted cash (note 5(1))	**(346,719)**	66,687
Decrease in operating receivables	**1,245,524**	263,290
Increase in operating payables	**430,174**	2,273,811
Net cash flows from operating activities	**(430,240)**	1,565,498

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(40). Notes to consolidated cash flow statements *(Continued)*

(b) Net increase/(decrease) in cash

	2011	2010
Cash at end of the year	**7,974,900**	8,429,444
Less: cash at beginning of the year	**(8,429,444)**	(4,879,372)
Net (decrease)/ increase in cash	**(454,544)**	3,550,072

(c) Cash

	31 December 2011	31 December 2010
Cash at bank and on hand (note 5(1))	**8,352,243**	8,460,068
Less: restricted cash at bank (note 5(1))	**(377,343)**	(30,624)
Cash at end of the year	**7,974,900**	8,429,444

(d) Acquire or dispose subsidiary

Cash flow statements of subsidiary acquired by the Group in the year ended 31 December 2011 is stated in note 4(2).

The Group did not dispose of any subsidiaries in the year ended 31 December 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

6. SEGMENT INFORMATION

The reportable segments of the Group are the business units that provide different products or service, or operate in different areas. Different businesses or areas require different technologies and marketing strategies, the Group, therefore, separately manages the production and operation of each reportable segment and valuates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Group identified 5 reportable segments as follows:

– Beijing region, which is mainly engaged in the property development and sales in Beijing region.

– Tianjin region, which is mainly engaged in the property development and sales in Tianjin region.

– Chengyu region, which is mainly engaged in the property development and sales in Chengyu region.

– Other regions, which are mainly engaged in the property development and sales in other regions, including Wuxi, Shenyang, Xi'an, Foshan, Huzhou and so on.

– Hotel operations, which are mainly engaged in hotel business and providing corresponding services.

Inter-segment transfers are measured by reference to sales to third parties. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment's revenue.

Segment information for the year ended 31 December 2011 is as follows:

	Property development							
	Beijing	Tianjin	Chengyu	Others	Hotel Operations	Unallocated	Elimination	Total
Revenue from external customers	3,153,273	3,183,075	821,900	262,532	102,541	–	–	7,523,321
Inter-segment revenue	–	–	–	69,550	–	–	(69,550)	–
Interest income	95,077	87,476	41,103	84,872	214	337,322	(567,849)	78,215
Interest expenses	(186,098)	(73,508)	(6,131)	(139,440)	(13,008)	(270,922)	626,552	(62,555)
Share of profit of associates and joint ventures	–	2,253	–	94,720	–	–	–	96,973
Asset impairment losses	(9,104)	–	–	–	–	–	–	(9,104)
Depreciation and amortisation	(4,612)	(442)	(749)	(4,862)	(25,883)	(6,222)	–	(42,770)
Total profit/(loss)	683,750	663,752	164,471	29,943	(15,295)	69,270	40,000	1,635,891
Income tax expenses	(226,761)	(163,608)	(39,543)	(9,143)	–	(6,797)	(10,000)	(455,852)
Net profit/(loss)	456,989	500,144	124,929	20,799	(15,295)	62,473	30,000	1,180,039
Total assets	22,196,771	8,586,513	6,546,569	23,845,274	586,175	18,666,205	(42,716,389)	37,711,118
Long-term equity investments on associates and joint ventures	–	524,191	–	1,103,006	–	–	–	1,627,197
Additions to non-current assets other than long-term equity investments	159,895	540	216	250,002	275	5,395	–	416,323

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

6. SEGMENT INFORMATION *(Continued)*

For the year of 2011, no segment generated revenue from a single significant customer or foreign customers.

As at 31 December 2011, the Group has no non-current assets that are located in other countries.

Segment information for the year end 31 December 2010 is as follows:

	Property development							
	Beijing RMB'000	Tianjin RMB'000	Chengyu RMB'000	Others RMB'000	Hotel Operations RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
Revenue from external customers	4,417,478	1,089,533	564,458	334,047	88,279	–	–	6,493,795
Inter-segment revenue	–	–	–	134,533	–	–	(134,533)	–
Interest income	14,600	6,282	38,928	3,703	111	–	–	63,624
Interest expenses	(53,745)	(26,365)	–	(315)	(13,148)	(6,997)	–	(100,570)
Share of loss of associates and joint ventures	–	1,803	–	(6,354)	–	–	–	(4,551)
Asset impairment loss	–	–	–	(1,215)	12	–	–	(1,203)
Depreciation and amortisation	(3,328)	(393)	(1,361)	(2,966)	(26,016)	(6,848)	–	(40,912)
Total profit/(loss)	1,087,842	239,247	(35,322)	112,128	(18,455)	50,716	–	1,436,156
Income tax expenses	(285,918)	(64,488)	(23,454)	(11,208)	–	9,837	–	(375,231)
Net profit/(loss)	801,924	174,759	(58,776)	100,920	(18,455)	60,553	–	1,060,925
Total assets	15,380,356	7,198,103	6,229,051	8,085,863	599,118	15,460,500	(22,439,204)	30,513,787
Long-term equity investments on associates and joint ventures	–	521,938	–	897,451	–	–	–	1,419,389
Additions to non-current assets other than long-term equity investments	1,124	7	633	4,892	101	–	–	6,757

For the year of 2011, the revenues of the top two customers with the transaction value above 10% of the external sales are RMB1,098,363,000 and RMB 830,132,000 respectively, composing part of the revenue from the Beijing area.

As at 31 December 2011, the Group has no non-current assets located in other countries.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1). The parent company and subsidiaries

The general information and other related information of the subsidiaries is set out in note 4.

(a) General information of the parent company:

	Place of registration	Nature of business
Capital Group	Beijing, The PRC	Infrastructure, financial securities, industrial technology, commercial trade, tourist hotel, etc.

