GUANGZHOU R&F PROPERTIES CO., LTD.

Stock code: 2777

ABOUT **R&F**

One of China's largest and most well-known property developers, Guangzhou R&F Properties Co., Ltd. is a major player in the country's drive towards urbanization. Our core business lies in mass residential property development on a variety of scales, with around 39 projects currently under development in 14 major cities including Beijing, Tianjin and Guangzhou. A proportion of our asset portfolio is held in investment properties (including prestigious hotels and shopping malls) as part of our ongoing development strategy. R&F is also involved in co-developing some important large-scale projects in conjunction with respected industry peers. With a prime land bank portfolio sufficient for several years of developments, and a brand name synonymous for quality and value nationwide, R&F is expecting to contribute significantly to the quality of urban life in China over the coming year.

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"Tian" The Chinese word of SKY


Build
to Perfection

MARCH

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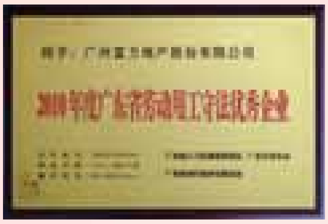


HIGHLIGHTS OF THE YEAR

JANUARY 2011

- Acquisition of land in Guangzhou Yangji Village for redevelopment, a milestone for R&F in the "Overall Demolishment, Redevelopment and Rebuilding of Villages in City"
- Awarded 2010 Outstanding Enterprise of Law-abiding Labour Employment in Guangdong Province

MARCH 2011

- Announcement of 2010 Annual Results
- Awarded Best Owners of Hospitality Industry
- Ranked Top 10 of 500 Best Real Estate Enterprises in China

MAY 2011

- 2010 Annual General Meeting
- Launching ceremony of poverty alleviation and development project in Xiaolou Town, Zengcheng co-sponsored with Yuexiu District, Guangzhou

SEPTEMBER

NOVEMBER

JUNE

JUNE 2011
- Awarded Outstanding Contribution by Advanced Corporate of Yangcheng Charity

AUGUST 2011
- Announcement of 2011 Interim Results

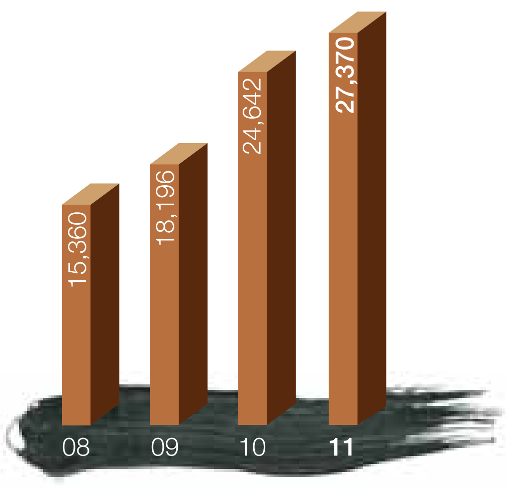
SEPTEMBER 2011
- Group's Human Resources Centre named "Exemplary Learning Base of Well-known Enterprises" by China Society for Training and Development (CSTD)
- Named 2011 Outstanding China Property Stock by the Economic Digest for the fourth consecutive year

NOVEMBER 2011
- Awarded China Happiest Companies in 2011

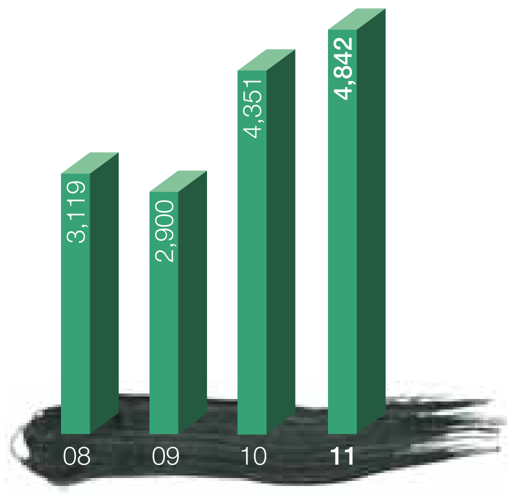
FINANCIAL HIGHLIGHTS

	2011	2010	% changes
OPERATING RESULTS (RMB'000)			
Revenue	**27,370,095**	24,641,820	11%
Gross profit	**11,415,851**	9,293,188	23%
Profit for the year attributable to owners of the Company	**4,841,650**	4,350,593	11%
Basic earnings per share (RMB)	**1.5057**	1.3501	12%
Dividends per share (RMB)	**0.6**	0.5	20%
FINANCIAL POSITION (RMB'000)			
Cash	**9,025,863**	9,168,149	-2%
Total assets	**84,158,884**	77,416,905	9%
Total liabilities	**61,426,510**	57,417,684	7%
FINANCIAL RATIOS			
Net assets per share (RMB)	**6.99**	6.14	14%
Dividend payout ratio (%)	**39.8**	37.0	8%
Return on equity (%)	**22.6**	24.1	-6%
Net debt to equity ratio (%)	**85.9**	94.4	-9%

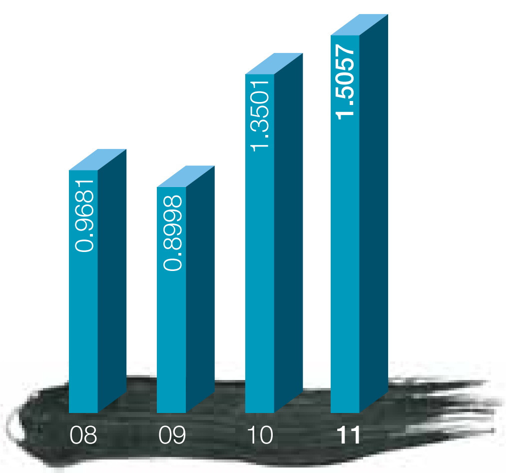
Revenue
RMB (in million)



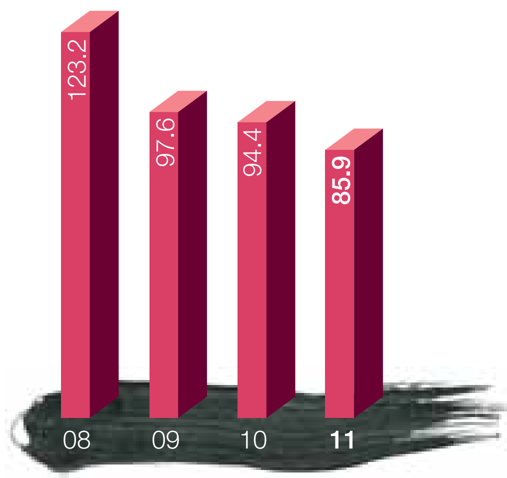
Profit attributable to owners of the Company
RMB (in million)



Basic earnings per share
RMB



Net debt to equity ratio
%



"Di" The Chinese word of EARTH


Perfect
Environment
For All

Dear Shareholders,

Circumstances in the wider economic and regulatory environment are ever changing, but opportunities always remain. The challenge is to identify them and to adjust one's approach so as to remain flexible and supremely competitive.

The past year has been one in which R&F has taken stock of multiple changes and challenges in the business environment, and adjusted its strategies and activities to suit. Some of these challenges have arisen from the Government's efforts to control fast-rising property prices, especially in the major cities. The Government is also committed to affordable housing, and to making urban housing fully available to many. Given these broad objectives, the Government has indicated that it would like to see the property industry taking an active role in helping to meet the fundamental fixed demand for property. To this end, it has introduced a raft of regulatory measures that have fairly fundamentally changed the rules of the game for property developers. Our Group has responded to these changes positively and proactively.

Indeed, we have been adjusting skillfully and successfully to radical market changes for some time now. I remain extremely confident in the future of our industry. The Government's drive for affordable housing flags a constant reality: that there remain millions of people looking for quality homes in this era of urbanization, a process which still has a very long way to go in China. Our Group has the experience, the resources and the drive to continue to provide discerning home-buyers in China with quality homes well into the future.

FACING THE CHALLENGES

The regulatory environment in China in the year under review has had significant effects upon the industry as a whole, and has required considerable skill and flexibility to manage. A swathe of regulatory measures designed to control the housing market were passed in 2010. These laid a groundwork that was further built on by a set of eight directives from the State Council in January 2011, elaborating and in some cases enhancing the 2010 measures.

From the point of view of property developers such as R&F, the main significance of the 2011 directives was that they required local governments to set strict targets for housing prices. They also imposed clear requirements relating to first and second property purchases and reduced the scope for local governments to apply latitude in imposing home purchase restrictions ("HPR"), a scheme which is now in force in 46 cities.

Besides these measures, the Government also announced an ambitious plan to build 'affordable housing', in a scheme that targets to construct 36 million units over a five-year period. The target for 2011 was set at 10 million units. Meanwhile, the China Banking Regulatory Commission exercised stronger controls over bank loans to real estate companies, which have always provided the industry with its primary source of funding.

All these measures have been successful, to different extents, in suppressing demand for property. From the fourth quarter of 2011, the effectiveness of the Government's tightening measures has become evident to all. Statistics show that the historic trend of high prices and large transaction volumes in the property sector finally began to adjust as both prices and volumes fell, some 18 months after regulatory measures first began to be introduced by the Government.

In the light of our analysis of the macro environment, the Group's position is as follows. The rules of the game in China's property market have certainly changed, quite fundamentally: but the game is still there to be played, and won. All developers will be tested by the new environment, and from our perspective this is a good thing; it gives us the opportunity to differentiate ourselves in terms both of strategy and execution. To do this, we need to further utilize qualities that have already given us definite advantages in the market. These include maximizing the benefits we gain from less tangible features such as our respected brand image, our strong reputation, our reliable product quality, and our overall financial strength. We believe that one of the major keys for success lies in exploiting our image and reputation as a trusted developer, renowned for product quality, sought after for homes that deliver location, design, comfort and exceptional value for money. Another is to flexibly adjust our home-building and land purchase strategies to match the new realities.

In summary, we view the Government's initiatives, including its new low-cost housing plans and the regulatory measures imposed on private housing purchases, not as a threat but a challenge. We do not see the low-cost housing proposed by the Government as a threat because it is designed to satisfy a quite different category of demand from the one that the Group targets. As for the regulatory measures designed to suppress housing demand in major cities, and hence to stop prices rising, we believe these are designed to create stability and that, as conditions change, government policies and measures will continue to change in response.

In terms of incorporating these insights into our planning for the coming year, we have identified three main routes for success. The first is to continue with a conservative mindset, making caution the watchword in all our business activities. In particular, we plan to keep very tight controls over our cash flow through prudent management. This will involve practising a flexible land acquisition policy, whereby any land purchases are closely linked not just to good location and price, but also to a close and careful assessment of fine details such as capital allocation and payment terms. Our view is that, in the current clime, the quality of our land bank is more important than its absolute square meter size. Another important initiative to control cash flow will be to adjust the pace of construction at different projects in order to match our expectations of sales more closely.

Traditionally, we have focused on first tier cities (Beijing, Tianjin and Guangzhou in particular). We believe that growth in the property sector will continue to be driven by first tier cities, and we will remain highly active in them. However, a second strategy will be to give more attention to second-and third-tier cities than we have in the past, examining closely the potential benefits of rebalancing our development portfolio by diversifying to an extent into these cities. Such benefits could include, for example, lower susceptibility to the impact of regulatory measure. Under this general direction, the Group acquired its first development site in Harbin, Heilongjiang and Datong, Shanxi in the year.

Thirdly, we plan to adjust our product portfolio by developing more smaller-sized units. Smaller units tend to suit first-home buyers, who have access to financing, while larger units have typically been the target of investors or second-home buyers. We also plan to maintain an appropriate proportion of commercial for-sale properties in our total development portfolio. Commercial properties are not subject to HPR, and the market for them remains relatively robust.

SALES ACHIEVEMENTS

For the year under review, the Group's contracted sales amounted to RMB30.0 billion, making a saleable area of 2.26 million sq.m. Both these figures represent a slight fall from the corresponding 2010 totals (of RMB32.2 billion and 2.47 million sq.m. respectively). Given that the Group's sales for 2011 reflect the full-year effects of the regulatory measures (whereas in 2010 the measures were introduced partway through the year), and that further measures were introduced in early 2011 that had a softening effect on the market, we consider our final sales for 2011 to be satisfactory. Although the sales achieved were not spectacular, they were sufficient to generate a healthy cash flow and allow us to maintain consistent operations across the board.

For financial reporting, turnover was measured based on actual handover of properties, and on this basis the Group's turnover increased over last year. Its net profit, meanwhile, increased by 8.5% over that of 2010, to RMB4.83 billion. In all, we delivered a total of 2.2 million sq.m. of properties, largely in line with our annual plan.

As for land bank acquisition, we adopted a policy of purchase restraint which saw the Group bought three pieces of more sizable land during the year. The plots had a combined GFA of 1.36 million sq.m., and their acquisition brought the Group's total land bank to 28 million sq.m. GFA. The first piece of land was a 270,000 sq.m. site in Yangji Village in the heart of Guangzhou. Prime sites like this one rarely come onto the market these days, and the Group was fortunate to acquire it after lengthy and patient private negotiations with the owners. The other sites purchased was in Harbin, Heilongjiang and Datong, Shanxi, and was of GFA 700,000 sq.m. and 390,000 sq.m. respectively. Both sites met all the stringent criteria we now apply when considering any land purchase.

BUSINESS HIGHLIGHTS FOR THE YEAR

The Group is engaged in a number of joint venture projects with other major developers, an arrangement which brings us many benefits in terms of pooled resources and expertise. Specifically, the sites are the Guangzhou Asian Games Village, the Guangzhou Liede project, Tianjin Jinnan Xincheng, and Shanghai California Place. All of these projects have either commenced sales or are very close to arriving at the sale phase. The Guangzhou Liede project is worth a special mention here; it is a high-end mixed development in Guangzhou CBD (Pearl River New Town). Sales of its residential portion commenced in November and the units put onto the market sold exceptionally quickly, many within a week or two of becoming available. What is more, the average selling price of RMB45,000 per sq.m. was a very good one, even among the high-end properties in the vicinity. Given that this project was not subject to HPR, the sales results probably offer a glimpse of how the property market would currently be performing without the negative effect of that measure.

The Group's hotel operations, part of its investment portfolio, continued to improve. Occupancy rose to new highs, especially in the Guangzhou hotels, and average room rates rose as a result too. Elsewhere, the R&F Panda City Tianhui Mall in Chengdu (opened in 2010) had several new facilities added during the year. These new leisure facilities helped boost shopper traffic, and reinforced the mall's reputation as probably the best designed shopping and entertainment complex in Chengdu. This has enabled the Group to begin building a stable, balanced mix of quality long-term tenants that will maximize rental income in the long run. The Group also has other investment properties that include a shopping mall in Beijing, and two Grade A office buildings, in Beijing and Guangzhou. Both are now relatively mature, and their attractiveness to tenants has been reinforced by our provision of first-class maintenance and management services at both sites.

In 2010, we purchased our first piece of land in Nanjing, Jiangsu Province. This expanded our operations to a total of 13 cities in China. In the year under review, barely a year after completing the purchase, we made our sales debut in the city. This exceptionally short development cycle was an encouraging sign for the Group, demonstrating clearly that we are capable of moving very fast and using resources optimally so as to give ourselves a real competitive edge in the marketplace, even in a relatively unfamiliar city. It is a result that gives us great confidence for our future expansion plans in second- and third-tier cities.

The Group has always been alert to financing opportunities. In April 2011 we achieved a first for a private PRC property enterprise when we successfully issued at par a RMB/USD dual-tranche offshore bond, one tranche of 3-year 7% senior notes of RMB2.612 billion and the other tranche of 5-year 10.875% senior notes of US$150 million. These bond issues were an important new source of longer-term funding at a time when bank lending to property developers is subject to constraints. Further, in December 2011, the Group joined with the Ping An Group, one of the largest insurance companies and private wealth management institutions in China, to form a fund dedicated to investing in property projects of the Group. The fund is a platform that combines professional investment management skill of a reputable financial institution with the industry expertise of an experienced property developer. The initial fund size is RMB4.0 billion and it is targeted to close in March 2012. We will continue to look for innovative ways for expanding the Group's range of financing options.

LOOKING FORWARD: PROSPECTS AND PLANS

As mentioned earlier, our revised strategies for 2012 mean that the Group will proceed cautiously with any land purchases and land bank replenishment will not be a goal of priority in 2012. We will also be looking to expand our operations for our current base of 13 (mostly tier 1) cities, to include projects in second-or third-tier cities where the conditions are right.

In terms of our contracted sales target, we have adopted a realistic view of the market and set the target at a very achievable RMB32 billion in contracted sales for the year. This represents a modest increase over the actual contracted sales for 2011. This is a goal that is fully supported by a schedule for launching around 39 projects. What is more, the Group's emphasis on offering more modestly sized units to meet fundamental fixed demand may prove to be a good strategy for boosting sales, as suggested by the encouraging contracted sales expected for March 2012.

Our delivery target represents a total saleable area of approximately 2.66 million sq.m. We expect delivery to be split 25/75 between the first and second half of the year, a pattern similar to that of 2011. That being said, in the longer term we remain committed to achieving a more even split of delivery.

Turning attention to rental income, we are optimistic that the Group's rental income (including distribution by the hotels) may hit RMB1.0 billion in 2012, as a result of the substantial groundwork we have done to ensure good occupancy and strong rental rates from our investment properties.

As I outlined earlier, our confidence in the future of our industry is based on a realistic assessment of structural changes taking place due to powerful Government control measures and its commitment to affordable housing. Although these changes will certainly affect private development, we believe that ultimately there remains huge scope in the market. The inexorable march of urbanization in China is very far from complete; we expect many millions more to require quality housing in the next few years, and the Group's brand name and its portfolio of high quality housing across China will be a major attraction to many of these.

ACKNOWLEDGEMENTS

The year has brought its share of challenges, and I would like finally to acknowledge here the support and commitment of the many who have helped us face and overcome them. To our shareholders and investors, thanks are due for their loyalty and confidence in the future of the Group. To our thousands of satisfied customers, I offer special thanks for choosing R&F as their preferred property provider. In our goal of becoming one of China's most trusted and respected property development companies, this customer support is proving vital. As for the Company's Directors and its staff members, from top to bottom, I wish once again to thank and congratulate them on their energy and commitment, and their unflagging dedication to the Group's goals and ideals. With these levels of support and backing, I am confident that we can make the transition into a new era of property development in China smoothly and successfully.

Li Sze Lim
Chairman

Zhang Li
Co-chairman and Chief Executive Officer

"Ren" The Chinese word of MAN

Bringing People Together

The global economy was weak in 2011, with the US experiencing a very slow recovery and the Eurozone facing the looming threat of recession. Although China's economy slowed as a result, the country still managed to post full-year growth of 9%. However, the fundamentally sound state of China's overall economy did not bring many benefits for the property sector, which was overshadowed by Government regulatory measures that made property buyers very cautious. This was reflected in sluggish transaction volumes throughout much of the year, and clearly softened prices towards the end of the year in most cities. The Government's home purchase restriction ("HPR") proved to be the most effective of its measures for suppressing demand, and its effect was most pronounced in first tier cities where the Group's business is primarily focused. Such were the tough business conditions faced by the Group; but by embracing strategies carefully adapted to the prevailing environment and then skillfully executing them, the Group was able to enjoy a year of comparative stability.

CONTRACTED SALES

The Group's 2011 contracted sales (not including joint ventures) fell by 9% from the previous year's total. Total contracted sales amounted to RMB28.5 billion from projects in 12 cities, with Nanjing adding to the cities that contributed in 2010. A major reason for this was of course the impact of the Government's regulatory measures, especially HPR, on the property market. HPR particularly affected first tier cities like Beijing, Guangzhou and Tianjin, where the Group has a substantial presence. Contracted sales from these three cities for the year amounted to approximately 72% of total contracted sales, very close to the 70% for 2010. In terms of value though, contracted sales for these three cities dropped by 7% to RMB20.5 billion, from RMB21.9 billion in 2010. (In fact, contracted sales for Guangzhou increased by RMB1,617 million over 2010, but this rise did not offset lower sales in Beijing and Tianjin.) Elsewhere, contracted sales in Hainan were hardest hit by the regulatory measures, since there are fewer first-time home buyers there than in other cities. Overall, however, the average selling price was stable at RMB13,040 per sq.m., compared with RMB13,050 per sq.m. in the previous year. This relative stability was maintained because the Group did not pursue aggressive price-cutting, despite weak markets. Price-cutting was not seen as an optimal strategy in the circumstances, given that the main inhibitor of sales was HPR. As always, the overall average selling price was also determined by the sales mix. The Group achieved a significant portion of its contracted sales for the year from commercial properties; this year the figure was 37% against 27% in the previous year. Commercial sales provided firm support to the overall average selling price. Total contracted sales in saleable GFA amounted to 2.19 million sq.m., down from 2.39 million sq.m. in 2010.

Shenyang Xianhu Project

Details of the Group's 2011 contracted sales (not including joint ventures) by geographical distribution are set out below:

Location	**Approximate saleable area sold (sq.m.)**	**+/-% vs. 2010**	**Approximate total value (RMB million)**	**+/-% vs. 2010**
Guangzhou	774,000	63%	9,951	19%
Beijing	302,000	-22%	6,827	-17%
Tianjin	236,000	-41%	3,736	-30%
Xian	128,000	-18%	1,061	1%
Chongqing	166,000	-50%	1,094	-50%
Chengdu	127,000	54%	1,136	72%
Huizhou	21,000	-61%	196	-67%
Hainan	71,000	-28%	943	-44%
Shanghai and vicinity	116,000	80%	1,422	79%
Taiyuan	146,000	-53%	1,280	-36%
Shenyang	25,000	-27%	278	-22%
Nanjing	75,000	N/A	606	N/A
Total	**2,187,000**	**-9%**	**28,530**	**-9%**

PROJECTS UNDER DEVELOPMENT

The pace and scale of development by the Group in 2011 was kept in line with its medium term business plan, covering the next two to three years. On the one hand the Group worked to optimize the buildup of a project pipeline that will prove appropriate and sufficient in the light of prevailing market conditions and sales expectations. On the other, it adjusted the completion pace of those properties needed to fulfill its delivery plan, so as to use its resources as efficiently as possible. The Group started the year with approximately 6.55 million sq.m. GFA under development, spread across forty projects in eleven cities. During the year, the Group completed 2.51 million sq.m. GFA of properties for sale, and began construction of over twenty projects of approximately 2.82 million sq.m. GFA. The Company's GFA under development at the end of the year therefore increased by 5% to approximately 6.86 million sq.m., distributed across thirty-nine projects. This area under construction is estimated to make available pre-sale permits for properties with an approximate value of up to RMB65 billion, and will provide a sound basis for the Company's sales target and delivery plans for 2012.

Location	**Number of projects**	**Approximate total GFA (sq.m.)**	**Approximate saleable area (sq.m.)**
Guangzhou	10	1,620,000	1,162,000
Beijing	5	611,000	449,000
Tianjin	5	1,396,000	899,000
Xian	1	346,000	325,000
Chongqing	2	639,000	470,000
Chengdu	2	375,000	255,000
Shanghai and vicinity	2	270,000	247,000
Shenyang	1	16,000	16,000
Hainan	3	292,000	292,000
Taiyuan	4	660,000	570,000
Huizhou	2	340,000	272,000
Harbin	1	100,000	91,000
Nanjing	1	194,000	145,000
Total	**39**	**6,859,000**	**5,193,000**

SOUTHERN AND WESTERN CHINA

Guangzhou achieved further economic growth during the year; its 2011 GDP reached RMB1.238 trillion, growing by 11% over 2010. Perhaps more important for the property industry was the rise in per capita disposable income, which reached an all-time high of RMB34,000. The city is reaping the benefit of the Government's massive investment in infrastructure over the past few years, which was initially focused on supporting the 16th Asian Games hosted by the city in 2010, but has gone on to provide real long-term social and economic benefits. The world-class communication and transportation infrastructure that has been put in place now makes the city very attractive to both domestic and multinational businesses, as evidenced by the rapid maturing of Pearl River New Town as the designated new CBD. For the general population, infrastructure improvements have also made the city more 'livable'. These are conditions that would normally foster a vibrant property market, but in 2011 the regulatory measures kept a firm lid on both transaction volumes and property prices.

Since Guangzhou is the Group's home base, the scale and variety of its products in the city is unsurpassed elsewhere. These products include mass residential units, high-end serviced apartments, and low-density housing and commercial properties, located right across the city including the CBD, inner residential districts and suburbs.

During the year, approximately 87% of Guangzhou's contracted sales of RMB9.951 billion came from eight projects, three of which are located in Pearl River New Town. Well before the Pearl River New Town began its transformation into today's modern CBD, the Group had recognized its potential and made it a focus of development. Projects in the Pearl River New Town have been significant contributors to the Group's contracted sales over the last few years. Since acquiring its first site in the area, the Group has completed twelve projects there, made up of nine property projects, along with two 5-star hotels and a Grade A office building held for investment. Four more projects are currently under development or at the planning stage. There were three projects put up for sale during the year: the high-end residential project R&F Pearl River Park View, and the commercial property projects R&F Yingsheng Plaza and R&F Yingkai Plaza. R&F Pearl River Park View is situated in the most picturesque part of Pearl River New Town, close to Zhujiang Gardens as well as a number of Guangzhou's most upscale shopping complexes, some already in operation and others soon to be opened. This project has been overwhelmingly well received by high-end home purchasers since it was first launched in the second half of 2009. Sales for the year were mainly of properties located in the final tower of the project; these achieved an average selling price of RMB29,700 per sq.m. and total contracted sales amounting to RMB1.63 billion. The commercial project R&F Yingsheng Plaza, which made a record RMB800 million on its first day of sales, was the highest grossing project in Guangzhou; it achieved RMB1.85 billion in contracted sales. Such a favorable result in a soft market can be put down at least partly to the Group's solid reputation as a top developer of commercial properties. From this very strong position, in December 2011 the Group launched sales of R&F Yingkai Plaza, destined to be another landmark building in the area. This is a 65 storey building adjacent to our R&F Center headquarters, made up of high-end offices with a Park Hyatt hotel on the upper floors. The outstanding quality of the project attracted sales of approximately RMB610 million in a relatively short period late in the year. Together, these three Pearl River New Town projects made up 41% of the Group's contracted sales in Guangzhou.

In other parts of Guangzhou, five projects had active sales during the year. These were located both within the city and in the outlying areas of Huadu (R&F Jingang City) and Conghua (R&F Spring World). In the city, projects continuing from last year included R&F Junhu Palace, which recorded contracted sales of RMB814 million. In addition, a new project was launched in November 2011: R&F Tangning Garden, which recorded over RMB300 million in sales. This project is located in the Liwan District, and will consist of seven English style high-rise residential towers plus a small number of low-density housing units. These rare luxury offerings set in the old part of Guangzhou have strong appeal to buyers who appreciate the charm of the old city area. Meanwhile, with the steady improvement of the city's transportation infrastructure, the relatively far-flung location of the Group's R&F Jingang City in Huadu has turned to its advantage. This project offers a quiet environment in commuting times that are now very manageable for city workers. Despite the tough market, sales here increased over those of last year and reached RMB1.29 billion.

Overall, Guangzhou's contracted sales increased by 19% to RMB9.95 billion, amounting to 35% of the Group's total sales. Its share of total contracted sales remained the highest of all the cities where the Group operates.

Not included in our contracted sales (discussed herein) were sales of projects in which we participate through joint ventures with other developers. One such project is the luxurious mixed development at Liede Village in Pearl River New Town, undertaken in cooperation with KWG Properties Holdings Limited and Sun Hung Kai Properties Limited. Sales of the residential portion of the project commenced in November 2011 with immediate success; RMB1.8 billion worth of properties were sold in the first week at an average selling price of RMB45,000 per sq.m.

Chongqing is now an established financial and high-tech manufacturing center in the upstream Yangtze River region. Its economy continued to grow at high speed in 2011, with its GDP increasing by 16.4%, the highest increase in China, to break through the RMB1 trillion mark. After several years of uninterrupted high growth, Chongqing's economy is now very robust and this has laid the foundation for a resilient property sector, both residential and commercial. The Group's total contracted sales for the year in the city decreased to RMB1.09 billion, as the Group focused on just one residential project, R&F City. In 2010 it had previously completely sold its first commercial property project in the city, R&F Ocean Plaza office tower (a project in which the residential portion has been completed still earlier), capitalizing on the substantial demand for commercial properties in the city from many domestic and multinational corporations. R&F City is a mega project with multiple phases. Occupying a site of 2.6 million sq.m. in an area designated to become Chongqing's 'university city', this project is now in its 6th year, and upon final completion will have a total GFA of approximately 6.8 million sq.m. Up to the end of 2011, approximately 550,000 sq.m. GFA had been completed and cumulative contracted sales from the project amounted to approximately RMB4.1 billion, including RMB1.08 billion in sales in 2011. Average selling price rose further to RMB6,600 per sq.m. from RMB6,100 per sq.m. the previous year, and RMB4,300 per sq.m. at initial launch.

Chengdu the provincial capital city of Sichuan, is at the core of the economic development of China's western region. The multi-focused development strategy adopted by Chengdu has transformed it into a base for various important industries including automotive, new energies and materials, and advanced manufacturing. The success of its strategy can be seen in the significant number of Global 500 corporations setting up facilities in Chengdu. Hard statistics also tell the story: Chengdu's 2011 GDP was RMB685 billion, an increase of 15.1% over 2010. The Group chose Chengdu as the second city in western China (after Chongqing) in which to expand its business, with an eye on its obvious potential. Since October 2007 when the Group bought its first piece of land in the Chengdu CBD, two projects have been launched in the city. Contracted sales for the year increased by RMB477 million to RMB1.14 billion and were derived from the two projects. One of the projects has two part, the commercial portion R&F Center which was responsible for much of the year's increase and the residential portion R&F Ritz International Apartments. The R&F Center is conveniently located in the business district, and the soon-to-be completed Ritz-Carlton hotel adjacent to it has added to the project's appeal. The Group's the other residential project in Chengdu is R&F Peach Garden. Flexible adaptation of the product design helped increase contracted sales at R&F Peach Garden by RMB205 million, to reach RMB503 million.

Hainan is unique as China's only tropical island. With a long shoreline and unspoiled natural scenery, the island has developed naturally into the country's top leisure and vacation spot. This is also reflected in the character of its property market: buyers are often not first-time buyers, and are frequently investors acquiring properties for vacation or retirement. As a result, Hainan's property market is vulnerable to regulatory measures, and growth came to a temporary halt in 2011. However, mainstream demand for Hainan properties has primarily been for self-use or long term investment rather than speculation. It is therefore expected that, given Hainan's incomparable position, its property market will resume healthy growth once market conditions become more favorable. During the year, the Group had three projects offered for sale spread across different parts of the island, all with different design themes. These projects were R&F Bay Shore, a mix of resort style low-rise apartments with additional facilities that include a resort hotel and a yacht club at Xiangshui Bay; R&F Yingxi Valley on Haikou's west coast, comprised of villas and linked houses; and R&F Mangrove Bay at Chengmai Town, with 99 acres of mangrove forest adjacent. The Group made great efforts to enhance the reputation and appeal of these projects during the year, work that definitely helped sales in the sluggish market.

Huizhou had limited activity in the year. RMB130 million in sales was achieved by clearing out the last inventory from R&F Ligang Center, which has been Huizhou's best-selling high-end integrated property development for several consecutive years and is now a landmark in the Huizhou CBD. The Group also launched sales of the first two residential blocks of a new mixed development, R&F Modern Plaza, in late October 2011. Over 100 units were sold up to the end of the year, with contracted sales amounting to approximately RMB66 million.

Nanjing is not just a city rich in historic culture; its economy has also been growing rapidly in recent years. In 2011, its GDP increased by 12% to RMB614 billion. In its pursuit of economic growth, the city has emphasized the need to cultivate a strong pool of human capital and commit to environmental friendliness, while also prioritizing community harmony. The Group bought its first piece of land in Nanjing through tender in early 2011 for RMB2.36 billion and within less than 12 months (by October 2011), commenced sales at R&F City, the project built on the site. The site is located in Qili Science & Technology Parks, in the Jiangning District of Nanjing, and has a site area of approximately 572,000 sq.m. and GFA of 545,000 sq.m. R&F City is a mixed use project, with both commercial and residential components. The for-sale commercial offices are designed to create a green working environment, while the residential high-rise portion is built to our usual high standards of fitting and decoration. Both these features have helped the development gain wide acceptance from office-and home-buyers in Nanjing, and contracted sales of over RMB600 million were achieved within a relatively short period.

NORTHERN AND EASTERN CHINA

Beijing has always been important to the Group's business; although contracted sales from Beijing for the year decreased by 17% to RMB6.83 billion, they still accounted for 24% of the Group's total contracted sales and ranked second of all cities, just behind Guangzhou. The sales performances of individual projects were satisfactory considering the relatively more severe impact of regulatory measures on Beijing's property market. A major reason for the decrease in total sales was the completion of the R&F No.10 project. This project consists of four low-rise blocks of luxury apartments and 34 villa units, all built on a site acquired by the Group at auction in 2009 which is almost enclosed by R&F City. The market launch of the project last year met with an overwhelming reception from purchasers aware of how rare such city center properties are becoming. The properties were eagerly snapped up, with contracted sales of RMB2.64 billion recorded. By comparison, sales of the project this year amounted to just RMB990 million, down by RMB1.65 billion, representing sales of the project's entire remaining inventory. Average selling price, however, rose further to RMB51,000 per sq.m., from RMB44,000 per sq.m. previously. Sales of the flagship project R&F Festival City were maintained at a level similar to 2010. They topped Beijing's contracted sales for all projects, amounting to RMB1.71 billion and accounting for 25% of Beijing's total contracted sales. This project, which has a total GFA of over 1.1 million sq.m., started sales in July 2005; up to the end of 2011, cumulative sales have amounted to RMB9.1 billion. It is expected that R&F Festival City will become even more sought after, benefiting from the eastward expansion of the CBD and further improvements in transport facilities. R&F Golden Jubilee Garden was another project where 2011 sales matched those of the previous year. Located in Tongzhou District, the project will be made up of 10 high-rise residential blocks to be developed in three phases, with the first sales taking place in 2010; contracted sales for the current year increased to RMB452 million from RMB388 million in 2010. A new residential project for the year, R&F Shengyueju, added a further RMB852 million to Beijing's total contracted sales.

Tianjin is the Group's third ranking city in terms of contracted sales, and is host to several of our largest projects, one of which is the flagship project Tianjin R&F Jimen Lake. Acquired in 2007 for RMB5.46 billion and with a GFA of 1.57 million sq.m., the project is now in its 5th year of development. Cumulative contracted sales to date total RMB7.5 billion, including RMB2.35 billion in 2011. These figures make R&F Jinmen Lake not only the Group's top-selling project but also the top-selling development in Tianjin in the purely residential category. It accounted for over 60% of the Group's contracted sales in Tianjin in 2011, and will remain a major project for some time to come given that approximately one million sq.m. is yet to be developed. Beside sales from R&F Jinmen Lake, much of the other Tianjin sales came from sales of two commercial properties, namely the office building of the mixed use project R&F Furun Center, and R&F City. R&F Furun Center is located in the heart of Tianjin's CBD; its premium location enabled the Group to achieve RMB774 million in contracted sales for the project, up from RMB326 million in 2010, despite heavy competition from surrounding properties. As for R&F City, this was the first of the Group's projects in Tianjin. The residential portion of this project, completed and sold a while ago, has evolved into a mature community and facilitated the sales of its office building during the year, which amounted to RMB362 million.

In addition to these 100% owned projects, Tianjin Jinnan Xincheng is a joint venture project undertaken by the Group with three other developers. Initial sales of its residential units commenced in the third quarter of the year. This is a mega project with a site area of 1.29 million sq.m. and a GFA of over 3 million sq.m., a mixed development of high-rise residential units, low-density housing, retail properties, offices, a hotel and a shopping mall. The project will be developed over a number of years.

Xian has a solid economy based on high-tech industry and tourism; the GDP of this capital city of Shaanxi Province grew by 13.8% in 2011. However, property developers still experienced a tough business environment due to the regulatory measures; high quality products were imperative for those wishing to stay competitive. The Group maintained approximately the same level of sales in 2011 as in 2010, RMB1.06 billion against RMB1.05 billion the previous year. Sales related to a single project, R&F City, which is a large multi-phase project with a total GFA of over one million sq.m. Although this mature project is now in its sixth year of development, the Group has worked to incorporate new features into each new phase of the project. The properties offered for sale during the year were built around a water scenery feature which won a city award for 'best landscape design'. Outstanding design features like this, together with steadily improving ancillary facilities, maintained the Group's sales momentum in a slow market.

Shanghai and its vicinity had three projects: two in Kunshan and Qingpu District, outside metro Shanghai, which are 100% owned by the Group, and a joint venture project in metro Shanghai together with KWG Property

Holding Limited. The projects in Kunshan and Qingpu District are both low-density residential developments. Offering spacious living within a reasonable commuting distance of Shanghai at affordable prices, their combined sales for the year were satisfactory considering the state of the property market, rising to RMB1.42 billion from RMB796 million in 2010. Kunshan's R&F Bay Shore is near the largest lake in the area and consists of 963 detached villas in its first phase; 172 of these villas were sold, generating RMB497 million in contracted sales. R&F Peach Gardens in the Qingpu District is a development of townhouses and low-rise apartments. Effective marketing helped this project stand out from other projects in the area, and contracted sales almost trebled to RMB925 million for the year. The joint venture project in Yangpu District of metro Shanghai is a mixed development of residential properties, retail space, offices and a hotel. The residential portion, named California Place, was ready for sales launch at the close of the year.

Taiyuan is a relative latecomer to the property market among tier 2 cities. Its property market is still not completely mature, but many major national developers have entered it in the last couple of years. The strength of this market is that it is largely driven by fundamental demand for housing. The present downturn in the market is the result of temporary negative sentiment from potential buyers. The Group considers Taiyuan to be a promising market, and has built up a substantial land bank in the city ready to tap into its potential. Three projects were being sold during the year. Taiyuan R&F City, located on a site with a total GFA of approximately 2.1 million sq.m., is the largest of the Group's projects in northern China and will be developed in seven phases. The first phase of the project is completely sold out and the second phase is now underway. The project has recorded cumulative sales of RMB2.84 billion since its first launch in July 2008, with RMB648 million being achieved in 2011. The second project in Taiyuan is R&F Modern Plaza, consisting of ten 32-to 34-storey residential blocks. This project has the advantage of a superb central location close to the CBD. As a result of precise market positioning, it was completely sold in the year and achieved RMB587 million in contracted sales. The Group successfully launched its third project, the upscale R&F Edinburgh Residence, towards the end of the year. Despite a market environment unfavorable for luxury properties, respectable sales of RMB45 million were recorded.

Shenyang will be hosting the 12th National Games in 2013, in the district where the Group's R&F Xianhu project is located. This together with other favorable developments—such as steady improvements in community facilities and the arrival of foreign diplomats—will boost the attractiveness of the project. On completion, the project will consist of 528 units of detached, semi-detached or linked villas. Sales were first launched in 2008; to date 192 units have been sold, with the year's sales amounting to 66 units at RMB278 million. The average selling price increased to RMB11,100 per sq.m. in the year, from RMB10,400 per sq.m. the previous year.

LAND BANK

In line with its long-established strategy, the Group adopted a conservative and balanced approach to land acquisition during the year. This ensured that it preserved maximum liquidity, while at the same time ensuring an adequate land bank for the uninterrupted development of a project pipeline. During the year, the Group added mainly three plots of land, with a total attributable GFA of 1.36 million sq.m., to its land bank. One of these was at Yangji Village, in Guangzhou. This central site, of approximately GFA 270,000 sq.m., is of a type rarely available in the heart of Guangzhou. Its successful acquisition at a bargain price of RMB8,890 per sq.m. was the result of skillful and patient negotiation. The other two plots acquired was in Harbin and Datong, Shanxi, the first acquisition by the Group in those cities. The Harbin site has a GFA of approximately 700,000 sq.m. and, at RMB3,180 per sq.m., represented a total cost of RMB2.23 billion. The Datong site has a GFA of approximately 390,000 sq.m. and costing RMB235 million. The Group's total land bank at year-end increased to 28.02 million sq.m. GFA. Details are given below:

Location	**Approximate total GFA (sq.m.)**	**Approximate saleable area (sq.m.)**
Development Properties		
Guangzhou	3,861,000	3,418,000
Huizhou	3,097,000	3,097,000
Hainan	3,094,000	3,055,000
Chongqing	5,675,000	5,535,000
Chengdu	1,134,000	1,065,000
Shanghai and vicinity	587,000	442,000
Nanjing	600,000	545,000
Beijing	1,812,000	1,550,000
Tianjin	2,728,000	2,443,000
Xian	595,000	516,000
Taiyuan	3,000,000	2,898,000
Datong	392,000	392,000
Harbin	700,000	700,000
Shenyang	90,000	90,000
Investment Properties	655,000	592,000
Total	**28,020,000**	**26,338,000**

INVESTMENT PROPERTIES

No entirely new additions were made to the Group's investment property portfolio during the year. The last acquisition, Tianhui Mall in Chengdu Panda City, underwent further enhancements to its facilities. Upgrades to this contemporarily designed shopping complex helped increase the mall's appeal to a wider and more prestigious range of potential tenants, and the Group continues to work on achieving the best mix of retailers and restaurants to provide shoppers with balance and variety. Occupancy had increased to a satisfactory level by the end of 2011, with corresponding revenue growth. The Tianhui Mall will add to the Group's rental income from shopping malls which has so far come mainly from its shopping mall in Beijing. As for the Group's rental office buildings, occupancy of its Guangzhou R&F Center is practically full despite the abundant supply of office space in Pearl River New Town. This building has a proven track record and many competitive strengths, such as convenient access and high standards of property management, suggesting that its capital value is likely to continue moving upward. However, among the three asset categories in the Group's investment portfolio, it was the hotel properties which stood out for the year. Hotel occupancy reached new average highs, with improvements at the two Guangzhou hotels being especially notable. As a result, operating results for the hotels turned from a loss to an operating profit of RMB33.5 million.

Investment properties completed or in the pipeline are as follows:

Investment properties	Location	Description	Approximate total GFA (sq.m.)
Guangzhou			
The Ritz-Carlton, Guangzhou*	Pearl River New Town J2-7	5-star hotel 351 rooms and 91 serviced apartments	104,000
Grand Hyatt Guangzhou*	Pearl River New Town F1-2	5-star hotel 375 rooms	115,000
R&F Center*	Pearl River New Town J1-4	55-storey office building	163,000
Holiday Inn Airport Guangzhou	R&F Jingang City	4-star hotel 350 rooms	34,000
Park Hyatt, Guangzhou	Pearl River New Town J1-1	5-star hotel 176 rooms	66,000
Conrad, Guangzhou#	Pearl River New Town Liede Village	5-star hotel 350 rooms	45,000
Beijing			
Renaissance Beijing Capital Hotel*	Beijing R&F City	5-star hotel 543 rooms	120,000
R&F Center*	Beijing R&F City	Office building	60,000
R&F Shopping Mall*	Beijing R&F City	Shopping mall	111,000
Express by Holiday Inn Temple of Heaven Beijing*	R&F Xinran Court/Plaza	4-star hotel 321 rooms	22,000
Tianjin			
Tianjin R&F City Commercial Complex	Tianjin R&F City	Office, serviced apartment, shopping mall and hotel	167,000
Chongqing			
Hyatt Regency Hotel, Chongqing	Chongqing R&F Ocean Plaza	5-star hotel 354 rooms	46,000
Holiday Inn@University City Chongqing	Chongqing R&F City	4-star hotel 390 rooms	68,000

Investment properties	Location	Description	Approximate total GFA (sq.m.)
Chengdu			
Tianhui Mall*	Chengdu Panda City	Shopping Mall	255,000
Ritz-Carlton Chengdu	Chengdu Panda City	5-star hotel 350 rooms	59,000
Huizhou			
Renaissance Huizhou Hotel	Huizhou Ligang Center	5-star hotel 345 rooms	67,000
Hilton Huizhou Longmen Resort	Longmen Project	5-star hotel 350 rooms	45,000
Hainan			
Doubletree Resort by Hilton Haikou-Chengmai	R&F Mangrove Bay	5-star hotel 300 rooms	38,000
Xian			
R&F Holiday Inn Xian	Xian R&F City	4-star hotel 380 rooms	50,000

* Completed
\# Joint Venture Project

OUTLOOK

In February 2012 the Government took a small step towards relaxing credit restrictions by lowering the reserve ratio by 0.5%. Nevertheless, we expect the current regulatory measures to continue for the foreseeable future. The home purchase restriction ("HPR") is likely to be a long term feature of the property market environment, with perhaps some fine tuning in its detailed implementation in different cities. The Group does not anticipate dramatic growth in 2012, but believes that with properly adapted strategies and a strong pipeline of competitive products, it can look to improve its contracted sales over 2011 levels. The contracted sales target for 2012 is RMB32 billion, approximately 12% more than its 2011 contracted sales. This will be achieved from sales of 39 projects in 12 cities. Delivery of properties will be 2.66 million sq.m. with details set out below:

Location	To be completed in 1st half of 2012		To be completed in 2nd half of 2012	
	Approximate total GFA (sq.m.)	Approximate total saleable area (sq.m.)	Approximate total GFA (sq.m.)	Approximate total saleable area (sq.m.)
Guangzhou	189,000	147,000	295,000	228,000
Huizhou	53,000	53,000	105,000	104,000
Hainan	3,000	3,000	162,000	154,000
Chongqing	86,000	61,000	329,000	248,000
Chengdu	233,000	165,000	142,000	141,000
Beijing	–	–	235,000	219,000
Tianjin	66,000	60,000	384,000	289,000
Taiyuan	24,000	21,000	306,000	282,000
Xian	–	–	166,000	159,000
Shenyang	14,000	14,000	–	–
Shanghai and vicinity	77,000	77,000	135,000	116,000
Nanjing	58,000	53,000	106,000	68,000
Total	**803,000**	**654,000**	**2,365,000**	**2,008,000**

GUANGZHOU R&F TANGNING GARDEN

Guangzhou R&F Tangning Garden has a site area of approximately 70,000 sq.m. and a total gross floor area of approximately 130,000 sq.m. This project is located at the traditional old town of Xiwan Road, Liwan District situated at the heart of the historical city, sitting on the Liuhua prime commercial district and the developed areas of Xiguan and is adjacent to the Zengbu Park, thereby featuring a natural and healthy ecological environment.