The Company's ultimate controlling party is Capital Group.

(b) Registered capital and changes in registered capital of the parent company:

	31 December 2010	Current year additions	Current year decreases	**31 December 2011**
Capital Group	3,300,000	–	–	**3,300,000**

(c) The proportions of equity interests and voting rights in the Company held by the parent company:

	As at 31 December 2011			As at 31 December 2010		
	Direct interest held	**Indirect interest held**	**Voting rights**	Direct interest held	Indirect interest held	Voting rights
	%	**%**	**%**	%	%	%
Capital Group	**15.34**	**16.68**	**32.02**	15.34	16.68	32.02

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(2). Information of joint ventures and associates

The general information of joint ventures and associates is set out in note 5(8).

(3). Information of other related parties

Name of related entities	Relationship with the Company
Reco Ziyang	non-controlling interests of subsidiaries
Reco Camellia	non-controlling interests of a subsidiary
Yangguang Xinye	Under significant influence by the same key management personnel and in substance constitute of a related party
Zirui Xinli	Subsidiary of Yangguang Xinye
Ruijing Yangguang	Subsidiary of Yangguang Xinye
Xingtai Company	Subsidiary of Yangguang Xinye
Fengdu Company	Subsidiary of Yangguang Xinye
Hongcheng Zhanye	Subsidiary of Yangguang Xinye

(4). Related party transactions

The Board considers all transactions with related parties are on normal commercial terms, prices of related party transactions was agreed by the Group and its related parties.

(a) Providing consulting service

	2011	2010
Tianjin Xinming	**7,903**	5,000
Tianjin Xinqing	**3,614**	–
Xi'an Xinkai	**10,267**	5,000
Shenyang Jitian	**2,676**	5,000
Shenyang Xinzi	**4,657**	–
Total	**29,117**	15,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(4). Related party transactions *(Continued)*

(b) (Receive)/Provide funding

	2011	2010
Outlets Guangdong (i)	–	193,927
Anshunyuan (i)	–	545,000
Chongqing Xinshi (i)	–	387,128
Dalecheng	(385)	104,885
Capital Jiaming	60,000	–
Zirui Xinli	(5,019)	18,892
Outlets (China)	221,611	–
Financial Street	41,849	37,320
Tianjin Xinming	(47,000)	–
Tianjin Xinqing	(29,500)	–
Xi'an Xinkai	(881,843)	–
Shenyang Xinzi	(43,884)	–
Shenyang Jitian	(7,800)	–
Total	(691,971)	1,287,152

(c) Commission fee

	2011	2010
GoldenNet	104,504	74,569

The Group entrust GoldenNet as exclusive sales agent of certain projects. The commission fee payable was charged by certain percentage based on property sales price.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(4). Related party transactions *(Continued)*

(d) Leases

	2011	2010
GoldenNet	**12,372**	–

(e) Interest income/(expense)

	2011	2010
Tianjin Xinming	**–**	3,451
Shenyang Xinzi	**–**	5,163
Ruijing Qingyuan (ii)	**–**	1,258
Shenyang Jitian	**–**	6,413
Outlets Guangdong (i)	**–**	9,321
Outlets (China)	**4,367**	–
Reco Camellia	**(1,316)**	(1,312)
Reco Ziyang	**(12,573)**	(13,172)
Total	**(9,522)**	11,122

(i) Chongqing Xinshi, Outlets Guangdong and Anshunyuan, the original joint ventures of the Group, became subsidiaries of the Group in the year ended 31 December 2011. The transaction stated above is a related party transaction during the period between 1 January 2010 to the date they became the subsidiaries of the Group.

(ii) Ruijing Qingyuan was originally a joint venture of the Group. The group disposed of all the equities of Quijing Qingyuan in December 2010 and Ruijing Qingyuan was no longer the related party of the Group ever since. The transaction stated above is a related party transaction during the period between 1 January 2010 and the disposal date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(4). Related party transactions *(Continued)*

(f) Guarantees

	2011	2010
Capital Group for the Company	**1,000,000**	1,000,000

In 2009, the parent company Capital Group, provided irrevocable guarantee for the corporate bond amounted to RMB1,000,000,000 issued by the Company. The guarantee maturity date is March, 2015.

	2011	2010
The Company for subsidiaries	**2,060,193**	700,000

In February 2011, the Company provided irrevocable guarantee for the corporate bond amounted to RMB1,150,000,000 issued by its wholly owned subsidiary BECL. The guarantee maturity date is February, 2014. In February 2011, the Company provided irrevocable guarantee for the long-term bank loan amounted to RMB110,193,000 for its subsidiaries, the guarantee maturity date is February, 2014. In March 2011, the Company provided irrevocable guarantee for the long-term bank loan amounted to RMB35,000,000 for its subsidiaries, the guarantee maturity date is March, 2013. In April 2011, the Company provided irrevocable guarantee for the long-term bank loan amounted to RMB155,000,000 for its subsidiaries, the guarantee maturity date is April, 2017. In May 2010, the Company provided irrevocable guarantee for the long-term trust loan amounted to RMB500,000,000 for its subsidiaries, the guarantee maturity date is March, 2013. . In December 2011, the Company provided irrevocable guarantee for the long-term trust loan amounted to RMB50,000,000 for its subsidiaries, the guarantee maturity date is June, 2013. In December 2011, the Company provided irrevocable guarantee for the short-term bank loan amounted to RMB60,000,000 for its subsidiaries, the guarantee maturity date is December, 2012.