GUANGZHOU R&F PEARL RIVER PARK VIEW

Guangzhou R&F Pearl River Park View is located at luxury residential areas of the Pearl River Park to the east of Pearl River New Town. To its east is the Guangzhou racecourse, south is a public green space adjacent to the Tancun station of the metro line 5, west is Machang Road and north is the "Taiyangcheng Plaza", one of the most sizable high fashion shopping centers in the Pearl River New Town. This project is only 50 m away from the 280,000 sq.m. Pearl River Park.

BEIJING R&F BAY SHORE

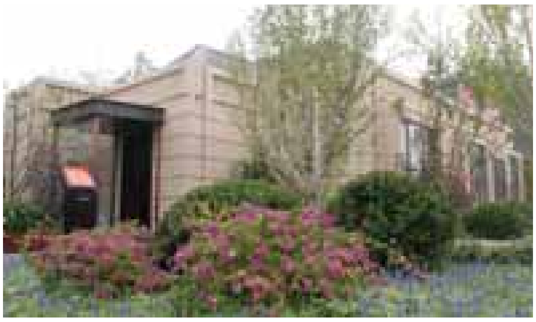
Being the first low-density residential project in Beijing by R&F dedicated to providing quality residential properties in the Mapo District, Beijing, R&F Bay Shore has a site area of approximately 226,000 sq.m. and a total gross floor area of approximately 158,000 sq.m. With an interspersing architectural style and sophisticated layout design, units of this project has a gross floor area ranging from 200 sq.m. to over 1,000 sq.m. to meet the diversified needs of owners.

BEIJING R&F NO. 10

Beijing R&F No. 10 is located between the East Second Ring Road and East Third Ring Road, which is rarely available within the CBD. Having a site area of approximately 32,000 sq.m. and a total gross floor area of approximately 95,000 sq.m., this project which mainly focuses on luxury housing and traditional courtyards-styled houses has become an exceptionally rare high-end luxury residential project in the urban area.

BEIJING R&F SHENGYUE COURT

Having a site area of approximately 89,000 sq.m. and a total gross floor area of approximately 190,000 sq.m., Beijing R&F Shengyue Court is located within South Fifth Ring Road to the east of Beijing, which provides ready access by taking metro at the Jiugoing station along the Yizhuang Line to bustling spots in the city including New World commercial area, Wangfujing commercial area and CBD. Having a supreme ecological environment, this project is surrounded by extensive ecological greeneries such as the Sanhaizi Country Park and Wangxinghu Country Park in the proximity to Liangshuihe.



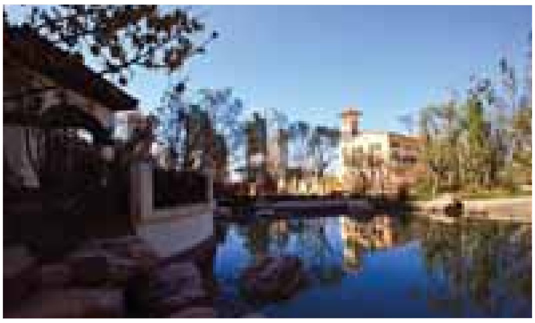
TIANJIN JINNAN XINCHENG

(jointly developed with other property developers)

Having a total site area of approximately 1,090,000 sq.m. and a total gross floor area of approximately 3,010,000 sq.m., Tianjin Jinnan Xincheng is located to the north of Laohai River, Xianshui Gu Town, Jinnan District, which is approximately 12 km from Tianjin's central districts and 15 km from Binhai Airport. Currently, Jinnan Xincheng will first launch its plot B of 300,000 sq.m. residential communities with amenities including natural greeneries, clubhouses and kindergartens.

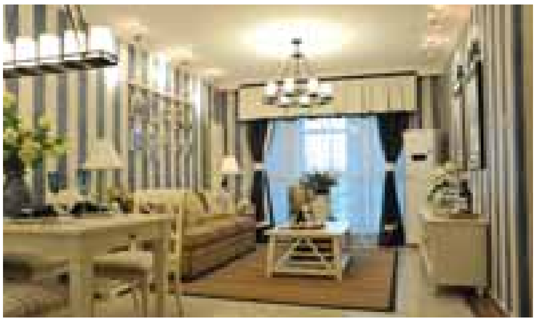
TIANJIN R&F PEACH GARDEN

Tianjin R&F Peach Garden is located geographically at the prime Greater Meijiang area. Being adjacent to metro lines 1 and 6, this project can reach the town center, the finance street of Youyi Nan Road and Meijiang Convention Center readily via the convenient traffic network facilitated by Tianjin Avenue, Jingang Highway and Expressway, Jiefang Nan Road, Dagunan Road and Lishuang Road. This project will be developed into a high-end residential area with a total gross floor area of approximately 518,000 sq.m.



TAIYUAN R&F CITY

Located at No.3, Jinan East Street, Xinhua Ling District, Taiyuan, Taiyuan R&F City is adjacent to the trunk roads soon to be opened-Zhonghuan Road North, Taihang Road and Shengli Street East, has immense potentials in appreciation. Having a total site area of approximately 1,060,000 sq.m. and a total gross floor area of approximately 2,110,000 sq.m., this project will be developed in seven phrases.



TAIYUAN R&F MODERN PLAZA

Taiyuan R&F Modern Plaza is located at Wanbailin, Taiyuan and the northwestern corner of the intersection between Changfeng Xi Road and Heping Nan Road. With comprehensive peripheral facilities, convenient transportation and intense business atmosphere, this project has a total site area of approximately 87,000 sq.m. and a total gross floor area of approximately 330,000 sq.m.

CHENGDU R&F CENTER

Chengdu R&F Center is located next to the Tianfu Square, Chengdu. Situated at the center of the Chengdu city in prime commercial spots within the CBD, it connects to the urban traffic network with comprehensive intra-city and inter-city transportation facilities that provide convenience to travel. Metro lines 1 and 2 intersect at the project, which provide ready access directly to various regions of the city. Location of the project is also where three core business districts of Chengdu meet and surrounded by major government facilities of Chengdu and five-star hotels, the project has access to all essential resources that the city offers.

CHENGDU R&F RITZ INTERNATIONAL APARTMENTS

Being adjacent to the Tianfu Square of Chengdu, Chengdu Ritz International Apartment is located at the urban complex in Chengdu built by R&F with a total gross floor area of 600,000 sq.m., including a 300,000 sq.m. mega shopping mall, 60,000 sq.m. grade A office buildings and a super five-star Ritz-Carlton Chengdu hotel.

KUNSHAN R&F BAY SHORE

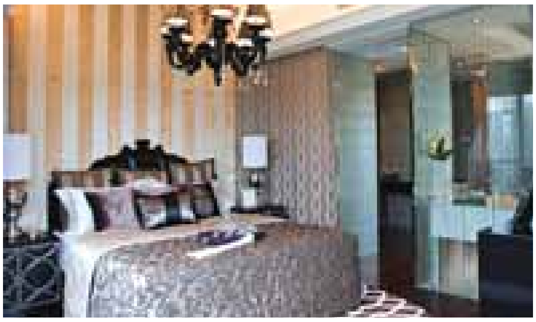
Kunshan R&F Bay Shore is located at the northern shore of Dianshan Hu, Kunshan with a total site area of approximately 1,060,000 sq.m. Surrounded by Dianshan Hu and compassing a lake with embankment landscape fully blending with natural water sceneries, this project will be developed into resorts and residential areas of a total gross floor area of approximately 437,000 sq.m.

NANJING R&F CITY

Nanjing R&F City is located within the Nanjing Qilin Science & Technology Parks with a site area of approximately 571,000 sq.m. and a gross floor area of 600,000 sq.m., which will comprise commercial buildings, private courtyards-styled houses, high-rise apartments and ancillary commercial facilities, featuring a wide range of properties ranging from research office, new modern Chinese-style luxury courtyards houses and high-rise apartments with a taste of modern simplicity.

HUIZHOU R&F LIGANG CENTER

Huizhou R&F Ligang Center is located at CBD of Jiangbei District, Huizhou. Having a site area of approximately 48,000 sq.m. and a total gross floor area of approximately 300,000 sq.m., the project will be developed into a top-tier integrated project including a Renaissance hotel, grade A office buildings, shopping malls, mansions with panoramic river view and star-rated serviced apartments.



HUIZHOU R&F MODERN PLAZA

Huizhou R&F Modern Plaza is located right opposite to the Boluo Stadium, Huizhou at the intersection of Huizhou Road and Huibo Yanjiang Road. Having a site area of approximately 80,000 sq.m. and a total gross floor area of approximately 427,000 sq.m., this project is scheduled to be developed into 13 high-rise and super high-rise residential buildings, one office building, commercial podium and premium clubhouses.

HAINAN R&F MANGROVE BAY

Hainan R&F Mangrove Bay is located to the north of Chengmai Town, Hainan Province, with the southern border of the project close to the Sanlin Exit, Huandao West Line High-way. To its north is Meilang Harbor, which connects with Qiongzhou Strait, forming a natural pleasant double bay with the inner bay resting with the pristine ecological environment of mangrove coast, which is proposed to be developed into large-scale tourism ecology and residential community projects.

INVESTOR RELATIONS 2011

The Company has always been committed to providing appropriate and timely communications to the investment community. 2011 was a challenging year in not only the Chinese real estate industry, but also the global economic environment. Our management team was tackling ever-changing business challenges every day. To help our investors make informed decisions, the Company provided dedicated resources in maintaining high transparency of our operations to the public, analysts and institutional investors. This will remain the top priority of the investor relations team.

In April, we issued our first offshore senior note in Singapore. Formally introducing ourselves to the credit investment community, we conducted a 3-day roadshow in Singapore, London and Hong Kong. Our management shared with credit investors and analysts their insights pertaining to the industry's trends/performance, and the Company's financial management strategy behind the "dim-sum" bond. It was an over-the-counter senior note of two tranches: (1) 3-year RMB 2.61 billion and (2) 5-year USD 150 million. After the successful issuance, we regularly met with the fixed-income community to provide transparency in operations that they needed.

Besides the roadshows to promote our senior notes, the Company also provided adequate accesses to the management, regular business updates, and site-visits to our projects. For investors who visited our headquarter offices, we met with them in person to resolve any inquiries that they had. Investors and media were able to meet face-to-face with our Chairman, Mr. Li, during the interim and annual result announcements. The Company also proactively communicated monthly sales performances.

Finally, the Company attended 17 regional conferences/NDRs. Among them were some of the biggest conferences in number of investor attendees: Gao Hua China Investment Frontier Conference and BoAML 2011 Investor Conference in Beijing, and Morgan Stanley 10th Annual Asia Pacific Summit in Singapore. Through these conferences, we were able to meet with our diverse group of investors, whether they were from equity or credit investment, new or existing shareholders, and from domestic or foreign cities. The Company treasures every opportunity in actively maintaining an open channel with the global financial investment community, especially through such challenging year in 2011.

The Company would like to thank all investors/shareholders who supported our activities, and provided constructive views of their expectations on the Company. We would also like to thank our property analyst peers for their hard work in providing transparency to our industry and the Company. We look forward to another new year of cooperation to provide the best investor relations services to the community.

Month	Conference/Road Show
January	• Jefferies Securities Asia China Property Day – Hong Kong • Credit Suisse's China & Hong Kong Property Day 2011 – Hong Kong • UBS Greater China Conference – Shanghai • BoAML Pre-blackout NDR – Hong Kong
March	• Post-result NDR with Bank of America Merrill Lynch and Macquarie – Hong Kong
April	• Senior Notes Issuance Road Show with Credit Suisse, Goldman Sachs, Citi Group and Morgan Stanley – Hong Kong, Singapore & London
May	• Macquarie Greater China Conference – Hong Kong • Morgan Stanley Hong Kong Summit conference – Hong Kong • BoAML Asian Stars conference – Singapore
June	• JP Morgan 7th Annual China Conference 2011 – Beijing • CLSA Regional Property Access Mini-conference – Hong Kong
August	• Interim result NDR with Bank of America Merrill Lynch and Deutsche Bank – Hong Kong & Singapore
September	• UBS HK/China Property Conference – Hong Kong
October	• HSBC 2nd Annual Asian Property Conference – Hong Kong • Goldman Sachs/Gao Hua China Investment Frontier Conference 2011 – Beijing
November	• Bank of America Merrill Lynch 2011 Investor Conference – Beijing • Morgan Stanley 10th Annual Asia Pacific Summit – Singapore • CLSA Property Day – Hong Kong
December	• Bank of America Merrill Lynch Greater China Property Corporate Day – Hong Kong

EMPLOYEE DEVELOPMENT

As of 31 December 2011, the Group had a total of approximately 16,416 employees (2010: 15,278).

In 2011, the Group's training continued to focus on the development of a succession of talents and on the enhancement of employee's general competence and quality. Our training was conducted along the direction of establishing a corporate university emphasizing professionalism, system and comprehensiveness. In 2011, various key programmes were carried out, namely, "Talent Programme", "Intensive Orientation Training Programme" and "Lectures Series on Moral". In addition, we conducted a number of extracurricular activities courses, including yoga class, social activities and internal training on various health themes for all employees. Compared with the past years, the courses were more diverse and richer in content. Apart from emphasizing all-rounded development of employees, we also focused more on enhancing the development of virtues in employees. In sum, trainings in 2011 had more depth and width than past years, and a good atmosphere of learning was created in the Company, moving further towards the establishment of learning-oriented enterprise.

COMMUNITY SERVICE

In 2011, the Group continued its endeavors to maintain its positive image as a good corporate citizen, honoured our commitments, strived to be best with a mentality of never being complacent and to continue innovate and sought for the harmonious development among enterprise, society and environment. The Group is committed to assuming its share of corporate social responsibilities and obligations. Up to 31 December 2011, the Group had made charitable donations in an aggregate amount of more than RMB183 million.

On 5 May 2011, actively responding to the call of the government, the Group, in conjunction with the government of Yuexiu District, launched a poverty alleviation development program that provided supports to Xiaolou Town, Zengcheng. The poverty alleviation development program for Xiaolou Town, Zengcheng, Guangzhou involved 23 construction projects in which the Company will invest up to RMB111 million, in an effort to assist Xiaolou Town in better achieving its target of poverty relief by improving the public services infrastructure in the region.

On 16 June 2011, the Group participated in a tour for officials of related government authorities and representatives of private enterprises led by Zhu Xiaodan, deputy governor of Guangdong Province to Liannan County, Qingyuan to inspect the relocation and settlement work of poverty-stricken villages. The Group will donate up to RMB 20 million to help the relocation of such villages.

At the Mobilisation and Award Presentation Ceremony for "Guangdong Charity Day" (廣東扶貧濟困日) and Guangzhou Charity Day Activities which was launched in Guangzhou on 28 June 2011, the Group and Mr. Li Sze Lim, Chairman won the Guangzhou Charity Advanced Organisation and Outstanding Achievements Award and Outstanding Award Individual, respectively.

In addition, the Group cares about the development of education in China. On 6 July 2011, commencement ceremony of construction work was held for the School of Mathematics & Computational Science Building at Sun Yat-sen University of Guangzhou, which was donated by the Group and expected to be completed for hand-over in July 2012. In January 2011, the Group donated RMB 2 million to Xinzhou Town Primary School, Yangdong County, Guangdong for repair of school buildings, purchase of additional teaching facilities and paving the adjacent roads for the school. In the meantime, the Group donated a total of RMB600,000 to finance two "Realization of Dream" classes, helping approximately 200 new generation of peasant workers to realize their dream of university education.

BUILDING THE SOCIAL FABRIC


HARBIN
SHENYANG
BEIJING
DATONG
TIANJIN
TAIYUAN
XIAN
NANJING
SHANGHAI
CHENGDU
CHONGQING
GUANGZHOU
HUIZHOU
HAINAN

The Group's net profit for the year increased by 8.5% to RMB4.835 billion, from RMB4.456 billion the previous year. The increase was mainly due to better results from the Group's core business of property development, where net profit rose by RMB744 million on a 19.8% increase in turnover from sales of properties. Of its other main business segments, the Group's hotel operation achieved its first operating profit for the year due to very satisfactory occupancy rates and improved average room rates. With hotel revenue increasing by 24.3% to RMB758 million from RMB610 million, the previous year's operating loss of RMB11.5 million turned into an operating profit of RMB33.5 million for the year. Results from the Group's property investment segment were swayed by changes in the fair value of its investment properties. With no new additions to the investment property portfolio, fair value gains for the year amounted to RMB436 million as compared to RMB1.110 billion the previous year, which included gains from Chengdu Tianhui Mall, and net profit from the segment decreased to RMB452 million from RMB765 million accordingly. However, if the effect of fair value gains is excluded, net profit from the segment increased by RMB45 million, mainly as a result of steady growth in the Group's rental income. The Group's other business segments (including construction services) recorded a net loss of RMB18 million.

CONSOLIDATED INCOME STATEMENT

2011

	Note	Property development (RMB'000)	Property investment (RMB'000)	Hotel operation (RMB'000)	All other segments (RMB'000)	Group (RMB'000)
Revenue	1	**25,390,191**	**491,044**	**758,078**	**730,782**	**27,370,095**
Cost of sales	2	**(14,587,816)**	**(95,964)**	**(542,982)**	**(727,482)**	**(15,954,244)**
Gross profit	3	**10,802,375**	**395,080**	**215,096**	**3,300**	**11,415,851**
Other gains-net	4	**306,448**	**406,084**	**4,331**	**9,009**	**725,872**
Selling and administrative expenses	5	**(1,688,541)**	**(19,720)**	**(186,118)**	**(29,879)**	**(1,924,258)**
Other operating (expenses)/ income		**(10,825)**	**–**	**230**	**1,398**	**(9,197)**
Operating profit/(loss)		**9,409,457**	**781,444**	**33,539**	**(16,172)**	**10,208,268**
Finance costs	7	**(766,893)**	**(180,215)**	**(180,108)**	**(11,936)**	**(1,139,152)**
Share of results of jointly controlled entities		**(19,131)**	**–**	**–**	**–**	**(19,131)**
Share of results of associates	6	**116,942**	**–**	**–**	**1,276**	**118,218**
Profit/(loss) before income tax		**8,740,375**	**601,229**	**(146,569)**	**(26,832)**	**9,168,203**
Income tax expenses	8	**(4,229,421)**	**(149,300)**	**36,642**	**8,692**	**(4,333,387)**
Profit/(loss) for the year	9	**4,510,954**	**451,929**	**(109,927)**	**(18,140)**	**4,834,816**

2010

	Note	Property development (RMB'000)	Property investment (RMB'000)	Hotel operation (RMB'000)	All other segments (RMB'000)	Group (RMB'000)
Revenue	1	22,972,494	375,323	610,096	683,907	24,641,820
Cost of sales	2	(14,272,979)	(52,051)	(433,457)	(590,145)	(15,348,632)
Gross profit	3	8,699,515	323,272	176,639	93,762	9,293,188
Other gains-net	4	263,952	1,096,013	6,800	1,474	1,368,239
Selling and administrative expenses	5	(1,310,740)	(15,809)	(194,949)	(25,697)	(1,547,195)
Other operating expenses		(34,772)	–	–	(607)	(35,379)
Operating profit/(loss)		7,617,955	1,403,476	(11,510)	68,932	9,078,853
Finance costs	7	(596,314)	(186,080)	(157,302)	(1,151)	(940,847)
Share of results of jointly controlled entities		(20,544)	–	–	–	(20,544)
Share of results of associates	6	(48,051)	–	–	831	(47,220)
Profit/(loss) before income tax		6,953,046	1,217,396	(168,812)	68,612	8,070,242
Income tax expenses	8	(3,186,242)	(451,948)	42,203	(17,886)	(3,613,873)
Profit/(loss) for the year	9	3,766,804	765,448	(126,609)	50,726	4,456,369

The Group carries out its core business of property development in 12 cities. Deliveries were made in Guangzhou, Beijing, Tianjin, Xian, Chongqing, Hainan, Huizhou, Shanghai, Taiyuan, Chengdu and Shenyang. The following comments, with the exception of #7 (on financing costs) and #9 (on net profits), relate only to the results from sales of properties:

1. Turnover increased by 10.5% to RMB25.39 billion, from RMB22.97 billion in the previous year. This turnover was based on delivery of 2.209 million sq.m. of sale properties in the year, slightly less than the 2.256 million sq.m. delivered the previous year. The significant increase in turnover was therefore largely the result of a higher overall average selling price, which rose to RMB11,500 per sq.m. from RMB10,180 per sq.m. This indicates that price levels had not yet been significantly affected by regulatory measures when those properties recognized as turnover for the year were sold. Practically all continuing projects with comparable selling prices from the previous year showed price increases to various extents. The overall average selling price was further boosted by the sales mix. The effect of this was apparent from the fact that Guangzhou's R&F Pearl River Park View, the single project with the highest turnover in the year (of RMB3.22 billion or 12.7% of the Group's total), also carried the highest selling price (other than retail properties) at RMB27,570 per sq.m. The average selling price by city also increased for all cities except Hainan, where it was flat. Guangzhou's turnover was again highest of the 12 cities, increasing to RMB7.213 billion (2010: RMB7.075 billion), although accounting for a slightly smaller share of total turnover at 28% (2010: 31%). Five main projects, made up of three residential projects and two commercial projects, contributed 90% of this turnover. The three residential projects were R&F Pearl River Park View, R&F Jingang City and R&F Spring World. R&F Pearl River Park View is a high-end development located in Pearl River New Town; its delivery in the year and achieved the turnover mentioned above. R&F Jingang City delivered 243,100 sq.m. in saleable area and generated RMB1.628 billion in turnover, while R&F Spring World had turnover of RMB463 million. The two commercial projects, both grade A office buildings located in Pearl River New Town, were R&F Yingsheng Plaza and R&F Yingxin Plaza. Their turnover together amounted to RMB1.153 billion, represented by part of block A of R&F Yingsheng Plaza and the remaining inventory including retail space of R&F Yingxin Plaza. The average selling price in Guangzhou rose by 11% to RMB15,180 per sq.m. In addition to the effect of sales at R&F Pearl River Park View on the average price, the selling price of R&F Jingang City also had an impact; sales at R&F Jingang City made up 23% of Guangzhou's turnover, selling price having increased by 18%. Significant sales of retail space at high selling prices were also achieved. Turnover in Beijing increased by 18% to RMB6.941 billion (2010: RMB5.866 billion) and accounted for roughly the same share of the Group's total turnover as in the previous year. The projects contributing to turnover were basically the same but total turnover for Beijing increased, with turnover more than doubling at the flagship project R&F Festival City and at R&F Danish Town, to RMB2.788 billion and RMB2.148 billion respectively. This increase reflected both higher volumes and higher prices at the two projects. As they made up a very significant part of Beijing's turnover, their price appreciation (which ranged from 33% to 38%) was a major factor behind Beijing's 48% increase in overall average selling price, which rose to RMB15,690 per sq.m. from RMB10,570 per sq.m. previously. Another factor in the average price increase for Beijing was the fact that the Group's low-income housing project, R&F American Dream Island, made up only a minor part of the year's turnover, 3% against 20% in 2010. Turnover from Tianjin took a temporary break from consecutive years of rapid growth. Delivery fell to 286,300 sq.m. for the year, causing turnover to decrease to RMB3.427 billion from RMB4.174 billion previously. In terms of percentage, turnover decreased by 18%: this was less than the 31% decrease in delivery, and reflected a higher average selling price of RMB11,970 per sq.m. as compared to RMB10,050 per sq.m. the previous year. In addition to the three continuing projects of R&F City, R&F Jinmen Lake and R&F Peach Garden, a new project (R&F Bay Shore) generated turnover of RMB376 million at an average selling price of RMB9,600 per sq.m. Other than the three cities mentioned above, three other cities had turnover exceeding RMB1 billion; they were Chongqing, Taiyuan and Hainan. Turnover from Chongqing and Taiyuan was similar in amount, at RMB2.169 billion and RMB2.200 billion, and in growth rate, at 85% and 84%, respectively. Approximately 84% of Chongqing's turnover came from the mega residential project R&F City, with another 15% from the delivery of the office building of R&F Ocean Plaza. The latter project helped raise the overall average selling price for Chongqing by 6% to RMB6,720 per sq.m., as commercial properties enjoyed a higher average selling price (RMB13,550 per sq.m.) than residential properties. Turnover for Taiyuan was divided approximately 60/40 between two projects, R&F City and R&F Modern Plaza. The

market positioning of both projects was similar, and they had average selling prices of RMB6,490 per sq.m. and RMB6,760 per sq.m. respectively. As for Hainan, the number of projects there increased to three with the first delivery of 37,000 sq.m. of R&F Mangrove Bay, which contributed RMB431 million in turnover. Together with turnover from R&F Yingxi Valley of RMB413 million and R&F Bayshore of RMB836 million, total turnover for Hainan increased to RMB1.679 billion, from RMB1.164 billion the previous year. The remaining four cities of Chengdu, Shanghai, Xian and Huizhou made up about 7% of the Group's turnover, down from their share of 10% last year. This was equivalent to a reduction in turnover of RMB565 million distributed among the cities (except Chengdu). Average selling prices in these cities varied from a high of RMB12,320 per sq.m. in Shanghai to a low of RMB5,220 per sq.m. in Chengdu.

The following table gives the breakdown of saleable area, turnover, and percentage attributable to the Group for the sale of properties during the year:

Project	**Approximate saleable area sold (sq.m.)**	**Amount of turnover (RMB'000)**	**Percentage attributable to the Group (%)**
Guangzhou			
R&F Garden Pearl River Park View	116,775	3,219,950	100%
R&F Jingang City	243,068	1,628,065	100%
R&F International Apartment	32,941	786,707	100%
R&F Spring world	40,239	462,792	100%
R&F Yinxin Plaza	5,796	366,717	100%
R&F Square (South Court) Shopping Mall	7,120	216,352	100%
R&F Peach Garden Phase II & III	5,809	122,404	100%
Others	23,544	410,221	100%
	475,292	**7,213,208**	
Beijing			
R&F Festival City	157,788	2,788,406	100%
R&F Danish Town	140,469	2,147,637	100%
R&F Bay Shore	54,345	932,676	100%
R&F Xinran Court	23,917	488,620	100%
Beijing R&F City	35,147	280,422	100%
R&F American Dream Island	18,002	226,562	100%
R&F Peach Garden	8,798	52,592	100%
R&F Edinburgh Plaza	3,795	23,964	100%
	442,261	**6,940,879**	
Tianjin			
R&F Peach Garden	129,786	1,111,036	100%
Tianjin R&F City	59,835	1,084,440	100%
R&F Jinmen Lake	57,505	855,981	100%
R&F Bay Shore	39,140	375,758	100%
	286,266	**3,427,215**	

Project	Approximate saleable area sold (sq.m.)	Amount of turnover (RMB'000)	Percentage attributable to the Group (%)
Taiyuan			
Taiyuan R&F City	204,669	1,328,359	100%
R&F Modern Plaza	129,013	872,070	100%
	333,682	**2,200,429**	
Chongqing			
Chongqing R&F City	296,728	1,824,452	100%
R&F Ocean Plaza	25,179	339,806	100%
R&F Modern Plaza	707	4,395	100%
	322,614	**2,168,653**	
Hainan			
R&F Bay Shore	45,479	835,759	100%
R&F Mangrove Bay	37,063	430,725	100%
R&F Yingxi Valley	32,235	412,584	100%
	114,777	**1,679,068**	
Shanghai			
R&F Bay Shore	33,593	409,093	100%
R&F Peach Garden	21,171	265,441	100%
	54,764	**674,534**	
Chengdu			
R&F Peach Garden	106,279	554,442	100%
	106,279	**554,442**	
Xian			
Xian R&F City	62,176	409,959	100%
	62,176	**409,959**	
Huizhou			
R&F Ligang Center	10,550	121,804	100%
	10,550	**121,804**	
Total	**2,208,661**	**25,390,191**	

2. Cost of goods sold is made up of four main components: land cost, construction costs, business tax and capitalized interest. These components make up the total cost of goods sold in proportions that have remained relatively stable from year to year: for the year under review land and construction costs accounted for 85% (2010: 85%), business tax 10% (2010: 9%) and capitalized interest 5% (2010: 6%). In terms of amounts, land and construction costs per sq.m. were similarly stable; overall per sq.m. costs for the year amounted to RMB5,620, only increased approximately 5% from the RMB5,360 of the previous year. Analyzed by city, land and construction costs per sq.m. for all cities except Guangzhou, Hainan, Shanghai, Taiyuan and Chengdu varied within a 10% range of their levels in 2010. This reflected the fact that there has been no significant fluctuation in primary construction costs or materials. The land and construction costs per sq.m. for Guangzhou, Hainan, Shanghai, Taiyuan and Chengdu changed to a larger extent because of the sales mix. Guangzhou's costs per sq.m. increased most by 30% to RMB6,940 mainly due to two new projects, R&F Pearl River Park View and R&F Yingsheng Plaza which had a cost per sq.m. of RMB11,990 and RMB11,490 respectively. Hainan's costs per sq.m. increased by 20% to RMB7,120 from RMB5,920, mainly due to R&F Bay Shore which had a cost per sq.m. of RMB7,920. The other three cities, Shanghai, Taiyuan and Chengdu, saw costs increase by 17%, 15% and decrease by 19% respectively. Land and construction costs ranged from highs of RMB7,120 per sq.m. for Hainan to lows of RMB3,660 per sq.m. in Taiyuan. Capitalized interest included in the cost of sales was RMB688 million, representing a decrease from 2010's RMB838 million. As a percentage of turnover from sale of properties, capitalized interest decreased to 2.7% from 3.6%, due to proportionally fewer financing costs having been capitalized to inventory in the last couple of years. The cost of goods sold also included RMB1.480 billion in business tax, making up 10% of costs.

3. Overall gross margin for the year increased to 42.5%, from 37.9% in 2010. The main reason for this was the higher average selling price of many of the sales recognized for the year. The individual gross margins of the majority of projects ongoing from last year experienced increases to various extents. Projects which had the most impact on overall gross margin were those with both high turnover and an increase in gross margin. Examples of such projects were Beijing's R&F Festival City and R&F Danish Town, and Tianjin's R&F City; these three projects had a combined turnover of RMB6.02 billion and gross margin increases of 16%, 8% and 28% respectively. Aside from continuing projects with prior year comparisons, two significant new projects were R&F Pearl River Park View and R&F Yinsheng Plaza in Pearl River New Town, Guangzhou. Between them they had turnover of RMB4.01 billion, and also a high gross margin of 46% that further helped boost the overall gross margin. On the other hand, the low income housing project R&F American Dream Island in Beijing, with a gross margin of only 12% last year that negatively affected the overall gross margin, no longer had any significant impact this year as it contributed less than 1% of total turnover.

4. Other gains mainly arose from profit on the return of two parcels of land to the government, one in Guangzhou and one in Chongqing.

5. Selling and administrative expenses as a percentage of turnover increased to 6.7% from 5.7% in the previous year. In terms of amounts, selling and administration expenses for the year increased by 29% or RMB378 million, to RMB1.689 billion. Broken down into its two components, selling expenses increased by RMB57.1 million to RMB419.8 million, while administrative expenses increased by RMB321 million to RMB1.269 billion. The increase in administrative expenses reflected the Group's deliberate effort to stay competitive by investing in human capital. Manpower costs increased by

RMB209 million and accounted for 65% of the increase in administrative expenses. In respect of selling expenses, advertising expenses increased by RMB17.7 million, an amount which accounted for approximately 31% of the total increase in selling expenses. In a tough market environment, the Group raised its advertising spending during the year to support sales of approximately 39 projects. Contracted sales per RMB million of advertising expenditure changed to RMB140.3 million from RMB173.7 million in the previous year, but this still represented efficient use of advertising expenditure considering market conditions.

6. The share of result of associated companies was mainly derived from the Group's 20% share in the Guangzhou Asian Games City project. The project began delivery of sold properties in the year and recorded a turnover of RMB6.448 billion.

7. Finance costs increased by 21% to RMB1.139 billion (2010: RMB940.8 million). As these costs include interest expenses incurred in the year after deduction of amounts capitalized to development costs, finance costs were affected by the total amount of debt, the interest rate, and the amount of interest being capitalized. With outstanding loans of approximately RMB28.4 billion and an average interest rate of 6.5%, total interest expenses for the year amounted to RMB1.910 billion. This was 19% more than the interest expenses for 2010, mainly as a result of higher average debts. Although interest capitalized increased by RMB105 million, finance costs increased as a result. Capitalized interest released to cost of goods sold amounted to RMB688 million, as compared to RMB838 million for the previous year. Aggregate interest costs included in this year's results amounted to RMB1.827 billion (2010: RMB1.779 billion).

8. Land appreciation tax (LAT) of RMB2.430 billion (2010: RMB1.747 billion) and Enterprise Income Tax of RMB1.800 billion brought the Group's total income tax expenses for the year to RMB4.230 billion. As a percentage of turnover, LAT increased to 9.6% from 7.6% in 2010. This increase was due to the generally higher gross profit margins, especially for particular projects such as Guangzhou R&F Pearl River Park View and Beijing R&F Festival City, which attracted a combined LAT of RMB830 million or 13.8% of their total turnover. The effective enterprise income tax rate stood at 28.5% (2010: 27.6%), deviating from the standard rate by 3.5% because of permanent differences limiting the tax deductible amount.

9. Overall the Group's net profit margin for the year was 17.7%, as compared to 18.1% in the previous year. If fair value gains from investment properties are excluded, this year's net profit margin would be 16.5%, 1.2% higher than the 15.3% of 2010. The main reason for this increase was the overall improvement in the Group's gross profit margin for property development.

CONSOLIDATED BALANCE SHEET

	Note	**2011 (RMB'000)**	2010 (RMB'000)	Changes (%)
ASSETS				
Non-current assets				
Land use rights	1	**680,069**	670,940	1%
Property, plant and equipment	2	**4,124,919**	4,119,144	0%
Investment properties	3	**12,687,557**	12,461,640	2%
Intangible assets	4	**848,088**	875,098	-3%
Interests in jointly controlled entities	5	**3,355,575**	3,384,790	-1%
Interests in associates	6	**264,586**	137,866	92%
Deferred income tax assets	7	**2,402,822**	922,503	160%
Available-for-sale financial assets	8	**177,100**	182,700	-3%
Trade and other receivables and prepayments	9	**2,209,693**	2,610,120	-15%
Current assets				
Properties under development	10	**33,087,780**	29,067,419	14%
Completed properties held for sale	11	**6,035,545**	4,767,672	27%
Inventories		**271,858**	271,771	0%
Trade and other receivables and prepayments	9	**7,581,432**	7,229,422	5%
Tax prepayments		**1,405,997**	1,547,671	-9%
Restricted cash	12	**2,899,620**	3,514,433	-17%
Time deposits	12	**1,300,000**	–	N/A
Cash	12	**4,826,243**	5,653,716	-15%
LIABILITIES				
Non-current liabilities				
Long-term borrowings	13	**18,285,250**	20,669,396	-12%
Deferred income tax liabilities		**2,364,187**	2,154,540	10%
Current liabilities				
Accruals and other payables	14	**10,124,938**	7,845,407	29%
Deposits received on sale of properties	15	**14,054,998**	15,479,821	-9%
Current income tax liabilities	16	**6,503,780**	4,083,895	59%
Short-term borrowings	13	**352,033**	1,496,195	-76%
Current portion of long-term borrowings	13	**9,741,324**	5,688,430	71%
SHAREHOLDERS' EQUITY		**22,732,374**	19,999,221	14%
Non-controlling interests		**206,548**	211,500	-2%

1. This related to self-use assets only. Increase represented by mainly the new additions of the land cost of a hotel in Hainan.

2. The increase being the additional costs in the year of which the main items were 1) the new costs of construction in progress of a hotels in Hainan and 2) further costs of construction in progress in respect of three hotels in Chongqing, Huizhou and Chengdu.

3. The increase represented by mainly the fair value gain of two existing properties in Chongqing.

4. The decrease was mainly the goodwill disposed for sale of properties.

5. The decrease was mainly represented by the transfer of investment of RMB517 million in Maxview Investment Limited back to wholly-owned subsidiary of the Group. However, the decrease was largely offset by the investments of RMB507 million for 15% interest in 上海城投悅城置業有限公司(“上海悅城”), which is to develop a mixed project in Yangpu district of Shanghai. The Group already has an indirect interest of 35% in上海悅城.

6. Increase mainly being the Group's share of profit of the Asian Game City joint venture for the year.

7. Increase mainly due to accrued LAT cannot be deductible for income tax (effective from 2011) and increase in accrued development costs not yet deductible for income tax.

8. The change was decrease in the fair value of 4.88% interest in Guangzhou Securities Co., Ltd.

9. Trade receivables maintained at a low level of less than 7% of the contracted sales for the year and there were no material overdue debts under efficient credit control. The slight increase was mainly due to slower release of mortgage loan by banks.

10. The increase was mainly coming from the two new projects in Nanjing and Guangzhou; there were 39 projects and 6.859 million sq.m. GFA under development at 31 December 2011 as compare to 40 projects and 6.549 million sq.m. GFA.

11. The increase was mainly coming from the completion of various projects in 1st tier cities. Balance represented approximately 1,031,000 sq.m. GFA. In terms of value, Guangzhou and Beijing accounted for 50% of the total. Apart from residential units, retail properties and car parks were together a significant part of the balance.

12. Cash on hand maintained at a level adequate for the Group's operation.

13. Refer to ''Financial resources, liquidity and liabilities''.

14. Construction payables representing approximately 60% of the total and increased by RMB1,388 million.

15. Decreased in line with 9% decreased in contracted sales and being pre-sale proceeds from 39 projects most of which will be delivered in 2012.

16. The increase in income tax payable was mainly due to the increase in taxable profit for the year and accrued LAT cannot be deductible for income tax.

CASH FLOW

	Note	**2011 (RMB'000)**	2010 (RMB'000)
Net cash generated from operating activities	1	**528,946**	1,895,008
Net cash used in investing activities	2	**(1,106,673)**	(3,512,019)
Net cash (used in)/generated from financing activities	3	**(249,746)**	628,448
Net decrease in cash		**(827,473)**	(988,563)
Cash at 1 January		**5,653,716**	6,642,279
Cash at 31 December		**4,826,243**	5,653,716

1. Contracted sales generated RMB24.0 billion in pre-sale proceeds while the tax and interest payment increased significantly.

2. Mainly the further investment in 上海悦城 (see #5 of the Financial Review-Consolidated Balance Sheet) and further construction cost invested in hotel.

3. Mainly being dividends (2010 final and 2011 interim) paid in the year of RMB2.027 billion and repayment of borrowings.

Financial resources, liquidity and liabilities At 31 December 2011, the Group's cash amounted to RMB9.03 billion and with a total borrowing at RMB28.38 billion which included the RMB5.5 billion domestic bonds issued in October 2009 and a RMB/USD dual tranche offshore senior notes, one tranche of RMB2.612 billion and the other tranche of US$150 million. Net debt to equity ratio improved to 86% from 94% the previous year mainly as a result of the profit for the year. The Group has secured from various relationship banks uncommitted credit facilities of which approximately RMB20.6 billion (2010: RMB18.3 billion) was unutilized giving the Group ample standby financial resources. Such credit facilities indicate that the banks are prepared to lend to the Group up to the limit of the facilities when certain conditions are met such as the production of suitable projects and specified documents e.g. construction permits. The Group is continuing to pursue a proposed A share issue which if materialize will significantly improve the capital structure of the Group. However, it is uncertain when will this happen and the soundness of the Group's financial position is not so dependent.

DEBT PROFILE

	Total	1 year	2 years	3–5 years	Over 5 years	Interest	
		Due within					
			(RMB million)				
Long-term bank loans	18,065	4,285	5,250	4,746	3,784	Floating	RMB8,570M secured
Corporate bonds	5,456	5,456	–	–	–	Fixed	
Senior notes	3,506	–	2,574	932	–	Fixed	
Other borrowings	1,000	–	1,000	–	–	Floating	
Short-term bank loans	352	352	–	–	–	Floating	RMB154M secured
	28,379	10,093	8,824	5,678	3,784		

With the issuance in April 2011 of a RMB/USD dual tranche offshore senior notes, one tranche of 3-year 7% senior notes of RMB2.612 billion and the other tranche of 5-year 10.875% senior notes of US$150 million, the maturity profile of the Group's total borrowings was well balanced between short, medium and long term debt. Debts due within 1 years accounted for 36% (2010: 26%) of total debts which was a reasonable level considering that the entire amount of a RMB5.5 billion domestic bond which carries a put option exercisable by the bond holders in October 2012 is included herein. Bank loans repaid in the year amounted to RMB8.73 billion while new bank loans of RMB4.71 billion was procured at interest rates ranging from 4.86% to 7.98%. The effective interest rate of the total bank loan portfolio at 31 December 2011 was 5.97% (2010: 5.31%). Exchange rate exposure was minimal as non-RMB borrowings accounted for only approximately 3.8% of total borrowings. As for interest rate, RMB bank loans were at normally stable floating interest rates benchmarked to rates published by the People's Bank of China. The fixed rate offshore and onshore bond further reduced interest rate exposure and therefore no interest rate hedging arrangements had been put in place.

Charge on assets As at 31 December 2011, assets with total carrying values of RMB13.09 billion were pledged to banks to secure bank loans amounting to RMB8.72 billion (at 31 December 2010: RMB11.01 billion).

Contingent liabilities The Group provided guarantees in respect of bank mortgage loans taken out by purchasers of the Group's sale properties and joint liability counter-guarantees for certain bank facilities granted to the Group's jointly controlled entities and an associate for project development purpose. For guarantees provided in respect of residential properties, the guarantees are released upon the issuance of real estate ownership certificates for the properties concerned. As at 31 December 2011, such guarantees totaled RMB16.51 billion, increased 21% from RMB13.70 billion as at 31 December 2010.

MATERIAL ACQUISITIONS AND DISPOSALS

1. The Company acquired 15% interest in 上海悦城 in January 2011 at a consideration of RMB507 million. 上海悦城would develop a mixed project in Yangpu District of Shanghai. The Group already owns 35% indirect interest in 上海悦城.

The Company is committed to good corporate governance practices, believing that they enhance shareholder value. The practices adopted by the Company place a focus upon maintaining a high-quality board, effective internal controls, a high level of transparency, and full accountability to shareholders. Throughout the year the Company complied with PRC Company Laws, the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and all other relevant laws and regulations.

THE BOARD

The board of directors (the "Board") is charged with providing overall leadership for and effective control over the Company in a way that maximizes financial performance and shareholder value. The Board formulates business policies and strategies for the Group, including dividend policy and risk management strategies. It is also responsible for implementing internal controls and monitoring their effectiveness. The day-to-day execution of the Board's policies and strategies is delegated to the Company's executive directors and management.