(g) The Group acquired the equity interest of Qingdao and Yantai project companies from Yangguang Xinye in 2011, which was a related party transaction. The details of the transaction is disclosed in Note 4(2)(b).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(4). Related party transactions *(Continued)*

(h) Key management compensation

	2011	2010
Salary and other short-term employee welfare	**22,380**	19,797
Others	**339**	229
Remuneration of key management personnel	**22,719**	20,026

(5). Related party balances

(a) Accounts receivable (note 5(2)(a))

	31 December 2011	31 December 2010
Zirui Xinli	**–**	15,000
Ruijing Yangguang	**60,000**	120,000
Total	**60,000**	135,000

(b) Advances to suppliers

	31 December 2011	31 December 2010
Commission fee prepaid to GoldenNet	**36,652**	49,326

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(5). Related party balances *(Continued)*

(c) Long-term receivables (note 5(12))

	31 December 2011	31 December 2010
Financial Street (i)	**428,177**	395,453
Outlets (China) (ii)	**175,700**	–
Total	**603,877**	395,453

(i) The receivables due from Financial Street, which is an associate of the Group, is interest free and have no fixed maturity date. The Group plans to collect the receivable within 2 years, and the receivable is discounted in accordance with 1 to 3 years' interest rate of bank borrowings.

(ii) The loan to Outlets China, an associate of the Company, is provided by the Group with a principal of RMB175,700,000 and with an interest rate of 10%. The Loan is due with 24 months and is unsecured and unguaranteed.

(d) Dividends receivables (note 5(4))

	31 December 2011	31 December 2010
Xingtai Company	**–**	162,565
Fengdu Company	**–**	32,237
Xi'an Xinkai	**12,400**	12,400
Total	**12,400**	207,202

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(5). Related party balances *(Continued)*

(e) Other receivables (note 5(2)(b))

	31 December 2011	31 December 2010
Shenyang Xinzi	**–**	205
GoldenNet	**464**	464
Dalecheng	**104,500**	104,885
Capital Jiaming	**60,000**	–
Zirui Xinli	**13,873**	18,892
Outlets (China)	**33,625**	–
Total	**212,462**	124,446

The receivables due from related parties above are all interest free, unsecured and unguaranteed and have no fixed maturity date.

(f) Other payables (note 5(21))

	31 December 2011	31 December 2010
Tianjin Xinming	**85,500**	38,500
Xi'an Xinkai	**1,001,639**	119,796
Outlets (China)	**–**	12,286
Reco Ziyang	**56,714**	426,214
Shenyang Xinzi	**43,679**	–
Tianjin Xinqing	**29,500**	–
Shenyang Jitian	**7,800**	–
Yangguang Xinye	**791,504**	–
Hongcheng Zhanye	**19,285**	–
Total	**2,035,621**	596,796

Except for Reco Ziyang, whose payable is disclosed in note 5(21)(a), other related party payables are interest free, unsecured and unguaranteed and have no fixed maturity date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(5). Related party balances *(Continued)*

(g) Dividends payable (note 5(20))

	31 December 2011	31 December 2010
Reco Ziyang	**220,839**	422,157
Reco Camellia	**294,042**	294,042
Reco Hibiscus	**285,764**	230,850
Capital Group	**55,986**	–
Total	**856,631**	947,049

(h) Interest payable

	31 December 2011	31 December 2010
Reco Ziyang	**87,927**	75,354
Reco Camellia	**7,619**	6,940
Total	**95,546**	82,294

(i) Remuneration payable to Directors

	31 December 2011	31 December 2010
Remuneration payable to Directors	**8,868**	44,823

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(5). Related party balances *(Continued)*

(j) Emoluments to directors and supervisors

Directors' and supervisors' emoluments for the year ended 31 December 2011 are as follows:

Name	Allowance	Salary	Others	Employer's contribution to retirement benefit scheme	Total
Liu Xiaoguang	–	2,447	–	–	2,447
Tang Jun	–	3,180	487	42	3,709
Zhang Juxing	–	1,516	386	42	1,944
Feng Chunqin	505	–	–	–	505
Cao Guijie	505	–	–	–	505
Zhu Min (i)	463	–	–	–	463
Zhang Shengli (ii)	42	–	–	–	42
Ke Jianmin (i)	224	–	–	–	224
Li Zhaojie	244	–	–	–	244
Ng Yuk Keung	244	–	–	–	244
Wang Hong (ii)	20	–	–	–	20
Yu Changjian (i)	139	–	–	–	139
Wang Qi (i)	139	–	–	–	139
Wei Jianping (i)	–	502	119	39	660
Liu Yongzheng (ii)	13	–	–	–	13
Fan Shubin (ii)	13	–	–	–	13
Jiang Hebin (ii)	–	55	10	3	68

(i) Retired on 4 December 2011.

(ii) Appointed on 5 December 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(5). Related party balances *(Continued)*

(j) Emoluments to directors and supervisors *(Continued)*

Directors' and supervisors' emoluments for the year ended 31 December 2010 are as follows:

Name	Allowance	Salary	Others	Employer's contribution to retirement benefit scheme	Total
Liu Xiaoguang	–	2,420	–	–	2,420
Tang Jun	–	3,146	232	29	3,407
Zhang Juxing	–	1,500	191	29	1,720
Feng Chunqin	500	–	–	–	500
Zhu Min	500	–	–	–	500
Cao Guijie	500	–	–	–	500
Ke Jianmin	242	–	–	–	242
Li Zhaojie	242	–	–	–	242
Yu Changjian	150	–	–	–	150
Wei Jianping	–	389	124	29	542
Ng Yuk Keung	242	–	–	–	242
Wang Qi	150	–	–	–	150

The director's emoluments above for the year 2011 and 2010 do not conclude the long-term incentive fund.

(k) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 3 (2010: 3) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 (2010: 2) individuals during the year are as follows:

	31 December 2011	31 December 2010
Basic salaries, bonus, housing allowance, other allowances in kind	**4,502**	3,148

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(5). Related party balances *(Continued)*

(k) Five highest paid individuals *(Continued)*

	Number of individuals	
	2011	2010
Emolument bands:		
RMB 0 – 1,000,000	**–**	–
RMB 1,000,001 – 4,000,000	**2**	2

The emolument above do not conclude the long-term incentive fund.