At 31 December 2011 the Board consisted of nine directors. This number was made up of four executive directors: Mr. Li Sze Lim, Chairman, Mr. Zhang Li, Co-chairman and Chief Executive Officer, Mr. Zhou Yaonan, and Mr. Lu Jing; two non-executive directors, Ms. Zhang Lin and Ms. Li Helen; and three independent non-executive directors, Mr. Dai Feng, Mr. Huang Kaiwen and Mr. Lai Ming, Joseph. Biographical details of the directors and their relationships, if any, are set out on pages 53 to 56 of this annual report. Upon the formation of the nomination committee on 20 March 2012, the nomination committee will, among other duties, review from time to time the structure, size and composition of the Board to ensure that the Board retains a balanced mix of skills and expertise that will continue to provide the Company with effective leadership. Prior to establishment of the nomination committee, this duty had been undertaken by the Board.

All directors have entered into a service contract with the Company for a specific term of three years. All are subject once every three years to retirement from office by rotation and re-election at the annual general meeting, in accordance with the articles of association of the Company ("Articles of Association").

The four executive directors, Mr. Li Sze Lim, Mr. Zhang Li, Mr. Zhou Yaonan and Mr. Lu Jing, will retire and offer themselves for re-election at the forthcoming 2011 annual general meeting.

All directors, including non-executive directors and independent non-executive directors, have devoted a reasonable amount of time and effort to the business affairs of the Company. All non-executive and independent non-executive directors possess appropriate academic and professional qualifications and related management experience, and have contributed advice to the Board. The Board believes that the ratio of executive directors to non-executive directors is reasonable, and provides checks and balances that are sufficient to safeguard the interests of shareholders and of the Group. The Board also believes that the independent judgments offered by non-executive directors and independent non-executive directors on issues relating to strategy, performance, conflicts of interest and management processes are valuable for taking into account and protecting the interests of the Company's shareholders.

All directors of the Company have access to timely information about the Group's business and are able to make further enquires whenever necessary. They also have unrestricted access to the advice and services of the company secretary, who is responsible for providing directors with board papers and related materials. The Board has also agreed that any director may seek independent professional advice on issues related to the Group's business at the Company's expense.

The Company continuously updates all directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, both to ensure compliance and to enhance their awareness of good corporate governance practices.

As Chairman, Mr. Li Sze Lim provides leadership and oversees the Board's workings. He ensures that all directors are properly briefed on issues arising at Board meetings, and receive comprehensive, relevant and reliable information in a timely manner. He is also responsible for the Board's effectiveness by ensuring that all key issues are discussed within the Board, and that the Board adopts good corporate governance practices and establishes effective communication channels with shareholders.

Mr. Zhang Li, the Co-chairman, is the Chief Executive Officer of the Company. He is responsible for the execution of all business policies, strategies, objectives and plans adopted by the Board. The role of the Chief Executive Officer is separate from that of the Chairman.

Pursuant to the requirement of Rule 3.13 of the Listing Rules, the Company has appointed three independent non-executive directors, one of whom has appropriate professional qualifications in accounting and financial management. All independent non-executive directors have confirmed their independence and the Company consider each of them to be independent.

The Board held four meetings during the year under review, and the attendance records of the directors are set out below:

Directors	Meetings attended/Total
Executive Directors	
Li Sze Lim	4/4
Zhang Li	3/4
Zhou Yaonan	4/4
Lu Jing	4/4
Non-executive Directors	
Zhang Lin	4/4
Li Helen	4/4
Independent Non-executive Directors	
Huang Kaiwen	4/4
Dai Feng	3/4
Lai Ming, Joseph	4/4

During these meetings, the directors discussed matters relating to business policies and strategies, corporate governance, and financial and internal control systems. They reviewed the interim and final business results and other relevant matters. All directors are urged to participate in these Board meetings in person, but those who are unable to attend in person can also participate via electronic means. According to the Articles of Association, directors participating by electronic means are deemed to have physically attended the board meeting.

According to the Articles of Association, notice for Board meetings should be given to all directors at least 10 days prior to the date of a meeting. All directors are given the opportunity to include any matter they would like discussed in the agenda.

The company secretary assists the Chairman in preparing the agenda for the meeting and ensures that all applicable rules and regulations are followed. He also prepares detailed minutes of each meeting. After the meeting, the draft minutes are circulated to all directors for comment as soon as practicable. All Board members are given a copy of the final approved minutes.

Should a matter being considered involve a potential conflict of interest for a director, the director concerned will abstain from voting. Independent non-executive directors with no conflicts of interest will be present at meetings dealing with such issues. The Board's audit committee and remuneration committee both adopt the practices used in the general Board meetings.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code"), laid out in Appendix 10 to the Listing Rules, as the code of conduct for directors in any dealings in the Company's securities. The Company has made specific enquiries of each director, each of whom has confirmed their compliance with the Model Code during the financial year ended 31 December 2011.

SUPERVISORY COMMITTEE

The supervisory committee of the Company consists of three members, including two supervisors who represent shareholders, Mr. Zheng Ercheng and Ms. Liang Yingmei, and one representing employees, Mr. Feng Xiangyang who served until 23 February 2012 and succeeded by Mr. Chen Liangnuan. The supervisors effectively performed their supervisory duties relating to the Company's operations.

AUDIT COMMITTEE AND ACCOUNTABILITY

The audit committee was established on 27 June 2005 with terms of reference in accordance with Appendix 14 to the Listing Rules. The committee reports to the Board and has held regular meetings to review and make recommendations for improving the Group's financial reporting processes and its internal controls. The committee is made up of three members: a non-executive director, Ms. Li Helen, and two independent non-executive directors, Mr. Dai Feng and Mr. Lai Ming, Joseph. The chairman of the committee is Mr. Lai Ming, Joseph, who has professional accounting qualifications and expertise in financial management.

The Board is responsible for presenting a clear and balanced assessment of the Group's performance, results and prospects. It is also responsible for preparing financial statements of accounts that give a true and fair view of the Company's finances. The audit committee is delegated by the Board to be responsible for reviewing the accounting policies and practices adopted by the Group as well as reviewing internal control and financial reporting matters of the Group. It is also tasked with coordinating with external auditors in respect of the annual audit on matters such as the scope of the audit and any issues arising from it; make recommendations to the Board on appointing or removing external auditors; and consider their remuneration and terms of engagement.

The audit committee held three meetings during the year. Following Board practice, minutes of these meetings were circulated to all members for comment, approval and record as soon as practicable after each meeting. There was no disagreement between the Board and the audit committee regarding the selection and appointment of external auditors. The audit committee has reviewed the annual results for the year ended 31 December 2011 and discussed with the management and the Company's auditors the accounting policies and practices adopted, internal control and financial reporting matters of the year.

The attendance records of individual committee members are set out as below:

Committee members	Meetings attended/Total
Lai Ming, Joseph	3/3
Dai Feng	2/3
Li Helen	3/3

REMUNERATION OF AUDITOR

PricewaterhouseCoopers is the Company's external auditor. During the year the firm was not been engaged to perform any other work that could have conflicted with its role as auditor of the Company or otherwise compromised its independence.

The audit committee has recommended to the Board, and the Board has accordingly agreed, to propose the reappointment of PricewaterhouseCoopers as the external auditors of the Group until the date of the next annual general meeting, pending approval by shareholders at the forthcoming 2011 annual general meeting. During the year, the total remuneration paid in respect of audit and review services was RMB5.4 million.

INTERNAL CONTROLS

The Board is responsible for maintaining a system of effective internal controls to protect the Group's assets and its shareholders' interests. The Board closely monitors the implementation of the Company's internal controls and risk management systems, assessing their effectiveness based on discussions with the management of the Company and its external auditors, as well as reviews conducted by the audit committee.

The Group's enterprise resources planning ("ERP") system under development which effect comprehensive operational control over key resources such as capital and land as well as essential elements including project progress, costs, sales and finance will also enhance the overall control. The Board takes an active role overseeing the ERP development.

The Company's internal controls and audit functions are embedded within its various operational departments. The Group's system of internal controls includes a well-established corporate structure and an organization with clearly defined lines of responsibility and authority, which are set out in writing in an operation manual where appropriate. Each department is responsible for its daily operations, and is required to implement and monitor the strategies and policies adopted by the Board. Each department has a responsibility to effectively use Company resources so as to avoid misappropriation or damage to assets, and to prevent errors and fraud. Every department is given defined goals, which have been discussed in Board meetings and passed on to management through the executive directors. The executive directors will closely monitor the efforts to meet these goals, reviewing operational and financial results from time to time and taking any necessary actions for improving the Company's business activities.

These internal control and audit functions are reviewed and assessed on an on-going basis by the executive directors, and will be further reviewed and assessed at least once each year by the audit committee.

The Board believes that the existing system of internal controls is adequate and effective and will be further strengthened by the ERP.

REMUNERATION COMMITTEE

The remuneration committee was established on 27 June 2005, with written terms of reference. The committee comprises three directors: Mr. Li Sze Lim, executive director, and two independent non-executive directors, Mr. Dai Feng and Mr. Huang Kaiwen. On 20 March 2012, Mr. Dai Feng took over the chairmanship of the remuneration committee from Mr. Li Sze Lim.

The remuneration committee is responsible for formulating and recommending to the Board policy on remuneration-related matters including, among others, bonus structures and provident funds. The Company's remuneration policy is designed to ensure that the remuneration offered to employees, including executive directors and senior management, is based on factors such as levels of skill, knowledge, responsibility and involvement in the Company's affairs. The committee determines the remuneration packages of executive directors and members of senior management. The remuneration of executive directors is linked to the Company's business performance and profitability in the context of current market conditions. Individual directors and senior management are not involved in determining their own levels of remuneration.

During the year the remuneration committee held one meeting, in which it reviewed the Company's remuneration policies, its terms of service contracts, and the performance of executive directors and senior managers. It reported that the compensation payable to each director and senior manager was in accordance with contractual terms, and that such compensation was fair and not excessive.

The attendance records of individual committee members are set out below:

Committee members	Meetings attended/Total
Li Sze Lim	1/1
Dai Feng	1/1
Huang Kaiwen	1/1

Details of emoluments paid to the directors for the year are set out in the notes to the financial statement on page 138.

NOMINATION COMMITTEE

The nomination committee has been established on 20 March 2012 with written terms of reference. The committee comprised three directors: Mr. Li Sze Lim, executive director, and two independent non-executive directors, Mr. Dai Feng and Mr. Lai Ming Joseph. Mr. Li Sze Lim is chairman of the committee.

The nomination committee is responsible for the formulation of nomination policy for the consideration of the Board and implements the policy approved by the Board. Specific responsibilities include, among others, review the structure, size and composition of the Board, identify and nominate candidates to fill causal vacancies of directors, review the time required from directors to perform their duties and make recommendation to the Board in respect of succession planning.

INVESTOR AND SHAREHOLDER RELATIONS

The Company aims to maintain amicable relationships with its shareholders and investors, and to enhance the transparency of its business operations. It disseminates information about its business operations to investors and shareholders in a timely manner using a variety of channels and methods. In addition to publishing interim and annual reports, the Company occasionally meets with analysts and holds press conferences. Enquiries and suggestions from shareholders, investors, media and the general public are followed up by executive directors or appropriate management staff. The corporate website is another channel through which the Company provides up-to-date information.

The Company takes every precaution in its handling of price-sensitive information. During the period as prescribed by the Listing Rules before its financial results are released, the Company's directors and senior management staff are prohibited from dealing in the Company's shares. Interviews with financial analysts and media are restricted.

The annual general meeting also serves as an important channel of communication between directors and shareholders. The chairman personally chairs the annual general meeting to ensure shareholders' views are communicated to the Board. During the annual general meeting, the chairman of the Board and its committees are present to answer any queries from shareholders. The chairman will also propose separate resolutions for each issue to be considered at the annual general meeting.

The proceedings of the annual general meeting are reviewed periodically to ensure that shareholders' rights are maintained. Notice of the annual general meeting, setting out details of each proposed resolution, voting procedures and other relevant information, is sent to all shareholders at least 45 days prior to the date of the meeting.

The directors are pleased to submit their report, together with the audited financial statements of the Group, for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Group's principal activity is the development of quality residential and commercial properties for sale in China, and its target customers are members of China's large and growing middle class. The Group also develops hotels, office buildings and shopping malls in Beijing, Guangzhou and other cities, which are held as investment properties.

An analysis of the Group's revenue and total assets during the financial year, by business segment, is set out in note 5 to the financial statements.

PRINCIPAL SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

A list of principal subsidiaries, associated companies and jointly controlled entities, together with their places of operation and incorporation, their issued capital and registered capital, is set out in notes 10, 11 and 12 to the financial statements.

RESULTS

The profit of the Group for the year ended 31 December 2011 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 59 to 150 of this annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 152 of this annual report. The summary of results is for comparative purposes only, and does not form an integral part of the audited financial statements.

INTERIM DIVIDEND

The Board declared an interim dividend for the six months ended 30 June 2011 of RMB0.2 per share, or a Hong Kong dollar equivalent of HK$0.243648 per share.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has proposed a final dividend for 2011 at RMB0.4 per share. The proposed final dividend, if approved by the shareholders at the AGM on 25 May 2012, will be paid to shareholders (including domestic shares and H shares), whose names appear on the register of members on 8 June 2012. The proposed final dividend has not been reflected in the financial statements as at 31 December 2011.

According to the Articles of Association of the Company, dividend payable to shareholders shall be calculated and declared in RMB. Dividends payable to holders of the Company's domestic shares shall be paid in RMB, whereas dividends payable to holders of the Company's H shares shall be in Hong Kong Dollars. The exchange rate to be adopted shall be the average closing rate of the five business days preceding the date of declaration of dividend as announced by the People's Bank of China.

For the purpose of determining shareholders who are entitled to attend and vote at the AGM to be held on Friday, 25 May 2012, the register of members of the Company will be closed from Tuesday, 24 April 2012 to Friday, 25 May 2012, both days inclusive. In order for the shareholders to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 23 April 2012.

Upon obtaining approval of the shareholders at the AGM, the final dividends will be payable to shareholders whose names appear on the H Share register of members of the Company as at the close of business on Friday, 8 June 2012. The payment date of the final dividend will be further announced. The H Share register of members of the Company will be closed from Monday, 4 June 2012 to Friday, 8 June 2012, both days inclusive, during which period no transfer of H shares will be registered. In order for H shareholders to qualify for the proposed final dividends, all the share transfer documents must be lodged with the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30p.m. on Friday, 1 June 2012.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries nor its jointly controlled entity purchased, redeemed or sold any of the Company's listed securities, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Hong Kong Stock Exchange a total of 28,000,000 shares of the Company at a total consideration of RMB165,924,000.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the percentage of purchases attributable to the Group's five largest suppliers combined was less than 30% of the Group's total purchase. The percentage of turnover attributable to the Group's five largest customers combined was less than 30% of the Group's total turnover.

DONATIONS

During the year, the total amount of charitable donations made by the Group was approximately RMB15.12 million (2010: RMB39.24 million).

PROPERTY, PLANT AND EQUIPMENT

The detailed changes in property, plant and equipment of the Group for the year are set out in note 7 to the financial statements.

BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 December 2011 are set out in note 26 to the financial statements.

CAPITALIZED BORROWING COSTS

Borrowing costs capitalized by the Group during the year amounted to approximately RMB770 million (2010: approximately RMB666 million).

MAJOR PROPERTIES

Major properties of the Group as at 31 December 2011 are set out on pages 153 to 158 of this annual report.

SHARE PREMIUM AND RESERVES

Movements in the share premium and reserves of the Company during the year up to 31 December 2011 are set out in note 23 to the financial statements.

DISTRIBUTABLE RESERVES

In accordance with the Articles of Association, distribution of dividends should be made out of distributable reserves, this being the lower amount either as determined under China Accounting Standard for Business Enterprises ("CAS") or as determined under the Hong Kong Financial Reporting Standards ("HKFRS"). As at 31 December 2011, the Company's distributable reserves were approximately RMB1.565 billion, being the smaller of the distributable reserves as determined under CAS and HKFRS.

CAPITAL

Details of movements in the share capital of the Company during the year up to 31 December 2011 are set out in the statement of changes in equity on page 65 of this annual report.

DIRECTORS AND SUPERVISORS

The directors of the Company during the year were:

Executive Directors
Mr. Li Sze Lim
Mr. Zhang Li
Mr. Zhou Yaonan
Mr. Lu Jing

Non-executive Directors
Ms. Zhang Lin
Ms. Li Helen

Independent Non-executive Directors
Mr. Huang Kaiwen
Mr. Dai Feng
Mr. Lai Ming, Joseph

Supervisors
Mr. Feng Xiangyang (resigned on 23/2/2012)
Mr. Chen Liangnuan (appointed on 23/2/2012)
Ms. Liang Yingmei
Mr. Zheng Ercheng

In accordance with Article 92 of the Articles of Association, the executive directors Mr. Li Sze Lim, Mr. Zhang Li, Mr. Zhou Yaonan and Mr. Lu Jing retire by rotation in the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

DIRECTORS AND SUPERVISORS' SERVICE CONTRACTS

Each of the directors and supervisors of the Company has entered into a service contract with the Company for a term of three years. None of the directors or supervisors has entered into any service contract which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries or jointly controlled entities was a party, and in which a director or a supervisor of the Company was materially interested, whether directly or indirectly, subsisted at any time during the year or as at 31 December 2011.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year the following directors had interests in the following businesses which are considered to compete or be likely to compete, either directly or indirectly, with the business of the Group, (other than those businesses where the directors were appointed as director of the businesses concerned to represent the interests of the Company/ Group):

Businesses which are considered to compete or be likely to compete, either directly or indirectly, with the business of the Group

Name of Director	Name of Entity	Description of Business	Nature of the interest of the director in the entity
Mr. Li Sze Lim	Beijing Fushengli Investment Consulting Co., Ltd. ("Fushengli")	Owns an office building in Beijing for rental income	Shareholder
	Huizhou Golden Swan Hotspring Co., Ltd ("Golden Swan")	Spa Hotel	Shareholder
Mr. Zhang Li	Beijing Fushengli Investment Consulting Co., Ltd. ("Fushengli")	Owns an office building in Beijing for rental income	Shareholder
	Huizhou Golden Swan Hotspring Co., Ltd. ("Golden Swan")	Spa Hotel	Shareholder

Mr. Li Sze Lim and Mr. Zhang Li have confirmed that Fushengli and Golden Swan has no intention of engaging in any business (save as disclosed) which competes or is likely to compete with the Group. The Company's directors are of the view that the Company is capable of carrying on its business independently of Fushengli and Golden Swan.

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2011, the beneficial interests and short positions of the directors and supervisors of the Company and any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")), which are required to be (i) notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO; or (ii) entered into the register required to be kept by the Company under Section 352 of Part XV of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, were as follows:

(a) Long positions in the shares, underlying shares and debentures of the Company as at 31 December 2011 were as follows:

		Number of Shares				
Director/ Supervisor	**Nature of Interest**	**Personal**	**Spouse or child under 18**	**Corporate Interest**	**Total**	**Percentage of the total number of issued shares**
Li Sze Lim	Domestic shares	1,045,092,672				
	H shares	10,000,000	5,000,000	20,000,000	1,080,092,672	33.52%
Zhang Li	Domestic shares	1,005,092,672	20,000,000			
	H shares	6,632,800	200,000		1,031,925,472	32.02%
Lu Jing	Domestic shares	35,078,352			35,078,352	1.09%
Zhou Yaonan	Domestic shares	22,922,624			22,922,624	0.71%
Li Helen	H shares	1,003,600			1,003,600	0.03%
Chen Liangnuan	Domestic shares	20,000,000			20,000,000	0.62%

(b) Long positions in the shares, underlying shares and debentures of the Company's associated corporations (within the meaning of Part XV of the SFO):

Director	Name of associated corporation	Type	No. of shares	Percentage of total issued capital
Li Sze Lim	Guangzhou Tianfu Property Development Co., Ltd. (Note 1)	Corporate	N/A	7.5%
	Beijing Fushengli Investment Consulting Co., Ltd. (Note 2)	Corporate	N/A	35.0%
Zhang Li	Guangzhou Tianfu Property Development Co., Ltd. (Note 1)	Corporate	N/A	7.5%
	Beijing Fushengli Investment Consulting Co., Ltd. (Note 2)	Corporate	N/A	35.0%

Note:

1. Guangzhou Tianfu Property Development Co., Ltd. is 15% owned by Century Land Properties Limited, which is beneficially owned by Mr. Li Sze Lim and Mr. Zhang Li at 50% each.

2. Beijing Fushengli Investment Consulting Co., Ltd. is 70% owned by Well Bright International Limited, which is beneficially owned by Mr. Li Sze Lim and Mr. Zhang Li at 50% each.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2011, so far as the directors are aware, only the following persons (other than the directors, supervisors and chief executive officer of the Company) held 5% or more beneficial interests or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company under division 2 and 3 of Part XV of the SFO, as recorded in the register as required to be kept under section 336 of the SFO.

Name of shareholder	Type of share	Number of shares (Note)	Percentage of H shares
Morgan Stanley	"H" share	131,466,679 (L) 58,507,927 (S)	12.95% 5.76%
Prudential plc	"H" share	63,832,000 (L)	6.28%
JPMorgan Chase & Co.	"H" share	60,018,132 (L) 15,877,564 (S) 39,317,128 (P)	5.91% 1.56% 3.87%
Deutsche Bank Aktiengesellschaft	"H" share	55,617,996 (L) 42,272,372 (S)	5.47% 4.16%
BlackRock, Inc.	"H" share	55,592,951 (L) 8,124,766 (S)	5.47% 0.80%
Lehman Brothers Holdings Inc.	"H" share	51,049,240 (L) 67,663,183 (S)	5.03% 6.66%

Note: The letters "L", "S" and "P" respectively denote a long position, short position and lending pool in the shares.

SHARE OPTION SCHEME

The Group did not adopt any share option scheme during the year.

SHARE AWARD SCHEME

The board of directors (the "Board") of the Company adopted the Share Award Scheme on 23 August 2011 (the "Adoption Date"). Unless terminated earlier by the Board, the Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

The purpose of the Share Award Scheme is to recognize the contributions by certain selected employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

The Board may, from time to time, at its absolute discretion select any employee for participation in the Share Award Scheme and determines the number of shares in the Company ("Shares") to be awarded. The Board must not make any further award of Shares which would result in the number of Shares awarded under the Share Award Scheme to exceed 3% (i.e. 30,457,752 Shares) of the issued H-share capital of the Company as at the Adoption Date (i.e. 1,015,258,400 Shares). The maximum number of Shares which may be awarded to a selected employee under the Share Award Scheme in any 12-month period shall not exceed 0.3% (i.e. 3,045,775 Shares) of the issued H-share capital of the Company as at the Adoption Date. The Board shall cause to be paid to the trustee of the Share Award Scheme the purchase price and the related expenses for the purchase of Shares from the market.