(l) Long Term Incentive Fund Scheme

At the Extraordinary General Meeting on 27 September 2007, the "Long Term Incentive Fund Scheme" (the "Scheme") was approved. According to the Scheme, the company appropriate RMB48,300,000 (2010: RMB25,000,000) of incentive fund for management in the year ended 31 December 2011. The allocation of the incentive fund is in accordance with the Scheme, with 10% for the Board and 90% for senior management as well as core management and technical staff members of the company, in which, the amount for senior management accounts for 60% of the total incentive fund.

As at 31 December 2011, the Scheme had through the trustee purchased 11,100,000 H shares, representing 1.09% of H shares and 0.55% of the entire issued share capital of the Company. Up to the date of this announcement, the purchased shares have been held in trust by the trustee.

8. COMMITMENTS

(1). Capital commitments

(a) Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	31 December 2011	31 December 2010
Authorised but not contracted	**8,608,543**	10,689,324
Contracted but not paid	**2,569,063**	3,010,911

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

8. COMMITMENTS *(Continued)*

(1). Capital commitments *(Continued)*

(b) The Group's share of capital commitment of the joint venture are as follows:

	31 December 2011	31 December 2010
Authorised but not contracted	**30,250**	30,690
Contracted but not paid	**1,350**	2,717

(2). Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	31 December 2011	31 December 2010
Within 1 year	**5,446**	10,492
1 to 2 years	**2,434**	8,537
2 to 3 years	**487**	5,793
Over 3 years	**–**	2,006
Total	**8,367**	26,828

(3). Investment commitments

	31 December 2011	31 December 2010
Total subsidiaries' investment	**620,478**	626,618

9. FINANCIAL GUARANTEES

The Group has arranged bank financing for certain customers and had provided guarantees to secure obligations of these customers for repayments.

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.

As at 31 December 2011, outstanding guarantees amounted to RMB3,028,311,000 (31 December 2010: RMB2,973,167,000).

As at 31 December 2011, other than guarantees provided for borrowings refer to note 7(4)(f), the Group had no material external guarantee.

The Group believes that the guarantees above will not have a significant impact on its financial position.

10. FINANCIAL INSTRUMENT AND RISK

The Group's activities expose it to a variety of financial risks, market risk (primarily currency 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.

(1). Market risk

(a) Foreign exchange risk

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. (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's finance department of headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies. The management of the Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. In the year ended 31 December 2011 and 2010, the Group did not enter into any forward exchange contracts or currency swap contracts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

10. FINANCIAL INSTRUMENT AND RISK *(Continued)*

(1). Market risk *(Continued)*

(a) Foreign exchange risk *(Continued)*

As at 31 December 2011 and 31 December 2010, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarized below,

	31 December 2011		
	USD	**HKD**	**Total**
Cash at bank and on hand	**69,417**	**1,587,514**	**1,656,931**
Long-term borrowings	**293,427**	**–**	**293,427**
Current portion of non-current liabilities	**205,882**	**–**	**205,882**
Interest payables	**82,273**	**–**	**82,273**

	31 December 2010		
	USD	HKD	Total
Cash at bank and on hand	68,057	9,689	77,746
Current portion of non-current liabilities	223,111	–	223,111
Interest payables	69,638	–	69,638

As at 31 December 2011, for all USD and HKD dominated financial assets and liabilities, 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 decrease/increase by approximately RMB40,326,000 (31 December 2010: increase/decrease RMB5,451,000).

(b) 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 determines the contracts proportions of fixed rate and floating rate depending on the market conditions. As at 31 December 2011, the Group's long-term interest bearing borrowings were mainly RMB- and USD-denominated with floating rates, amounting to RMB7,562,307,000 (31 December 2010: RMB5,696,560,000).

10. FINANCIAL INSTRUMENT AND RISK *(Continued)*

(1). Market risk *(Continued)*

(b) Interest rate risk *(Continued)*

Increases in interest rates will increase the cost of new borrowing and the interest expenses of to the Group's outstanding floating rate borrowings, and therefore could have a material adverse impact on the Group's financial position. The Group's finance department of its headquarters continuously monitors the interest rate position of the Group and makes decisions with reference to the latest market conditions. The management of the Group may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. In the year ended 31 December 2011 and 2010, the Group did not enter into any interest rate swap agreements.

As at 31 December 2011, if interest rates on the floating rate borrowings increased/decreased 50 basis points with all other variables held constant, the financial expenses of the Group would increased/decreased by approximately RMB37,812,000 (31 December 2010: RMB28,483,000).

(2). Credit risk

Credit risk is managed by portfolio classification. Credit risk mainly arises from cash at bank and on hand, accounts receivable, and other receivables.

The Group expects that credit risk on cash at bank since they are deposited at state-owned banks and other medium or large size listing banks. Management does not expect that there will be any significant losses arise from non-performance by these counterparties.

In addition, the Group has policies to control the credit risk exposure on accounts receivable, and other receivables. The Group assesses the credit qualification of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit record of the customers is regularly monitored by the Group. For customers with a poor credit history, the Group will apply written payment reminders, shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited under control.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

10. FINANCIAL INSTRUMENT AND RISK *(Continued)*

(3). Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department of its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The following table details the Group's contractual maturity for its financial assets, base on undiscounted contractual cash flows:

	31 December 2011				
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Financial assets –					
Cash	**8,352,243**	**–**	**–**	**–**	**8,352,243**
Receivables	**980,051**	**–**	**–**	**–**	**980,051**
Long-term receivables	**17,570**	**899,712**	**–**	**–**	**917,282**
Total	**9,349,864**	**899,712**	**–**	**–**	**10,249,576**

	31 December 2010				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial assets –					
Cash	8,460,068	–	–	–	8,460,068
Receivables	1,450,996	–	–	–	1,450,996
Long-term receivables	–	445,169	–	–	445,169
Total	9,911,064	445,169	–	–	10,356,233

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

10. FINANCIAL INSTRUMENT AND RISK *(Continued)*

(3). Liquidity risk *(Continued)*

	31 December 2011				
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Financial liabilities –					
Short-term borrowings	**1,340,278**	**–**	**–**	**–**	**1,340,278**
Payables	**6,733,009**	**–**	**–**	**–**	**6,733,009**
Debentures payables	**118,769**	**118,769**	**2,203,884**	**–**	**2,441,422**
Long-term borrowings	**395,173**	**2,932,991**	**2,666,611**	**1,312,169**	**7,306,944**
Current portion of non-current liabilities	**3,722,055**	**–**	**–**	**–**	**3,722,055**
Total	**12,309,284**	**3,051,760**	**4,870,495**	**1,312,169**	**21,543,708**

	31 December 2010				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial liabilities –					
Short-term borrowings	769,359	–	–	–	769,359
Payables	3,896,131	–	–	–	3,896,131
Debentures payables	65,000	65,000	1,105,308	–	1,235,308
Long-term borrowings	428,192	3,398,832	3,351,335	256,933	7,435,292
Current portion of non-current liabilities	1,706,145	–	–	–	1,706,145
Total	6,864,827	3,463,832	4,456,643	256,933	15,042,235

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

10. FINANCIAL INSTRUMENT AND RISK *(Continued)*

(3). Liquidity risk *(Continued)*

Bank and other borrowings are analysed by repayment terms as follows:

	31 December 2011		31 December 2010	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Wholly repayable within five years	**6,542,307**	**2,857,620**	5,791,560	2,557,620
Not wholly repayable within five years	**1,235,000**	**–**	21,000	–
Total	**7,777,307**	**2,857,620**	5,812,560	2,557,620

(4). Fair value

(a) Financial instruments not measured in fair value

Financial assets and liabilities not measured in fair value mainly include receivables, short-term borrowings, payables, Long-term borrowings, current portion of non-current liabilities and debentures payables.

The carrying amount of the above financial assets and liabilities not measured in fair value is a reasonable approximation of their fair value.

The fair value of long-term borrowings and payables not quoted in an active market is the present value of the contractually determined future cash flows discounted at comparable interest rate.

(b) Financial instruments measured in fair value

Based on the lowest level input that is significant to the fair value measurement in its entirety, the fair value is divided into the following levels:

Level 1, Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2, 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 3, Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

10. FINANCIAL INSTRUMENT AND RISK *(Continued)*

(4). Fair value *(Continued)*

(b) Financial instruments measured in fair value *(Continued)*

As at 31 December 2011, the financial assets measured at fair value by the above three levels are analysed below,

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets – Available-for-sale financial assets	**112,479**	**–**	**1**	**112,480**

As at 31 December 2010, the financial assets measured at fair value by the above three levels are analysed below,

	Level 1	Level 2	Level 3	Total
Financial assets – Available-for-sale financial assets	140,610	–	5	140,615

11. EVENTS AFTER THE BALANCE SHEET DATE

In January 2012, the Group signed capital transfer agreements with RECO Ziyang and RECOSIA CHINA PTE LTD respectively in order to acquire the 45% equity of Tianjin Xinchuang and the 45% equity of Chengdu Xinzi held by RECO Ziyang, and the 100% equity of Reco Hibiscus and the 100% equity of Reco Camellia held by RECOSIA CHINA PTE LTD, which could indirectly acquire the 50% equity of Sunshine city and the 45% equity of Anhuashiji. The transaction has been approved at the shareholders' meeting on 5 March 2012. As of the reporting date, the office registration is still under process, and not yet finished.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

12. NOTES TO THE COMPANY FINANCIAL STATEMENTS

(1). Cash

	31 December 2011	31 December 2010
Cash on hand	**722**	13
Cash at bank	**1,365,359**	2,795,095
Total	**1,366,081**	2,795,108

As at 31 December 2011, cash at bank includes RMB100,000,000 (31 December 2010: nil) have been pledged for certain bank borrowings of RMB100,000,000. The Group has reclassified the above amount to restricted bank deposits.

(2). Accounts receivable and other receivables

(a) Accounts receivable

	31 December 2011	31 December 2010
Accounts receivable	**160**	160
Less: provisions for bad debts	**–**	–
Receivables – net	**160**	160

The ageing analysis of the accounts receivables are as follows:

	31 December 2011	31 December 2010
Over 3 years	**160**	160

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

12. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(2). Accounts receivable and other receivables *(Continued)*

(b) Other receivables

	31 December 2011	31 December 2010
Amounts due from subsidiaries (i)	**13,805,809**	5,777,224
Amounts due from associates	**2,363**	6,234
Project tender deposits	**10,000**	10,000
Others	**33,544**	24,452
Total	**13,851,716**	5,817,910
Less: provisions for bad debts	**(24,000)**	(24,000
Receivables – net	**13,827,716**	5,793,910

(i) As at 31 December of 2011, balance of loans from the Company to the subsidiaries is 4,249,646,000 (31 December of 2010: RMB2,329,402,000), the interest rates range from 6.34% to 7.22%, with no fixed maturity date and is unsecured and unguaranteed. Other receivables due from subsidiaries except for this are interest free, unsecured and unguaranteed and have no fixed maturity date.

The Company has not recognised written off bad debt provision for other receivables in the year ended 31 December 2011.