As at 31 December 2011, the total number of Shares held under the Share Award Scheme were 28,000,000 Shares. No Shares have yet been granted to any employee.

PRE-EMPTIVE RIGHTS

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

FINANCIAL ASSISTANCE AND GUARANTEE TO AFFILIATED COMPANIES

The Company has not provided any financial assistance to or guarantee for facilities granted to affiliated companies (within the definition under chapter 13 of the Listing Rules) which together in aggregate would exceed the relevant percentage of 8%, requiring disclosure under the Listing Rules.

CONNECTED TRANSACTIONS

During the year ended 31 December 2011, the Group entered into transactions with related parties as disclosed in note 42 "Significant related-party transactions" to the consolidated financial statements. These related-party transactions included the following transactions which constituted connection transactions under the Listing Rules but exempted from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.31 of the Listing Rules:

1. Purchase of restaurant services from Huizhou Golden Swan Hotspring Co., Ltd.;

2. Lease of property and provision of property management services to 廣州金貝殼投資有限公司; and

3. Purchase of environment drinking water system from Guangzhou Canton-Rich Environment Inc.

Save for the above exempted connected transactions, there were no other connected transactions in the year.

POST BALANCE SHEET EVENTS

There were no significant post balance sheet events.

MANAGEMENT CONTRACTS

No contract for the management and administration of the Group was entered into or was subsisting during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITOR

The financial statements of the Group have been audited by PricewaterhouseCoopers and it has indicated its willingness to be continuously in office. A resolution will be proposed by the Board at the AGM to re-appoint the firm as the auditor of the Company until the close of the next annual general meeting.

By order of the Board
Li Sze Lim
Chairman

Guangzhou, China
20 March 2012

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During 2011, the Supervisory Committee (the "Committee") carried out its supervisory duties conscientiously and diligently to protect the interests of shareholders, in accordance with PRC Company Law and the Company's Articles of Association.

The Committee consists of three members: Mr. Feng Xiangyang, the retired supervisor, elected from amongst the Company's employees was replaced by Mr. Chen Lianguan; and Ms. Liang Yingmei and Mr. Zheng Ercheng, both independent supervisors representing shareholders' interests. A member of the Committee attended the meeting of the Board of Directors at which the Company's final 2011 results were approved, and one will also attend the upcoming 2011 annual general meeting.

Throughout the year, members of the Committee monitored the performance of the Company's directors and senior management, and reviewed all material policies formulated and important decisions taken. The Committee considers that the directors and senior management have conducted the Company's business diligently and honestly with the aim of advancing its stated corporate goals, and that they have acted in the best interests of the Company and its shareholders and in compliance with the laws and regulations of the PRC and the Company's Articles of Association.

The Committee has reviewed the financial statements for the year ended 31 December 2011, prepared in accordance with Hong Kong Financial Reporting Standards and audited by the Company's auditor, PricewaterhouseCoopers. The Committee has also reviewed the report of the directors and the profit appropriation proposal to be presented by the Board at the forthcoming 2011 annual general meeting. The Committee considers that the financial statements reflect a true and fair view of the Company's financial position and the results of its operations, and that they comply with all regulations applicable to the Company.

The Committee is satisfied with the business performance and achievement of the Company in 2011, and has great confidence in its future.

By order of the Supervisory Committee
Chen Liangnuan
Convenor

Guangzhou, China
20 March 2012

EXECUTIVE DIRECTORS

Li Sze Lim（李思廉）aged 55, is the Chairman of the Company

Mr. Li obtained his bachelor degree in mathematics in 1978 from the Chinese University of Hong Kong and was a merchant when starting his career in the real estate business in 1993. In August 1994, Mr. Li Sze Lim and Mr. Zhang Li together founded Guangzhou R&F Properties Co., Ltd. He is an Executive Director and Chairman of the Company. He is also responsible for managing the sales and financial matters of the Company. Mr. Li is the Chairman of the Council of Guangdong Chamber of Real Estate. He is also a director and a part-time professor of Jinan University. Mr. Li is the brother of Ms. Li Helen who is a non-executive director of the Company.

Mr. Li did not hold any directorship in any other listed public company within the last three years. In addition to being a director of Guangzhou R&F Properties Co., Ltd., he is also a controlling shareholder of the Company. Save as disclosed, Mr. Li does not have any relationships with any other directors, senior management or substantial or controlling shareholders of the Company. He has a personal interest of 1,045,092,672 domestic shares, 15,000,000 H shares and a corporate interest of 20,000,000 H shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is a service contract signed between the Company and Mr. Li and he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Mr. Li will be determined by the Board with reference to job responsibilities and the Group's performance and profitability.

Zhang Li（張力）aged 59, is the Co-chairman and Chief Executive Officer of the Company

Mr. Zhang started his career in the construction and renovation business. Prior to joining the Company, he was the Secretary of Youth League Committee of Guangzhou 2nd Light Industry Bureau and the Head of production department of Guangzhou Baiyun District Township Enterprise Administration. In 1993, Mr. Zhang began to engage in real estate development and in August 1994, together with Mr. Li Sze Lim, founded Guangzhou R&F Properties Co., Ltd. He has now taken on the positions of Executive Director, Co-chairman and Chief Executive Officer of the Company. Mr. Zhang is responsible for land acquisition, engineering, construction, cost control and managing daily operations. Mr. Zhang is also an executive director and chairman of Kinetic Mines and Energy Limited listed on the Stock Exchange on 23 March 2012. Mr. Zhang is a member of the 11th National Committee of the Chinese People's Political Consultative Conference, the Vice Chairman of China Real Estate Chamber of Commerce and, a director and a part-time professor of Jinan University. Mr. Zhang is the brother of Ms. Zhang Lin who is a non-executive director of the Company.

Saved as disclosed, Mr. Zhang did not hold any directorship in any other listed public company within the last three years. He is a director of Guangzhou R&F Properties Co., Ltd. and a controlling shareholder of the Company. Save as disclosed, Mr. Zhang does not have any relationships with any other directors, senior management or substantial or controlling shareholders of the Company. He has a personal interest of 1,025,092,672 domestic shares and 6,832,800 H shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is a service contract signed between the Company and Mr. Zhang and he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Mr. Zhang will be determined by the Board with reference to job responsibilities and the Group's performance and profitability.

EXECUTIVE DIRECTORS

Zhou Yaonan（周耀南）aged 58, is an Executive Director of the Company and General Manager

Mr. Zhou is primarily responsible for coordinating and monitoring the construction and development of property projects and project management. He was appointed as a Deputy General Manager when he joined the Group in October 1995 and was made General Manager in 2005. He was elected as an Executive Director of the Board in October 2001. Prior to joining the Group, he held various teaching and administrative positions with a number of middle schools in Guangzhou from 1970 to 1990, after graduating from South China Normal University with a bachelor's degree.

Mr. Zhou did not hold any directorship in any other listed public company within the last three years. He is a director of Guangzhou R&F Properties Co., Ltd. and a shareholder of the Company. Mr. Zhou does not have any relationships with any other directors, senior management or substantial or controlling shareholders of the Company. He has a personal interest of 22,922,624 domestic shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is a service contract signed between the Company and Mr. Zhou and he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Mr. Zhou will be determined by the Board with reference to job responsibilities and the Group's performance and profitability.

Lu Jing（呂勁）aged 52, is an Executive Director of the Company and Deputy General Manager

Mr. Lu has been with the Company since the formation of Tianli Properties Development Co., Ltd. in August 1994, and has been serving as Deputy General Manager since then. He was elected as Executive Director of the Board in October 2001. He was the General Manager of Beijing R&F Properties Development Co., Ltd. and R&F (Beijing) Properties Development Co., Ltd., the Vice Chairman of Shanghai R&F Properties Development Co., Ltd., both subsidiaries of the Company, and was responsible for the Company's development projects in Beijing and Eastern China. He is currently the executive director and Deputy General Manager of the Company. He graduated from the Guangdong University of Mining in 1982 with a bachelor's degree in industrial automation. He has also been awarded an EMBA degree from Peking University. Prior to joining the Company, Mr. Lu was deputy manager of a pharmaceutical factory in Guangzhou.

Mr. Lu did not hold any directorship in any other listed public company within the last three years. He is a director of Guangzhou R&F Properties Co., Ltd. and a shareholder of the Company. Mr. Lu does not have any relationships with any other directors, senior management or substantial or controlling shareholders of the Company. He has a personal interest of 35,078,352 domestic shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is a service contract signed between the Company and Mr. Lu and he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Mr. Lu will be determined by the Board with reference to job responsibilities and the Group's performance and profitability.

NON-EXECUTIVE DIRECTORS

Zhang Lin（張琳）aged 63

Ms. Zhang served as a lecturer at the South China University of Technology from 1982 to 1993 and as an associate professor from 1993 to 2003, teaching electrical and electronic engineering technology. Ms. Zhang graduated from the South China University of Technology having majored in electrical engineering. Ms. Zhang is the sister of Mr. Zhang Li.

Ms. Zhang did not hold any directorship in any other listed public company within the last three years. There is a service contract signed between the Company and Ms. Zhang and she will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Ms. Zhang will be determined by the Board.

Li Helen（李海倫）aged 61

Ms. Li has over 25 years of experience in international trade and has held various senior executive positions with several international companies. From 1986 to 1987 she was the Managing Director of Sunrise Knitwear Ltd., a knitwear manufacturing company in Hong Kong and a subsidiary of Hong Kong Sales Knitwear Ltd. From 1988 to 2005 she was the president of Great Seas Marketing Inc., a Canadian garment wholesale and distribution company. Ms. Li is the sister of Mr. Li Sze Lim.

Ms. Li did not hold any directorship in any other listed public company within the last three years. She has a personal interest of 1,003,600 H shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is a service contract signed between the Company and Ms. Li and she will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Ms. Li will be determined by the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Huang Kaiwen（黃開文）aged 78

Mr. Huang held senior administrative positions with various schools and colleges from 1963 to 1979. From 1979 to 1996 he was a division chief, deputy Director general and Director general of the Guangzhou Bureau of Land Resources and Housing Administration. Mr. Huang became one of the Company's independent Non-executive Directors in May 2005.

Mr. Huang did not hold any directorship in any other listed public company within the last three years. There is a service contract signed between the Company and Mr. Huang and he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Mr. Huang will be determined by the Board.

Dai Feng（戴逢）aged 70

Mr. Dai has over 40 years of experience in urban planning and administration, specializing in urban planning, design and related information technology. Currently, he is a member of the Expert Committee of Ministry of Urban Planning of China. Since 2000, he has been a part-time professor at a number of universities and was a consultant to the China Association of City Planning, an association which studies issues concerning the reform of urban planning in China and assists the government in the drafting of development plans. He is also a fellow of the Euroasian Academy of Sciences. Since 1985, he has won various prizes in urban planning and the application of advanced technology. His achievements in applying advanced technology in urban planning have been recognized by China's Ministry of Construction. Mr. Dai became an independent non-executive Director of the Company in May 2005.

Mr. Dai is an independent Director of Guangzhou Donghua Enterprise Co., Ltd. and the independent non-executive Director of KWG Property Holding Limited. There is a service contract signed between the Company and Mr. Dai and he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Mr. Dai will be determined by the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lai Ming, Joseph（黎明）aged 67

Mr. Lai is a fellow member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), CPA Australia, the Chartered Institute of Management Accountants ("CIMA") and the HK Institute of Directors. He co-founded the Hong Kong Centre of CIMA and was its president from 1974 to 1975 and from 1979 to 1980. He was the president of the HKICPA in 1986. Mr. Lai is also an advisor to the Corporate Governance Committee of the Hong Kong China Division of CPA Australia. Mr. Lai became an independent non-executive Director of the Company in May 2005 and has been Chairman of the Audit Committee since then.

Until his retirement in 2004, Mr. Lai served several Hong Kong listed companies in key management positions with particular emphasis on corporate finance and organization and management information. He is an independent non-executive Director of Jolimark Holdings Ltd., Shinhint Acoustic Link Holdings Limited and Country Garden Holdings Company Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited. He was also an independent non-executive Director of Dynasty Fine Wines Group Limited but resigned with effect from 1st January, 2011. Mr. Lai is also a Director of Hong Kong University of Science and Technology R and D Corporation Limited. He is also an independent non-executive Director of Chen's Holdings Limited and of Sheng Fung Company Limited.

SUPERVISORS

Feng Xiangyang（鳳向陽）aged 64 (resigned on 23 February 2012)

Mr. Feng held various positions in the government of the Tianhe District of Guangzhou, including those of deputy Director of the Transportation Bureau and the Director of the Bureau of Township Enterprises of the Tianhe District from 1985 to 1990; and vice district governor of the Tianhe District from 1990 to 1996. He joined the Group in August 2001 as a manager in the Engineering Department, and was appointed a deputy general manager in 2005. He was elected as a Supervisor in June 2004 to act as a representative of the Company's employees.

SUPERVISORS

Mr. Chen Liangnuan（陳量暖）aged 62 (appointed on 23 February 2012)

Mr. Chen was appointed on 23 February 2012 to act as a supervisor representating the Company's employees.

Mr. Chen graduated from Shanghai Textile College in 1977. From 1977 to 1996, Mr. Chen had served as the general manager or party secretary of various textile factories in Guangzhou. Mr Chen joined Guangzhou Tianli Construction Co., Ltd. ("Tianli") in 1996 as its general manager and assumed in 2003 the additional position of managing Director which he currently holds. Tianli is presently a wholly-owned subsidiary of the Company. Mr. Chen is also the managing Director of Foshan Metalwork Co., Ltd. (佛山力尊金屬制品有限公司) and Guangzhou Tianyin Landscape Engineering Co., Ltd. (廣州天盈園林工程有限公司), both wholly-owned subsidiary of the Company and a Director of Beijing Fushengli Investment Consulting Co., Ltd. (北京富盛利房地產經紀有限公司), an associated company of the Company.

Mr. Chen did not hold any directorship in any other listed public company within the last three years. He has a personal interest of 20,000,000 domestic shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Liang Yingmei（梁英梅）aged 71

Ms. Liang has over 40 years of experience in the construction industry. She has been the chairman of the Association of the Construction Materials Industry of Guangzhou since 2000. Prior to 2000, she served as an engineer, a deputy general manager and finally chairman and general manager of Guangzhou Construction Materials Group Corporation. Ms. Liang received a bachelor's degree in chemistry from the South China University of Technology in 1964. She was appointed as a Supervisor of the Company in June 2004 to act as a representative of the Company's shareholders.

Zheng Ercheng（鄭爾城）aged 54

Mr. Zheng has extensive experience in the China banking industry and financial sector. He was sub-branch deputy governor and then governor of China Construction Bank, Guangzhou Branch, Tianhe Sub-branch from 1987 to 1997 and general manager of the International Business Department of the Guangzhou Branch of the China Construction Bank from 1997 to 1999. He was the general manager of the Guangzhou Branch of Cinda Asset Management Company from 1999 to 2000. He became a Supervisor of the Company in June 2004, to act as a representative of the Company's shareholders.

羅兵咸永道

To the shareholders of Guangzhou R&F Properties Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Guangzhou R&F Properties Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 59 to 150, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2012

CONSOLIDATED BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	As at 31 December 2011	2010
ASSETS			
Non-current assets			
Land use rights	6	**680,069**	670,940
Property, plant and equipment	7	**4,124,919**	4,119,144
Investment properties	8	**12,687,557**	12,461,640
Intangible assets	9	**848,088**	875,098
Interests in jointly controlled entities	11	**3,355,575**	3,384,790
Interests in associates	12	**264,586**	137,866
Deferred income tax assets	28	**2,402,822**	922,503
Available-for-sale financial assets	13	**177,100**	182,700
Trade and other receivables and prepayments	17	**2,209,693**	2,610,120
		26,750,409	25,364,801
Current assets			
Properties under development	14	**33,087,780**	29,067,419
Completed properties held for sale	15	**6,035,545**	4,767,672
Inventories	16	**271,858**	271,771
Trade and other receivables and prepayments	17	**7,581,432**	7,229,422
Tax prepayments	27	**1,405,997**	1,547,671
Restricted cash	19	**2,899,620**	3,514,433
Time deposits	18	**1,300,000**	–
Cash	20	**4,826,243**	5,653,716
		57,408,475	52,052,104
Total assets		**84,158,884**	77,416,905
EQUITY			
Equity attributable to owners of the Company			
Share capital	21	**805,592**	805,592
Other reserves	23	**4,316,428**	4,320,628
Shares held for Share Award Scheme	24	**(165,924)**	–
Retained earnings			
– Proposed final dividend	37	**1,288,948**	1,288,948
– Others		**16,280,782**	13,372,553
		22,525,826	19,787,721
Non-controlling interests		**206,548**	211,500
Total equity		**22,732,374**	19,999,221

CONSOLIDATED BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	As at 31 December 2011	2010
LIABILITIES			
Non-current liabilities			
Long-term borrowings	26	**18,285,250**	20,669,396
Deferred income tax liabilities	28	**2,364,187**	2,154,540
		20,649,437	22,823,936
Current liabilities			
Accruals and other payables	25	**10,124,938**	7,845,407
Deposits received on sale of properties		**14,054,998**	15,479,821
Current income tax liabilities	29	**6,503,780**	4,083,895
Short-term borrowings	26	**352,033**	1,496,195
Current portion of long-term borrowings	26	**9,741,324**	5,688,430
		40,777,073	34,593,748
Total liabilities		**61,426,510**	57,417,684
Total equity and liabilities		**84,158,884**	77,416,905
Net current assets		**16,631,402**	17,458,356
Total assets less current liabilities		**43,381,811**	42,823,157

Li Sze Lim
Director

Zhang Li
Director

The notes on pages 67 to 150 are an integral part of these consolidated financial statements.

BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

		As at 31 December	
	Note	**2011**	2010
ASSETS			
Non-current assets			
Land use rights	6	**41,717**	39,906
Property, plant and equipment	7	**560,308**	538,892
Investment properties	8	**156,052**	218,426
Intangible assets	9	**24,299**	26,744
Investments in subsidiaries	10	**11,737,079**	10,986,471
Interests in jointly controlled entities	11	**583,040**	697,369
Interests in associates	12	**138,466**	134,464
Deferred income tax assets	28	**129,924**	39,513
Available-for-sale financial assets	13	**177,100**	182,700
Trade and other receivables and prepayments	17	**1,260,620**	1,436,698
		14,808,605	14,301,183
Current assets			
Properties under development	14	**3,118,064**	1,884,603
Completed properties held for sale	15	**1,086,920**	1,060,943
Trade and other receivables and prepayments	17	**9,520,216**	7,835,671
Tax prepayments	27	**134,301**	50,746
Restricted cash	19	**967,422**	1,655,674
Cash	20	**518,468**	897,177
		15,345,391	13,384,814
Total assets		**30,153,996**	27,685,997
EQUITY			
Equity attributable to owners of the Company			
Share capital	21	**805,592**	805,592
Other reserves	23	**4,316,428**	4,320,628
Shares held for Share Award Scheme	24	**(165,924)**	–
Retained earnings			
– Proposed final dividend	37	**1,288,948**	1,288,948
– Others		**422,729**	928,613
Total equity		**6,667,773**	7,343,781

BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	As at 31 December 2011	2010
LIABILITIES			
Non-current liabilities			
Long-term borrowings	26	**3,346,000**	8,470,161
Deferred income tax liabilities	28	**95,488**	68,970
		3,441,488	8,539,131
Current liabilities			
Accruals and other payables	25	**10,812,326**	8,438,564
Deposits received on sale of properties		**1,394,062**	587,984
Current income tax liabilities	29	**840,423**	921,787
Current portion of long-term borrowings	26	**6,997,924**	1,854,750
		20,044,735	11,803,085
Total liabilities		**23,486,223**	20,342,216
Total equity and liabilities		**30,153,996**	27,685,997
Net current (liabilities)/assets		**(4,699,344)**	1,581,729
Total assets less current liabilities		**10,109,261**	15,882,912

Li Sze Lim
Director

Zhang Li
Director

The notes on pages 67 to 150 are an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Year ended 31 December 2011	2010
Revenue	5	**27,370,095**	24,641,820
Cost of sales	31	**(15,954,244)**	(15,348,632)
Gross profit		**11,415,851**	9,293,188
Other gains – net	30	**725,872**	1,368,239
Selling and marketing costs	31	**(471,804)**	(425,921)
Administrative expenses	31	**(1,452,454)**	(1,121,274)
Other operating expenses	31	**(9,197)**	(35,379)
Operating profit		**10,208,268**	9,078,853
Finance costs	33	**(1,139,152)**	(940,847)
Share of results of jointly controlled entities	11	**(19,131)**	(20,544)
Share of results of associates	12	**118,218**	(47,220)
Profit before income tax		**9,168,203**	8,070,242
Income tax expenses	34	**(4,333,387)**	(3,613,873)
Profit for the year		**4,834,816**	4,456,369
Profit attributable to:			
– Owners of the Company		**4,841,650**	4,350,593
– Non-controlling interests		**(6,834)**	105,776
		4,834,816	4,456,369
Basic and diluted earnings per share for profit attributable to owners of the Company (expressed in RMB Yuan per share)	36	**1.5057**	1.3501

The notes on pages 67 to 150 are an integral part of these consolidated financial statements.

	Note	Year ended 31 December 2011	2010
Dividends	37	**1,920,470**	1,611,185

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Year ended 31 December 2011	2010
Profit for the year		**4,834,816**	4,456,369
Other comprehensive income			
Fair value (loss)/gain on available-for-sale financial assets, net of tax	23	**(4,200)**	5,775
Other comprehensive income for the year, net of tax		**(4,200)**	5,775
Total comprehensive income for the year		**4,830,616**	4,462,144
Total comprehensive income attributable to:			
– Owners of the Company		**4,837,450**	4,356,368
– Non-controlling interests		**(6,834)**	105,776
		4,830,616	4,462,144

The notes on pages 67 to 150 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB Yuan thousands unless otherwise stated)

	Attributable to owners of the Company					
	Share capital and shares held for Share Award Scheme	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2010	805,592	4,314,853	11,793,197	16,913,642	105,724	17,019,366
Comprehensive income						
Profit for the year	–	–	4,350,593	4,350,593	105,776	4,456,369
Other comprehensive income						
Fair value gain on available-for-sale financial assets, net of tax	–	5,775	–	5,775	–	5,775
Total other comprehensive income	–	5,775	–	5,775	–	5,775
Total comprehensive income	–	5,775	4,350,593	4,356,368	105,776	4,462,144
Transactions with owners						
Dividends relating to 2009 final and 2010 interim	–	–	(1,482,289)	(1,482,289)	–	(1,482,289)
Total transactions with owners	–	–	(1,482,289)	(1,482,289)	–	(1,482,289)
Balance at 31 December 2010	805,592	4,320,628	14,661,501	19,787,721	211,500	19,999,221
Balance at 1 January 2011	**805,592**	**4,320,628**	**14,661,501**	**19,787,721**	**211,500**	**19,999,221**
Comprehensive income						
Profit for the year	**–**	**–**	**4,841,650**	**4,841,650**	**(6,834)**	**4,834,816**
Other comprehensive income						
Fair value loss on available-for-sale financial assets, net of tax	**–**	**(4,200)**	**–**	**(4,200)**	**–**	**(4,200)**
Total other comprehensive income	**–**	**(4,200)**	**–**	**(4,200)**	**–**	**(4,200)**
Total comprehensive income	**–**	**(4,200)**	**4,841,650**	**4,837,450**	**(6,834)**	**4,830,616**
Transactions with owners						
Disposal of a subsidiary	**–**	**–**	**–**	**–**	**1,882**	**1,882**
Dividends relating to 2010 final and 2011 interim	**–**	**–**	**(1,933,421)**	**(1,933,421)**	**–**	**(1,933,421)**
Shares purchased for Share Award Scheme	**(165,924)**	**–**	**–**	**(165,924)**	**–**	**(165,924)**
Total transactions with owners	**(165,924)**	**–**	**(1,933,421)**	**(2,099,345)**	**1,882**	**(2,097,463)**
Balance at 31 December 2011	**639,668**	**4,316,428**	**17,569,730**	**22,525,826**	**206,548**	**22,732,374**

The notes on pages 67 to 150 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Year ended 31 December 2011	2010
Cash flows from operating activities			
Cash generated from operations	38	**5,607,651**	6,168,385
Interest paid		**(1,837,719)**	(1,596,704)
Enterprise income tax and land appreciation tax paid		**(3,240,986)**	(2,676,673)
Net cash generated from operating activities		**528,946**	1,895,008
Cash flows from investing activities			
Purchases of property, plant and equipment		**(443,950)**	(1,109,128)
Purchases of intangible assets		**(17,632)**	(93,550)
Increase in investment properties under construction		**–**	(148,420)
Proceeds on disposal of property, plant and equipment and land use rights	38	**52,034**	234,589
Proceeds on disposal of investment properties	38	**47,529**	62,851
Payment of remaining consideration for a business combination		**–**	(100,000)
Proceeds on disposal of a subsidiary		**5,500**	–
Capital contributions made to jointly controlled entities and associates		**(27,895)**	(2,683,924)
Acquisition of additional interests in a jointly controlled entity		**(507,306)**	–
Cash advanced from jointly controlled entities and associates		**955,935**	229,090
Distribution of dividend from available-for-sale financial assets		**–**	18,900
Increase of time deposits		**(1,300,000)**	–
Interest received		**129,112**	77,573
Net cash used in investing activities		**(1,106,673)**	(3,512,019)
Cash flows from financing activities			
Proceeds from borrowings net of transaction costs		**9,235,520**	12,337,565
Repayments of borrowings		**(8,729,146)**	(8,935,199)
Decrease/(increase) in pledged bank deposits		**1,437,107**	(1,291,629)
Purchases of shares for Share Award Scheme		**(165,924)**	–
Dividends paid to owners of the Company		**(2,027,303)**	(1,482,289)
Net cash (used in)/generated from financing activities		**(249,746)**	628,448
Net decrease in cash		**(827,473)**	(988,563)
Cash at beginning of year		**5,653,716**	6,642,279
Cash at end of year	20	**4,826,243**	5,653,716

The notes on pages 67 to 150 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Guangzhou R&F Properties Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") mainly engages in the development and sale of properties, property investment, hotel operations and other property development related service in the People's Republic of China (the "PRC").

The Company is a limited liability company incorporated in the PRC. The address of its registered office is 45-54/F, R&F Center, No.10 Hua Xia Road, Guangzhou 510623, the PRC.

The shares of the Company were listed on The Main Board of Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 July 2005.

These financial statements are presented in RMB Yuan thousands (RMB'000), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors (the "Board") on 20 March 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

(a) New and amended standards, interpretations and annual improvements published by Hong Kong Institute of Certified Public Accountants ("HKICPA") adopted by the Group

The following new standards and amendments, interpretations and annual improvements published by HKICPA are mandatory for the first time for the financial year beginning 1 January 2011.

- HKAS 1 (Revised), "Presentation of financial statements" is effective for annual periods beginning on or after 1 January 2011. It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The Group has chosen to present the components of other comprehensive income in the statement of changes in equity.

- HKAS 24 (Revised), "Related Party Disclosures" is effective for annual periods beginning on or after 1 January 2011. It clarifies and simplifies the definition of a related party, and introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. This has no material impact on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards, interpretations and annual improvements published by Hong Kong Institute of Certified Public Accountants ("HKICPA") adopted by the Group (Continued)

- HKAS 27 (Revised), "Consolidated and separate financial statements" is applicable to annual periods beginning on or after 1 July 2010. It clarifies that the consequential amendments from HKAS 27 made to HKAS 21, 'The effect of changes in foreign exchange rates', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures' apply prospectively for annual periods beginning on or after 1 July 2009, or earlier when HKAS27 is applied earlier. This has no material impact on the Group's financial statements.

- HKAS 34 (Amendment), "Interim financial reporting" is effective for annual periods beginning on or after 1 January 2011. It provides guidance to illustrate how to apply disclosure principles in HKAS 34 and add disclosure requirements around:

  – The circumstances likely to affect fair values of financial instruments and their classification;

  – Transfers of financial instruments between different levels of the fair value hierarchy;

  – Changes in classification of financial assets; and

  – Changes in contingent liabilities and assets.

  The change in accounting policy only results in additional disclosures.

- HKFRS 3 (Revised), "Business combinations" is effective for annual periods beginning on or after 1 July 2010. It mainly clarifies the following three guidances:

  – Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised HKFRS: entities should apply the rules in HKFRS 3 (not HKFRS 7, HKAS 32 or HKAS 39) to contingent consideration that arises from a business combination with acquisition dates that precede the application of HKFRS 3.

  – Measurement of non-controlling interests: only entities with present ownership instruments that entitle their holders to a pro rata share of the entity's net assets in the event of liquidation can choose to measure the non-controlling interest at fair value or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

  – Un-replaced and voluntarily replaced share-based payment awards: the application guidance in HKFRS 3 applies to all share-based payment transactions that are part of a business combination, including un-replaced and voluntarily replaced share-based payment awards.

  The revised standard has no material impact on the Group's financial statements.

- HKFRS 7 (Revised), "Financial instruments: Disclosures" is effective for annual periods beginning on or after 1 January 2011. It clarifies seven disclosure requirements for financial instruments, with a particular focus on the qualitative disclosures and credit risk disclosures. The revised standard only results in additional disclosures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New and amended standards, interpretations and annual improvements published by HKICPA effective for the financial year beginning 1 January 2011 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

- HKAS 32 (Amendment), 'Classification of rights issues' is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.

- Amendment to HKFRS 1 "Limited exemption from comparative HKFRS 7 disclosures for first-time adopters" is effective for annual periods beginning on or after 1 July 2010. This is not relevant to the Group as it is existing HKFRSs preparer.

- Amendment to HK(IFRIC)-Int-14 "Prepayments of a minimum funding requirement" is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.

- HK(IFRIC)-Int 19 "Extinguishing financial liabilities with equity instruments" is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA, except for amendments to HKAS 1 "Presentation of financial statements", HKAS 27 "Consolidated and separate financial statements", HKAS 34 'Interim financial reporting', HKFRS 3 "Business combinations", HKFRS 7 "Financial instruments: Disclosures" as disclosed in Note 2.1 (a), all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) New and amended standards, interpretations and annual improvements have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted by the Group

- HKFRS 7 (Amendment), "Disclosures – Transfers of financial assets" promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendment is effective for annual periods beginning on or after 1 July 2011.

- HKAS 12 (Amendment), "Deferred tax: Recovery of underlying assets" introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, HK(SIC) 21, 'Income taxes – recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendment also incorporates into HKAS 12 the remaining guidance previously contained in HK(SIC) 21, which is withdrawn. The amendment is effective for annual periods beginning on or after 1 January 2012.

- HKAS 1 (Amendment), "Presentation of financial statements" introduces a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendment is effective for annual periods beginning on or after 1 July 2012.

- HKFRS 10, "Consolidated financial statements" establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. The standard is effective for annual periods beginning on or after 1 January 2013.

- HKAS 27 (Revised 2011), "Separate financial statements" includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10. The revised standard is effective for annual periods beginning on or after 1 January 2013.

- HKFRS 11, "Jointly arrangements". The amendment is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The standard is effective for annual periods beginning on or after 1 January 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) New and amended standards, interpretations and annual improvements have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted by the Group (Continued)

- HKAS 28 (Revised 2011), "Associates and jointly ventures" includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. The revised standard is effective for annual periods beginning on or after 1 January 2013.

- HKFRS 12, "Disclosure of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is effective for annual periods beginning on or after 1 January 2013.

- HKFRS 13, "Fair value measurements" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The standard is effective for annual periods beginning on or after 1 January 2013.

- HKFRS 7 (Amendment) "Financial instruments: Disclosures – Offsetting financial assets and financial liabilities" requires new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The amendment is effective for annual periods beginning on or after 1 January 2013.

- HKAS 32 (Amendment) "Financial instruments: Presentation – Offsetting financial assets and financial liabilities" clarifies the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of 'currently has a legally enforceable right of set-off'; and (ii) that some gross settlement systems may be considered equivalents to net settlement. The amendment is effective for annual periods beginning on or after 1 January 2014.

- HKFRS 9, "Financial Instrument" is the first standard issued as part of a wider project to replace HKAS 39. HKFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in HKAS 39 on impairment of financial assets and hedge accounting continues to apply. The new standard is effective for annual periods beginning on or after 1 January 2015.

- HKFRS 7 and HKFRS 9 (Amendments) "Mandatory effective date and transition disclosures" delay the effective date to annual periods beginning on or after 1 January 2015, and also modify the relief from restating prior periods. As part of this relief, additional disclosures on transition from HKAS 39 to HKFRS 9 are required.

The Group is in the process of making an assessment on the impact of these new/revised standards, amendments and interpretations to existing standards and does not anticipate that the adoption will result in any material impact on the Group's results of operations and financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

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

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

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

(a) Business combinations

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

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

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

(c) Disposal of subsidiaries

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

2.2.2 Separate financial statements

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Jointly controlled entities

Jointly controlled entities are all entities jointly controlled by the Group and other parties and none of the participating parties has unilateral control over the entity. Investments in jointly controlled entities are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in jointly controlled entities includes goodwill identified on acquisition.

If the ownership interest in a jointly controlled entity is reduced but the joint control over the entity is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the jointly controlled entity is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the jointly controlled entity and its carrying value and recognises the amount adjacent to 'share of results of jointly controlled entities' in the income statement. See Note 2.11 for the impairment of non-financial assets including goodwill.

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

Dilution gains and losses arising in investments in jointly controlled entities are recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Associates

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

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

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

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of associates' in the income statement. See Note 2.11 for the impairment of non-financial assets including goodwill.

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

Dilution gains and losses arising in investments in associates are recognised in the income statement.

2.5 Segment reporting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance costs'. All other foreign exchange gains and losses are presented in the income statement within 'other gains-net'.

2.7 Property, plant and equipment

Buildings comprise mainly office premises and hotel buildings. All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

– Buildings	20-30 years
– Furniture, fixtures and equipment	5 years
– Motor vehicles	6 years
– Machinery	5-10 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains – net' in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Assets under construction

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

2.9 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment property is initially measured at its cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

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

Changes in fair values are recognised in the income statement as part of other gains.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is under construction or development for future use as investment property is classified as investment property under construction. Where fair value of investment properties under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Investment properties (Continued)

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation under HKAS16. The resulting increase in the carrying amount is recognised in other comprehensive income and increases revaluation surplus within equity. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement, and the remaining part of the increase is recognised in other comprehensive income and increases revaluation surplus within equity.

2.10 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Goodwill on acquisitions of subsidiaries is included in intangible assets.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell (Note 2.11). Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Construction licence

Construction licence is acquired in a business combination and is recognised at fair value at the acquisition date. Construction licence is renewable annually at minimal cost. The Directors of the Group are of the view that the Group has both intention and ability to renew the construction licence continuously and the useful life of the construction licence is considered as indefinite. Construction licence is tested annually for impairment and carried at cost less accumulated impairment losses (Note 2.11).

(c) Customer contracts

Customer contracts are acquired in a business combination and are recognised at fair value at the acquisition date. Customer contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the execution of the customer contracts.

(d) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

2.12 Financial assets

2.12.1 Classification

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

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables and prepayments' and 'cash and restricted cash' in the balance sheet (Notes 2.20 and 2.21).

(b) Available-for-sale financial assets

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

2.12.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

2.12.2 Recognition and measurement (Continued)

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

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

2.13 Offsetting financial instruments

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

2.14 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Impairment of financial assets (Continued)

(b) Assets classified as available for sale

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

2.15 Land use rights

All land in the PRC is stated-owned and no individual ownership right exists. The Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights.

Land use rights which are held for self-use are stated at cost and amortised over the use terms of 40 to 70 years using straight-line method. Land use rights which are held for development for sale are inventories and measured at lower of cost and net realisable value. Land use rights are transferred to properties under development upon commencement of development.

2.16 Properties under development

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

Development cost of property comprises costs of land use rights, construction costs, capitalised finance costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

If a property under development becomes owner-occupied, it is reclassified as property, plant and equipment. Property under development for future use as investment property is classified as investment property under construction.

2.17 Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost comprises development costs attributable to the unsold properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions less estimated costs to be incurred in selling the property.

2.18 Inventories

Inventories principally comprise construction materials, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Construction contracts

A construction contract is defined by HKAS 11 as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the 'percentage of completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the balance sheet, the group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

2.20 Trade and other receivables

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

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

2.21 Cash

Cash includes cash on hand and deposits held at call with banks.

Bank deposits which are restricted to use are included in "restricted cash". Restricted cash are excluded from cash included in the cash flow statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Share capital and Shares held for Share Award Scheme

Ordinary shares are classified as equity.

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

Where the trustee of the Share Award Scheme purchases H shares from the market, the consideration paid, including any directly attributable incremental costs (net of income taxes) is presented as Shares held for Share Award Scheme and deducted from equity attributable to owners of the Company.

2.23 Trade payables

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

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

2.24 Borrowings

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

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

2.25 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

(c) Offsetting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Employee benefits

(a) Employee leave entitlements

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

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

(b) Bonus entitlements

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

(c) Retirement benefits

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

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

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all eligible 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 HK$1,000. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

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

2.28 Provisions

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Provisions (Continued)

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

2.29 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sale of properties

Revenue from sale of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been ready for delivery to the purchasers pursuant to the sale agreements, and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheets as deposits received on sale of properties under current liabilities.

(b) Construction services

Revenue arising from construction services is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided (Note 2.19).

(c) Rental income

Operating lease rental income is recognised on a straight-line basis over the lease term.

(d) Hotel operations

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

(e) Property management

Revenue arising from property management is recognised in the accounting period in which the services are rendered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Revenue recognition (Continued)

(f) Interest income

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

(g) Dividend income

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

2.30 Leases

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

(1) The Group is the lessee

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

(2) The Group is the lessor

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

2.31 Dividend distribution

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

2.32 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries, jointly controlled entities or associates to secure loans, overdrafts and other banking facilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.32 Financial guarantee contracts (Continued)

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses

Where guarantees in relation to loans or other payables of subsidiaries, jointly controlled entities or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investments in the financial statements of the Company.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price 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.

(a) Market risk

(i) Foreign exchange risk

The Group operates in the PRC with most of the transactions denominated in RMB, except for certain borrowings denominated in HK dollars ("HKD") and US dollars ("USD") (Note 26) and certain payables denominated in HKD (Note 25), as well as dividends to equity holders of H Shares declared in RMB and paid in HKD. The Group has not hedged its foreign exchange rate risk. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

(All amounts in RMB Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The table below summarises the impact of changes in foreign exchange rate at 31 December 2011 with all other variables held at constant on the Group's post-tax profit for the year.

	RMB against the foreign currency	
	weaken by 1%	**strengthen by 1%**
	impact on post-tax profit for the year	
Denominated in HKD		
Cash	117	(117)
Restricted cash	87	(87)
Accruals and other payables	(3,429)	3,429
Borrowings	(1,155)	1,155
Denominated in USD		
Cash	641	(641)
Restricted cash	385	(385)
Borrowings	(7,089)	7,089

(ii) Price risk

The Group is exposed to equity securities price risk because available-for-sale financial assets held by the Group, which are not publicly traded, would be influenced by market price. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

(All amounts in RMB Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Cash flow and fair value interest rate risk (Continued)

The table below summarises the impact of changes in interest rate at 31 December 2011 with all other variables held at constant on the Group's post-tax profit for the year.

	Interest rate	
	25 basis points higher	**25 basis points lower**
	Impact on post-tax profit for the year	
Borrowings at variable rates	(40,422)	40,422

(b) Credit risk

The extent of the Group's maximum exposure to credit risk in relation to financial assets is aggregate carrying value of cash deposits in banks and trade and other receivables except for prepayments. To manage the exposure, the Group has policies in place to ensure that sales are made to customers with an appropriate credit history and deposits are placed with high-credit-quality banks.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties Management does not expect any losses from non-performance by the banks and financial institutions, as they are with good reputation. For credit rating of banks and financial institutions, please refer to Note 20. The Group closely monitors repayment progress of the customers in accordance with the terms as specified in the enforceable contracts. Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default. As at 31 December 2011, two single customers accounted for more than 5% of the Group's trade receivables (31 December 2010: three).

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalent, including proceeds from pre-sale of properties, short-term and long-term borrowings, available funding through adequate amount of credit lines for which the Group has obtained non-binding letters of intent or strategic cooperation letters from certain domestic banks, to meet its construction and investment commitments.

(All amounts in RMB Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, accelerating sales of properties with more flexible pricing, seeking joint venture partners to co-develop quality projects, disposal of certain investment properties with acceptable prices to the Group. The Group will, base on its assessment of the relevant costs and benefits, pursue such options as are appropriate.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Group					
At 31 December 2011					
Borrowings (Note (1))	**10,808,407**	**7,074,332**	**9,494,276**	**5,776,018**	**33,153,033**
Accrual and other payables*	**9,623,952**	**–**	**–**	**–**	**9,623,952**
Guarantees in respect of borrowings of jointly controlled entities and an associate	**2,028,110**	**828,683**	**1,640,233**	**–**	**4,497,026**
At 31 December 2010					
Borrowings (Note (1))	8,514,038	5,817,294	14,407,115	4,349,230	33,087,677
Accrual and other payables*	7,662,223	–	–	–	7,662,223
Guarantees in respect of borrowings of jointly controlled entities and an associate	87,530	1,467,563	1,161,850	–	2,716,943
Company					
At 31 December 2011					
Borrowings (Note (1))	**7,341,710**	**2,173,010**	**1,537,559**	**–**	**11,052,279**
Accrual and other payables*	**10,763,157**	**–**	**–**	**–**	**10,763,157**
Guarantees in respect of borrowings of jointly controlled entities and an associate	**1,950,023**	**610,325**	**1,322,246**	**–**	**3,882,594**
At 31 December 2010					
Borrowings (Note (1))	2,438,914	1,931,527	7,794,993	–	12,165,434
Accrual and other payables*	7,850,580	–	–	–	7,850,580
Guarantees in respect of borrowings of jointly controlled entities and an associate	87,530	1,467,563	1,161,850	–	2,716,943

* Excluding salaries payable and other taxes payable

(All amounts in RMB Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Notes:

(1) Interest on borrowings is calculated on borrowings held as at 31 December 2011 and 2010. Floating-rate interest is estimated using the current interest rate as at 31 December 2011 and 2010 respectively.

(2) Other than those mentioned above, the Group has also arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Please refer to Note 39(a) for details.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings as necessary.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash, restricted cash and time deposits. Total capital is equity attributable to owners of the Company.

The gearing ratio is calculated as follows:

	2011	2010
Total borrowings (Note 26)	**28,378,607**	27,854,021
Less: cash, restricted cash and time deposits	**(9,025,863)**	(9,168,149)
Net debt	**19,352,744**	18,685,872
Equity attributable to owners of the Company	**22,525,826**	19,787,721
Gearing ratio	**85.9%**	94.4%

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

The different levels of financial instruments carried at fair value have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments, including unlisted equity investments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

The Group's financial instruments measured at fair value are available-for-sale financial assets, which are unlisted equity investments that are not traded in an active market. As significant inputs required to fair value the equity investments are observable, the available-for-sale financial assets are grouped in level 2.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.11. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Key assumptions used in the value-in-use calculations are disclosed in Note 9.

A sensitivity analysis on key assumptions used in the calculation has been carried out. Were the gross margin or growth rate lower than management estimates by 20%, or discount rate higher than management estimates by 20% with other variables held at constant, the Group would not suffer any impairment in goodwill as at 31 December 2011.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Estimated impairment of construction licences

Useful life of construction licences is indefinite and therefore, the carrying amount is subject to test annually for impairment, in accordance with the accounting policy in Note 2.11. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Key assumptions used in the value-in-use calculations are disclosed in Note 9.

A sensitivity analysis on key assumptions used in the calculation has been carried out. Were the royalty rate or the growth rate lower than management estimates by 10%, or the discount rate higher than management estimates by 10% with other variables held at constant, the Group would not suffer any impairment in construction licences as at 31 December 2011.

(c) Current taxation and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax expense in the periods in which such estimate is changed.

(d) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

The Group is subject to land appreciation taxes in the PRC which has been included in income tax expense of the Group. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expense and provisions of land appreciation taxes in the period in which such determination is made.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market. The valuations are reviewed annually by external valuers.

Were the discount rate higher than management estimates by 10% with other variables held at constant, the fair value of the investment properties would have decreased by RMB1,220,524,000.