The analysis of other receivables and the related provisions are as follows:

	31 December 2011				31 December 2010			
	Amount	% of total balance %	Provision	% of the provision %	Amount	% of total balance %	Provision	% of the provision %
Within 1 year	**13,816,876**	**100**	**–**	**–**	5,783,070	100	–	–
1 to 2 years	**–**	**–**	**–**	**–**	10,240	–	–	–
2 to 3 years	**10,240**	**–**	**–**	**–**	–	–	–	–
Over 3 years	**24,600**	**–**	**(24,000)**	**98**	24,600	–	(24,000)	98
Total	**13,851,716**	**100**	**(24,000)**	**–**	5,817,910	100	(24,000)	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

12. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(3). Inventories

Inventories are classified as follows:

	As at 31 December 2011			As at 31 December 2010		
	Book balance	Provisions of inventory	Book value	Book balance	Provisions of inventory	Carrying value
Inventories and properties held for sale	**44,076**	**–**	**44,076**	46,137	–	46,137

Land use rights according to the location and age are analysed as follows:

	31 December 2011	31 December 2010
In Mainland China – 10 – 50 years	**5,742**	6,011

(4). Dividends Receivable

	31 December 2010	Current year additions	Current year reductions	31 December 2011
Xingtai Company	162,565	–	(162,565)	**–**
Fengdu Company	32,237	–	(32,237)	**–**
Xi'an Xinkai	12,400	–	–	**12,400**
Total	207,202	–	(194,802)	**12,400**

(5). Available-for-sale Financial Assets

	31 December 2011	31 December 2010
Available-for-sale equity instrument	**73,961**	140,610
Less: Provision of available-for-sale financial assets	**–**	–
Net	**73,961**	140,610
In which, market value of listed security – Mainland China	**73,961**	140,610

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

12. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(6). Long-term receivables

	31 December 2011	31 December 2010
Financial Street (i)	**184,307**	148,914
Beijing Wanzhu (note 5(12))	**220,290**	–
Total	**404,597**	148,914

(i) The receivables due from Financial Street, an associate of the Group, is interest free and have no fixed due date. The Group plans to collect the receivable within 2 years, and the receivable is discounted in accordance with 1 to 3 years' interest rate of bank borrowings.

(7). Long-term Equity Investments

	31 December 2011	31 December 2010
Subsidiaries (a) – non-listed companies	**2,761,524**	4,854,034
Joint ventures (b) – non-listed companies	**–**	125,897
Associates (c) – non-listed companies	**50,350**	1,261,138
Total	**2,811,874**	6,241,069

The Company has no significant limitation on realisation of long-term investment or collection of investment income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

12. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(7). Long-term Equity Investments *(Continued)*

(a) Subsidiaries

	attributable interest held	attributable vote held	31 December 2010	Additions	Disposals	**31 December 2011**
S. C.	100%	100%	734,095	–	–	**734,095**
Rongjin Company	59.5%	59.5%	21,968	–	–	**21,968**
Central Company	100%	100%	79,433	–	–	**79,433**
Central Plaza Xinrong	100%	100%	90,437	–	–	**90,437**
IFC	100%	100%	20,480	–	–	**20,480**
Central Plaza	100%	100%	39,466	–	–	**39,466**
Jindu Company	100%	100%	369,970	–	–	**369,970**
HYHL (i)	0%	0%	199,695	–	(199,695)	**–**
Beijing Xinzi	100%	100%	642,625	–	–	**642,625**
Anhua Shiji	55%	55%	136,303	–	–	**136,303**
Shangboya	100%	100%	30,000	–	–	**30,000**
Shangbodi (note5 (27)(a))	51%	51%	30,000	–	(14,700)	**15,300**
Chengdu Xinzi (i)	0%	0%	131,808	–	(131,808)	**–**
Jiangsu Capital	100%	100%	60,375	–	–	**60,375**
Capital Chengdu	100%	100%	150,000	–	–	**150,000**
Sunshine City (note4 (1)(i))	50%	50%	82,766	–	–	**82,766**
Wuxi Xindong	100%	100%	100,000	–	–	**100,000**
Capital (Chengdu) Investment Co., Ltd.	100%	100%	5,000	–	–	**5,000**
Capital (Tianjin) Real Estate Management Co., Ltd.	100%	100%	5,000	–	–	**5,000**
Beijing Ruiyuan Fengxiang Real Estate Development Co., Ltd.	100%	100%	10,000	–	–	**10,000**
Ruiyuan Fengji	100%	100%	10,000	–	–	**10,000**
Chuangxin Jianye	100%	100%	50,000	–	–	**50,000**
Beijing Xinyuan Chengye Consultant Co., Ltd.	100%	100%	1,000	–	–	**1,000**
Beijing Xinye Lida Municipal Engineering Co., Ltd. (i)	0%	0%	20,000	–	(20,000)	**–**
Capital Nanjing Investment Co., Ltd.	100%	100%	5,000	–	–	**5,000**
Tianjin Banshan (i)	0%	0%	303,464	–	(303,464)	**–**
Tianjin Xinyuan (i)	0%	0%	363,700	–	(363,700)	**–**
Tianjin Xingang (i)	0%	0%	365,146	–	(365,146)	**–**
Chengdu Yidu (i)	0%	0%	393,074	–	(393,074)	**–**
Chongqing Xinshi (i)	0%	0%	325,933	–	(325,933)	**–**
Haikou Capital Xingye Investment Co., Ltd.	100%	100%	10,000	–	–	**10,000**
BECL	100%	100%	67,296	–	–	**67,296**
Tianjin Yongyuan Investment Co., Ltd.	0.03%	0.03%	–	10	–	**10**
Beijing Chuangyuan Bodao Architectural Design & Consulting Co., Ltd	100%	100%	–	5,000	–	**5,000**
Beijing Xinyuan Huafu Investment Co., Ltd.	100%	100%	–	5,000	–	**5,000**
Beijing Zhongrui Kaihua Investment Co., Ltd.	100%	100%	–	5,000	–	**5,000**
Beijing Yongyuan Jintai Investment Co., Ltd.	100%	100%	–	5,000	–	**5,000**
Beijing Hengyuan Yinxing Investment Co., Ltd.	100%	100%	–	5,000	–	**5,000**
Total			4,854,034	25,010	(2,117,520)	**2,761,524**

(i) The information of the disposal of subsidiaries of the Company in the year ended 31 December 2011, please refer to note 4(1)(c)(iii).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

12. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(7). Long-term Equity Investments *(Continued)*

(b) Joint ventures

	31 December 2010	Additional investment cost	Net profit adjusted according to the equity method	Cash dividends	Reduction by disposal	**31 December 2011**
Shenyang Jitian (i)	125,897	–	4,656	–	(130,553)	**–**

(c) Associates

	31 December 2010	Additional investment cost	Net profit adjusted according to the equity method	Cash dividends	Reduction by disposal	**31 December 2011**
GoldenNet	7,440	–	2,179	(1,960)	–	**7,659**
SCJF	301	–	(246)	–	–	**55**
Yang Guang Yuan	36,535	–	6,101	–	–	**42,636**
Shenyang Xinzi (i)	193,749	–	(5,735)	–	(188,014)	**–**
Tianjin Xinqing (i)	258,295	–	(3,337)	–	(254,958)	**–**
Tianjin Xinming (i)	263,643	–	(5,916)	–	(257,727)	**–**
Xi'an Xinkai	501,175	–	14,705	–	(515,880)	**–**
Total	1,261,138	–	7,751	(1,960)	(1,216,579)	**50,350**

(i) In the year ended 31 December 2011, the Company transferred all shares held of the above associates to other subsidiaries wholly-owned by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

12. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(8). Investment Properties

	Buildings	Land use Rights	Total
Cost			
31 December 2010	–	–	–
Additions	1,258	803	2,061
Disposals	–	–	–
31 December 2011	**1,258**	**803**	**2,061**
Accumulated Depreciation and Amortisation			
31 December 2010	–	–	–
Depreciation	(62)	(41)	(103)
Disposals	–	–	–
31 December 2011	**(62)**	**(41)**	**(103)**
Provision for Impairment Loss			
31 December 2010	–	–	–
Charges	–	–	–
Other reductions	–	–	–
31 December 2011	**–**	**–**	**–**
Net Book Value			
31 December 2011	**1,196**	**762**	**1,958**
31 December 2010	–	–	–

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

12. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(9). Fixed Assets

	Buildings	Motor Vehicles	Office Equipment	Total
Cost				
31 December 2010	72,925	8,060	15,376	96,361
Additions	–	237	3,200	3,437
Disposals	–	–	–	–
31 December 2011	**72,925**	**8,297**	**18,576**	**99,798**
Accumulated Depreciation				
31 December 2010	(8,760)	(5,960)	(7,561)	(22,281)
Depreciation	(1,741)	(1,469)	(3,012)	(6,222)
Disposal	–	–	–	–
31 December 2011	**(10,501)**	**(7,429)**	**(10,573)**	**(28,503)**
Provision for impairment loss				
31 December 2010	–	–	–	–
Charges	–	–	–	–
31 December 2011	**–**	**–**	**–**	**–**
Net Book Value				
31 December 2011	**62,424**	**868**	**8,003**	**71,295**
31 December 2010	64,165	2,100	7,815	74,080

In the year ended 31 December 2011, depreciation expense charged in administrative expenses amounted to RMB6,222,000 (2010: RMB6,848,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

12. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(10). Accounts payable

The aging analysis of accounts payable is as follows:

	31 December 2011	31 December 2010
Within 1 year	**–**	–
Over 1 year	**10,783**	10,783
Total	**10,783**	10,783

(11). Short-term borrowings

	Currency	**31 December 2011**	31 December 2010
Trust loans	RMB	**–**	750,000

(12). Other payables

	31 December 2011	31 December 2010
Payables to subsidiaries	**8,622,718**	4,740,928
Consideration payable to acquire shares in subsidiaries from non-controlling shareholders	**–**	369,500
Others	**19,332**	35,782
Total	**8,642,050**	5,146,210

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

12. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(13). Long-term borrowings

	Currency	**31 December 2011**	31 December 2010
Credit	RMB	**30,000**	–
Secured loans:			
– Pledged	RMB	**2,550,000**	3,550,000
– Trust	RMB	**500,000**	700,000
– Mortgaged	RMB	**100,000**	–
Subtotal		**3,180,000**	4,250,000
Less: long-term borrowings due within one year:			
Credit loans	RMB	**(2,000)**	–
Secured loans:			
– Pledged	RMB	**(1,000,000)**	(1,000,000)
– Trust	RMB	**(500,000)**	(200,000)
Subtotal		**(1,502,000)**	(1,200,000)
Net		**1,678,000**	3,050,000

The analysis of repayable dates of bank borrowings and other borrowings are as follows:

	31 December 2011		31 December 2010	
	Bank borrowings	**Other borrowings**	Bank borrowings	Other borrowings
Wholly repayable within five years	**2,680,000**	**500,000**	3,550,000	700,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

12. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(14). Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	As at 31 December 2011		As at 31 December 2010	
	Deferred tax assets	Deductable temporary differences	Deferred tax assets	Deductable temporary differences
Provision for asset impairment	6,000	24,000	6,000	24,000
Accrued salary and other expenses	38,965	155,860	21,630	86,520
Accumulated losses	–	–	9,879	39,516
Others	4,271	17,084	–	–
Total	49,236	196,944	37,509	150,036

(b) Deferred tax liabilities before offsetting

	As at 31 December 2011		As at 31 December 2010	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Change in fair value of available-for-sale financial assets	8,250	33,001	24,752	99,008

(c) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	31 December 2011	31 December 2010
Deferred tax assets, net	40,986	12,757
Deferred tax liabilities, net	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

12. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(15). Taxes payable

	31 December 2011	31 December 2010
Enterprise income tax payable	**14,640**	–
LAT payable	**20**	20
Business tax payable	**21,999**	11,747
Others	**4,255**	876
Total	**40,914**	12,643

(16). Capital surplus

	31 December 2010	Additions	Reductions	**31 December 2011**
Capital premium	987,446	–	–	**987,446**
Other capital surplus, including:				
Change in fair value of available-for-sale financial assets	365,926	–	(49,507)	**316,419**
Total	1,353,372	–	(49,507)	**1,303,865**

	31 December 2009	Additions	Reductions	31 December 2010
Capital premium	987,446	–	–	987,446
Other capital surplus, including:				
Change in fair value of available-for-sale financial assets	405,591	–	(39,665)	365,926
Total	1,393,037	–	(39,665)	1,353,372

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

12. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(17). Revenue and cost of sales

	2011	2010
Main operating revenue (a)	**117,315**	220,300
Other operating revenue	**12,732**	–
Total	**130,047**	220,300
Main operating cost (a)	**–**	2,710
Other operating costs	**103**	3,308
Total	**103**	6,018

(a) Revenue and cost of sales

	2011		2010	
	Main operating revenue	**Main operating cost**	Main operating revenue	Main operating cost
Sale of properties	**1,562**	**–**	7,350	2,710
Consulting services	**115,753**	**–**	212,950	–
Total	**117,315**	**–**	220,300	2,710

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

12. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(18). Financial expenses/(income)

	2011	2010
Interest expenses	**264,316**	272,767
Bank loans	**194,796**	207,105
Corporate bonds	**67,662**	65,662
Other loans	**1,858**	–
Long-term receivables discounted	**6,606**	18,721
Financial cost	**270,922**	291,488
Financial income	**(337,322)**	(190,033)
Exchange gains or losses	**(1,443)**	(179)
Others	**4,155**	2,066
Net	**(63,688)**	103,342

Interest expenses are analysed by the repayment terms of bank and other borrowings as follows:

	31 December 2011		31 December 2010	
	Bank borrowings	**Other borrowings**	Bank borrowings	Other borrowings
Wholly repayable within five years	**194,796**	**69,520**	207,105	65,662

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

12. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(19). Investment income

	2011	2010
Share of profit/(loss) of investees under equity method	**12,769**	5,137
Dividends of profit/(loss) of investees under cost method	**1,780,516**	423,450
Loss from disposal of subsidiaries	**(1,019)**	(27,010)
Gain from disposal share of subsidiaries	**14,601**	–
Gain from disposal of associates and joint ventures (a)	**60,679**	–
Gain from disposal of available-for-sale financial assets	**1,318**	32,979
Dividends from available-for-sale financial assets	**–**	2,835
Others	**–**	(7,141)
Total	**1,868,864**	430,250

The Company has no significant limitation on realisation of investment income.

Investment incomes from listed investments and non-listed investments in the year ended 31 December 2011 amount to RMB1,318,000 and RMB1,867,546,000 respectively (2010: RMB32,979,000 and RMB397,271,000).

(a) The company transferred all equity shares of some of its associates and joint ventures to its wholly owned subsidiaries (note 12(7)), and recognised the difference between the considerations and the costs of the long-term investments as the investment income.

(20). Income tax expenses

	2011	2010
Current income tax	**18,524**	–
Deferred income tax	**(11,727)**	(9,634)
Total	**6,797**	(9,634)

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

12. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(20). Income tax expenses *(Continued)*

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	2011	2010
Total profit	**184,768**	390,932
Income tax expenses calculated at applicable tax rates (25%)	**462,192**	97,733
Income not subject to tax	**(455,780)**	(107,855)
Expenses, costs and losses not deductible for tax purposes	**385**	488
Income tax expenses	**6,797**	(9,634)

(21). Notes to company cash flow statements

(a) Reconciliation from net profit to cash flows from operating activities

	2011	2010
Net profit	**1,841,971**	400,566
Add: Depreciation of fixed assets (note 12(9))	**6,222**	6,848
Amortization of investment property (note 12(8))	**103**	–
Financial expenses	**269,479**	291,309
Investment profit (note 12(19))	**(1,868,864)**	(430,250)
Increase in deferred tax assets	**(11,727)**	(9,635)
Decrease in inventories	**–**	2,709
Increase in operating receivables	**(2,754,226)**	(1,397,866)
Increase in operating payables	**3,901,384**	2,187,991
Increase in restricted cash	**(100,000)**	–
Net cash flows from operating activities	**1,284,342**	1,051,672

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

12. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(21). Notes to company cash flow statements *(Continued)*

(b) Net increase/(decrease) in cash

	2011	2010
Cash at end of the year	**1,266,081**	2,795,108
Less: cash at beginning of the year	**(2,795,108)**	(1,155,608)
Net (decrease)/ increase in cash	**(1,529,027)**	1,639,500

(c) Cash

	31 December 2011	31 December 2010
Cash at bank and on hand (note 12(1))	**1,366,081**	2,795,108
Less: restricted cash at bank	**(100,000)**	–
Cash at end of the year	**1,266,081**	2,795,108

13. NET CURRENT ASSETS

	31 December 2011 Consolidated	31 December 2010 Consolidated	**31 December 2011 Company**	31 December 2010 Company
Current assets	**32,944,175**	26,922,430	**15,261,533**	8,843,071
Less: Current liabilities	**(21,205,573)**	(15,270,411)	**(10,375,381)**	(7,227,770)
Net current assets	**11,738,602**	11,652,019	**4,886,152**	1,615,301

14. TOTAL ASSETS LESS CURRENT LIABILITIES

	31 December 2011 Consolidated	31 December 2010 Consolidated	**31 December 2011 Company**	31 December 2010 Company
Total assets	**37,711,118**	30,513,787	**18,666,204**	15,460,501
Less: Current liabilities	**(21,205,573)**	(15,270,411)	**(10,375,381)**	(7,227,770)
Total assets less current liabilities	**16,505,545**	15,243,376	**8,290,823**	8,232,731


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