(f) Estimate of fair value of available-for-sale financial assets

The fair value of the Group's available-for-sale financial assets that is not quoted in active markets is determined by using valuation techniques. The Group uses a variety of analysis and methods. To the extent practical, models use only observable data; however, areas such as market price of comparable financial assets, credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of available-for-sale financial assets.

Were the market price lower than 5% from management estimates, it is estimated that the balance of available-for-sale financial assets would decrease by RMB8,855,000.

(All amounts in RMB Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

As almost the entire Group's consolidated revenue and results are attributable to the market in the PRC and almost all of the Group's consolidated assets are located in the PRC, the Executive Directors consider the business mainly from operation perspective. The Group is principally engaged in the property development, property investment and hotel operations.

The Executive Directors assess the performance of the operating segments based on a measure of profit for the year. The information provided to the Executive Directors is measured in a manner consistent with that in the financial statements.

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2011 and the segment assets and liabilities at 31 December 2011 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue	25,390,191	541,083	797,688	740,271	27,469,233
Inter-segment revenue	–	(50,039)	(39,610)	(9,489)	(99,138)
Revenue from external customers	**25,390,191**	**491,044**	**758,078**	**730,782**	**27,370,095**
Profit/(loss) for the year	4,510,954	451,929	(109,927)	(18,140)	4,834,816
Finance costs	(766,893)	(180,215)	(180,108)	(11,936)	(1,139,152)
Share of results of jointly controlled entities	(19,131)	–	–	–	(19,131)
Share of results of associates	116,942	–	–	1,276	118,218
Income tax expenses	(4,229,421)	(149,300)	36,642	8,692	(4,333,387)
Depreciation and amortisation	109,030	–	134,503	6,252	249,785
Goodwill disposed for sale of properties (Note 9)	37,403	–	–	–	37,403
Provision for impairment losses	521	–	448	283	1,252
Fair value gain on investment properties	–	435,686	–	–	435,686
Segment assets	**64,729,517**	**12,687,557**	**3,654,365**	**507,523**	**81,578,962**
Segment assets includes:					
Interests in jointly controlled entities	3,355,575	–	–	–	3,355,575
Interests in associates	207,357	–	–	57,229	264,586
Additions to non-current assets (other than financial instruments and deferred tax assets)	439,700	–	–	21,882	461,582
Segment liabilities	**23,485,416**	**–**	**258,789**	**435,731**	**24,179,936**

(All amounts in RMB Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION (Continued)

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2010 and the segment assets and liabilities at 31 December 2010 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue	22,972,494	425,362	634,280	699,287	24,731,423
Inter-segment revenue	–	(50,039)	(24,184)	(15,380)	(89,603)
Revenue from external customers	22,972,494	375,323	610,096	683,907	24,641,820
Profit/(loss) for the year	3,766,804	765,448	(126,609)	50,726	4,456,369
Finance costs	(596,314)	(186,080)	(157,302)	(1,151)	(940,847)
Share of results of jointly controlled entities	(20,544)	–	–	–	(20,544)
Share of results of associates	(48,051)	–	–	831	(47,220)
Income tax expenses	(3,186,242)	(451,948)	42,203	(17,886)	(3,613,873)
Depreciation and amortisation	105,939	–	149,387	4,917	260,243
Provision for/(reversal of) impairment losses	4,466	–	(113)	25	4,378
Fair value gain on investment properties	–	1,109,713	–	–	1,109,713
Segment assets	60,160,167	12,461,640	3,349,558	340,337	76,311,702
Segment assets includes:					
Interests in jointly controlled entities	3,384,790	–	–	–	3,384,790
Interests in associates	94,413	–	–	43,453	137,866
Additions to non-current assets (other than financial instruments and deferred tax assets)	354,935	588,090	115,191	69,670	1,127,886
Segment liabilities	22,776,460	–	221,746	327,022	23,325,228

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

The amounts provided to the Executive Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

Deferred tax and available-for-sale financial assets held by the Group are not considered to be segment assets but rather are managed on a central basis.

(All amounts in RMB Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION (Continued)

Reportable segments' assets are reconciled to total assets as follows:

	31 December 2011	31 December 2010
Segment assets for reportable segments	**81,578,962**	76,311,702
Deferred income tax assets	**2,402,822**	922,503
Available-for-sale financial assets	**177,100**	182,700
Total assets per balance sheet	**84,158,884**	77,416,905

The amounts provided to the Executive Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's interest-bearing liabilities are not considered to be segment liabilities but rather are managed on a central basis.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	31 December 2011	31 December 2010
Segment liabilities for reportable segments	**24,179,936**	23,325,228
Deferred income tax liabilities	**2,364,187**	2,154,540
Current income tax liabilities	**6,503,780**	4,083,895
Current borrowings	**10,093,357**	7,184,625
Non-current borrowings	**18,285,250**	20,669,396
Total liabilities per balance sheet	**61,426,510**	57,417,684

6. LAND USE RIGHTS

The Group's and the Company's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group	
	31 December 2011	31 December 2010
Outside Hong Kong in the PRC, held on lease of:		
Between 10 to 50 years	**680,069**	670,940

(All amounts in RMB Yuan thousands unless otherwise stated)

6. LAND USE RIGHTS (Continued)

	Company	
	31 December 2011	31 December 2010
Outside Hong Kong in the PRC, held on lease of:		
Between 10 to 50 years	**41,717**	39,906

	Group		Company	
	2011	2010	**2011**	2010
Opening balance at 1 January	**670,940**	691,855	**39,906**	21,365
Additions	**–**	69,445	**–**	19,089
Transfer from/(to) properties under development	**27,996**	(65,212)	**2,861**	–
Disposals (Note 38)	**(495)**	(6,863)	**–**	–
Amortisation of prepaid operating lease payment	**(18,372)**	(18,285)	**(1,050)**	(548)
Closing balance at 31 December	**680,069**	670,940	**41,717**	39,906

Land use rights are amortised in the following category:

	Group	
	2011	2010
Selling and administrative expenses	**3,921**	3,421
Cost of sales	**11,084**	11,200
Capitalised in property, plant and equipment	**3,367**	3,664
	18,372	18,285

Land use rights pledged as collateral are as follows:

	Group	
	31 December 2011	31 December 2010
Land use rights (Note 26)	**412,006**	82,606

(All amounts in RMB Yuan thousands unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT

	Group						
	Office buildings	Hotel buildings	Furniture, fixtures and equipment	Motor vehicles	Machinery	Assets under construction	Total
Year ended 31 December 2010							
Opening net book amount	637,677	2,212,657	198,329	75,011	139,461	231,227	3,494,362
Additions	300,109	–	14,604	24,968	60,472	46,099	446,252
Transfer from properties under development	372,752	85,778	–	–	–	59,448	517,978
Transfer to properties under development	–	–	–	–	–	(76,557)	(76,557)
Disposals (Note 38)	(4,696)	(30,906)	(37)	(128)	(222)	–	(35,989)
Depreciation (Notes 31and 38)	(44,294)	(78,444)	(63,645)	(22,813)	(17,706)	–	(226,902)
Closing net book amount	1,261,548	2,189,085	149,251	77,038	182,005	260,217	4,119,144
At 31 December 2010							
Cost	1,333,627	2,382,760	311,919	178,826	308,260	260,217	4,775,609
Accumulated depreciation	(72,079)	(193,675)	(162,668)	(101,788)	(126,255)	–	(656,465)
Net book amount	1,261,548	2,189,085	149,251	77,038	182,005	260,217	4,119,144
Year ended 31 December 2011							
Opening net book amount	**1,261,548**	**2,189,085**	**149,251**	**77,038**	**182,005**	**260,217**	**4,119,144**
Additions	**19,779**	**–**	**17,717**	**35,995**	**20,936**	**349,523**	**443,950**
Transfer from properties under development	**67,162**	**–**	**–**	**–**	**–**	**34,738**	**101,900**
Transfer to properties under development	**(272,402)**	**–**	**–**	**–**	**–**	**–**	**(272,402)**
Disposals (Note 38)	**(35,109)**	**(2,681)**	**(751)**	**(220)**	**(1,371)**	**–**	**(40,132)**
Depreciation (Notes 31 and 38)	**(45,908)**	**(73,957)**	**(55,311)**	**(26,645)**	**(25,720)**	**–**	**(227,541)**
Closing net book amount	**995,070**	**2,112,447**	**110,906**	**86,168**	**175,850**	**644,478**	**4,124,919**
At 31 December 2011							
Cost	**1,089,313**	**2,379,469**	**327,653**	**213,991**	**326,062**	**644,478**	**4,980,966**
Accumulated depreciation	**(94,243)**	**(267,022)**	**(216,747)**	**(127,823)**	**(150,212)**	**–**	**(856,047)**
Net book amount	**995,070**	**2,112,447**	**110,906**	**86,168**	**175,850**	**644,478**	**4,124,919**

For the year ended 31 December 2011, the Group disposed of certain hotel buildings with the gain recognised in 'other gains – net' (Note 30).

Bank borrowings are secured on buildings and assets under construction for the value of RMB2,562,435,000 (2010: RMB2,191,771,000) for the Group (Note 26).

Assets under construction mainly represent building costs and other costs incurred for the construction of hotels. For the year ended 31 December 2011, interest capitalised in assets under construction amounted to RMB29,604,000 (31 December 2010: RMB4,392,000). The capitalisation rate of borrowings for assets under construction was 6.94% for the year ended 31 December 2011 (2010: 6.37%).

(All amounts in RMB Yuan thousands unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Company			
	Office buildings	**Furniture, fixtures and equipment**	**Motor vehicles**	**Total**
At 1 January 2010				
Cost	303,890	11,541	41,995	357,426
Accumulated depreciation	(14,032)	(6,007)	(26,020)	(46,059)
Net book amount	289,858	5,534	15,975	311,367
Year ended 31 December 2010				
Opening net book amount	289,858	5,534	15,975	311,367
Additions	241,935	3,323	3,632	248,890
Disposals	(4,596)	(4)	–	(4,600)
Depreciation	(9,380)	(2,877)	(4,508)	(16,765)
Closing net book amount	517,817	5,976	15,099	538,892
At 31 December 2010				
Cost	539,171	14,846	45,624	599,641
Accumulated depreciation	(21,354)	(8,870)	(30,525)	(60,749)
Net book amount	517,817	5,976	15,099	538,892
Year ended 31 December 2011				
Opening net book amount	**517,817**	**5,976**	**15,099**	**538,892**
Additions	**–**	**1,863**	**5,015**	**6,878**
Transfer from properties under development	**38,042**	**–**	**–**	**38,042**
Disposals	**(328)**	**(593)**	**–**	**(921)**
Depreciation	**(16,888)**	**(1,195)**	**(4,500)**	**(22,583)**
Closing net book amount	**538,643**	**6,051**	**15,614**	**560,308**
At 31 December 2011				
Cost	**576,828**	**15,883**	**50,639**	**643,350**
Accumulated depreciation	**(38,185)**	**(9,832)**	**(35,025)**	**(83,042)**
Net book amount	**538,643**	**6,051**	**15,614**	**560,308**

No property, plant and equipment is secured for bank borrowings as at 31 December 2011 and 2010 for the Company (Note 26).

(All amounts in RMB Yuan thousands unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation was expensed in the following category in the consolidated income statement:

	Group	
	2011	2010
Selling and administrative expenses	**67,673**	73,431
Cost of sales	**159,868**	153,471
	227,541	226,902

8. INVESTMENT PROPERTIES

	Group			
	2011	2010		
	Completed properties	Completed properties	Properties under construction	Total
Opening balance at 1 January	**12,461,640**	8,126,513	2,205,124	10,331,637
Additions	**–**	–	588,090	588,090
Transfer from properties under development	**–**	508,751	–	508,751
Disposals (Note 38)	**(77,131)**	(76,551)	–	(76,551)
Other transfer out	**(132,638)**	–	–	–
Fair value gain – net (including in other gains – net) (Notes 30 and 38)	**435,686**	572,870	536,843	1,109,713
Transfer to completed properties	**–**	3,330,057	(3,330,057)	–
Closing balance at 31 December	**12,687,557**	12,461,640	–	12,461,640

	Company	
	2011 Completed properties	2010 Completed properties
Opening balance at 1 January	**218,426**	259,879
Disposals	**(77,131)**	(75,600)
Fair value gain-net (including in other gains-net)	**14,757**	34,147
Closing balance at 31 December	**156,052**	218,426

(All amounts in RMB Yuan thousands unless otherwise stated)

8. INVESTMENT PROPERTIES (Continued)

(a) The investment properties are located in the PRC and are held on lease of between 10 to 50 years.

(b) Amounts recognised in the consolidated income statement for investment properties

	Group	
	2011	2010
Rental income	**491,044**	375,323
Direct operating expenses arising from investment properties that generate rental income	**39,727**	31,410
Direct operating expenses that did not generate rental income	**19,720**	15,809

(c) Valuation basis

The investment properties were revalued on 31 December 2011 by independent, professionally qualified valuers. Valuations were performed using income approach based on the terms of any existing leases and other external evidence such as current market rents or sales for similar types of properties in the locality, and using capitalisation rates that reflect current market expectation for the assets being valued.

(d) Investment properties pledged as security

Investment properties pledged as collateral are as follows:

	Group		Company	
	2011	2010	**2011**	2010
Investment properties (Note 26)	**8,549,379**	6,140,383	**103,000**	88,100

(e) Leasing arrangements

Some of the investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are shown in Note 41.

The period of leases whereby the Group leases out its investment properties under operating leases ranged from 1 year to 20 years.

(All amounts in RMB Yuan thousands unless otherwise stated)

9. INTANGIBLE ASSETS

	Group					Company
	Goodwill (Note a)	Construction licence (Note b)	Customer contracts	Software and others	Total	Software and others
At 1 January 2010						
Cost	561,466	282,000	322,000	15,622	1,181,088	5,267
Accumulated amortisation and impairment	(2,983)	–	(322,000)	(3,007)	(327,990)	(1,331)
Net book amount	558,483	282,000	–	12,615	853,098	3,936
Year ended 31 December 2010						
Opening net book amount	558,483	282,000	–	12,615	853,098	3,936
Additions	–	–	–	24,099	24,099	23,874
Amortisation charge	–	–	–	(2,099)	(2,099)	(1,066)
Closing net book amount	558,483	282,000	–	34,615	875,098	26,744
At 31 December 2010						
Cost	561,466	282,000	322,000	39,721	1,205,187	29,141
Accumulated amortisation and impairment	(2,983)	–	(322,000)	(5,106)	(330,089)	(2,397)
Net book amount	558,483	282,000	–	34,615	875,098	26,744
Year ended 31 December 2011						
Opening net book amount	**558,483**	**282,000**	**–**	**34,615**	**875,098**	**26,744**
Additions	**–**	**–**	**–**	**17,632**	**17,632**	**489**
Amortisation charge	**–**	**–**	**–**	**(7,239)**	**(7,239)**	**(2,934)**
Goodwill disposed for sale of properties, charged to cost of sales (Note 38)	**(37,403)**	**–**	**–**	**–**	**(37,403)**	**–**
Closing net book amount	**521,080**	**282,000**	**–**	**45,008**	**848,088**	**24,299**
At 31 December 2011						
Cost	**524,063**	**282,000**	**322,000**	**57,353**	**1,185,416**	**29,630**
Accumulated amortisation and impairment	**(2,983)**	**–**	**(322,000)**	**(12,345)**	**(337,328)**	**(5,331)**
Net book amount	**521,080**	**282,000**	**–**	**45,008**	**848,088**	**24,299**

(All amounts in RMB Yuan thousands unless otherwise stated)

9. INTANGIBLE ASSETS (Continued)

Intangible assets are amortised in the following category:

	Group	
	2011	2010
Selling and administrative expenses	**3,960**	1,093
Cost of sales	**3,279**	1,006
	7,239	2,099

Note a:

Impairment test for goodwill

Goodwill is mainly allocated to the Group's cash generating units (CGUs) identified according to operating segment of the construction service of property development. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	2011	2010
Gross margin	**12%**	13%
Growth rate for the five-year period	**3%-10%**	3%-12%
Terminal growth rate	**3%**	3%
Pre-tax discount rate	**15.45%**	15.29%

Management determined budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segment.

Note b:

Impairment test for construction licence

The recoverable amount is determined by estimating the value of royalty which the company is exempted from by virtue of the fact that it owns the licence. The value of royalty is determined by a royalty rate of the licence multiplied by the net revenue expected to be generated by the company and then capitalised at a discounted rate. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below.

Key assumptions used for value-in-use calculations:

	2011	2010
Royalty rate	**1%**	1%
Growth rate for the five-year period	**3%-10%**	3%-12%
Terminal growth rate	**3%**	3%
Pre-tax discount rate	**15.94%**	15.78%

Management determined royalty rate based on past performance and the industry factor. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segment.

(All amounts in RMB Yuan thousands unless otherwise stated)

10. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011	2010
Investments, at cost:		
Unlisted shares	**11,737,079**	10,986,471

The following is a list of principal subsidiaries at 31 December 2011:

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operations
Subsidiaries – incorporated in the PRC:						
廣州市東圜房地產開發有限公司	29 October 1997	Limited liability company	RMB20,000,000	90%	10%	Property development in the PRC
廣州市吉浩源房地產開發有限公司	3 March 2000	Limited liability company	RMB20,000,000	90%	10%	Property development in the PRC
廣州市金鼎房地產開發有限公司	31 August 1994	Limited liability company	RMB8,000,000	90%	10%	Property development in the PRC
廣州天富房地產開發有限公司	8 July 2002	Sino-foreign joint venture with limited liability	USD21,000,000	85%	–	Property development in the PRC
廣州富力興盛置業發展有限公司	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	25%	75%	Development and investment of office buildings in the PRC
廣州富力恒盛置業發展有限公司	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	25%	75%	Development and investment of hotel buildings in the PRC
廣州富力鼎盛置業發展有限公司	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	25%	75%	Development and investment of hotel buildings in the PRC
廣州富力億盛置業發展有限公司	31 August 2005	Limited liability company	RMB100,000,000	90%	10%	Property development in the PRC
廣州富力嘉盛置業發展有限公司	29 September 2005	Limited liability company	RMB400,000,000	97.5%	2.5%	Property development in the PRC

(All amounts in RMB Yuan thousands unless otherwise stated)

10. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operations
Subsidiaries – incorporated in the PRC: (Continued)						
廣州富力創盛置業發展有限公司	4 November 2005	Limited liability company	RMB100,000,000	50%	50%	Property development in the PRC
廣州富力智盛置業發展有限公司	4 November 2005	Limited liability company	RMB100,000,000	50%	50%	Property development in the PRC
廣州富力超盛置業發展有限公司	8 December 2005	Limited liability company	RMB600,000,000	100%	–	Property development in the PRC
廣州中嘉房地產開發有限公司	13 March 2006	Limited liability company	RMB10,000,000	90%	5%	Property development in the PRC
廣州市花都富力房地產開發有限公司	30 June 2006	Limited liability company	RMB100,000,000	90%	10%	Property development in the PRC
廣州永富房地產開發有限公司	19 December 2006	Limited liability company	RMB100,000,000	95%	5%	Property development in the PRC
廣州楊帆房地產開發有限公司	10 September 2007	Limited liability company	RMB100,000,000	40%	60%	Property development in the PRC
廣州德和投資發展有限公司	10 January 2006	Limited liability company	RMB300,000,000	98.67%	1.33%	Property development in the PRC
廣州市華維裝飾材料有限公司	2 April 2004	Limited liability company	RMB500,000	100%	–	Provision of interior design service in the PRC
廣州富力廣告公司	14 August 2002	Limited liability company	RMB1,010,000	90%	10%	Advertising agency in the PRC
廣州市住宅建築設計院有限公司	26 April 1995	Limited liability company	RMB5,000,000	93.84%	6.16%	Residential architecture design in the PRC
廣州天富建設工程監理有限公司	29 December 2001	Limited liability company	RMB3,010,000	–	100%	Construction supervision and consultancy in the PRC
廣州恒富擔保有限公司	24 October 2003	Limited liability company	RMB60,000,000	–	100%	Finance and consultancy in the PRC

(All amounts in RMB Yuan thousands unless otherwise stated)

10. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operations
Subsidiaries – incorporated in the PRC: (Continued)						
廣州天力建築工程有限公司	20 May 1993	Limited liability company	RMB300,000,000	90%	10%	Construction company in the PRC
廣東恒力建設工程有限公司	12 June 2001	Limited liability company	RMB15,000,000	–	100%	Construction company in the PRC
廣州天盈園林工程有限公司	28 August 2009	Limited liability company	RMB5,000,000	–	100%	Gardening and virescence construction in the PRC
廣州富力美好置業發展有限公司	10 November 2003	Limited liability company	RMB3,010,000	80%	20%	Property leasing in the PRC
廣州天力物業發展有限公司	10 December 1997	Limited liability company	RMB5,000,000	90%	10%	Property management in the PRC
富力地產集團有限公司	8 July 1994	Limited liability company	RMB120,000,000	100%	–	Investment holdings in the PRC
廣州富力國際空港綜合物流園有限公司	11 June 2006	Limited liability company	RMB10,000,000	95%	5%	Storage and logistics in the PRC
廣州富力裝飾工程有限公司	27 April 2006	Limited liability company	RMB10,000,000	90%	10%	Provision of interior design service in the PRC
廣州富力百貨商貿有限公司	24 August 2006	Limited liability company	RMB10,000,000	90%	10%	Retail business in the PRC
廣州市駿熹物業管理有限公司	13 August 2007	Limited liability company	RMB500,000	–	100%	Property management in the PRC
深圳市奔望實業發展有限公司	20 May 1997	Limited liability company	RMB6,000,000	–	100%	Investment holding in the PRC
深圳市鼎力創業投資有限公司	4 August 2003	Limited liability company	RMB100,000,000	90%	10%	Investment holdings in the PRC
佛山富力房地產開發有限公司	7 November 2007	Limited liability company	RMB244,000,000	99.59%	0.41%	Property development in the PRC

(All amounts in RMB Yuan thousands unless otherwise stated)

10. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operations
Subsidiaries – incorporated in the PRC: (Continued)						
惠州富力房地產開發有限公司	10 April 2007	Limited liability company	RMB100,000,000	95%	5%	Property development in the PRC
龍門富力房地產開發有限公司	6 September 2007	Limited liability company	RMB100,000,000	95%	5%	Property development in the PRC
博羅縣紅中實業發展有限公司	27 April 2004	Limited liability company	RMB100,000,000	95%	5%	Property development in the PRC
北京富力城房地產開發有限公司	24 April 2002	Limited liability company	RMB1,394,781,578	96%	4%	Property development in the PRC
富力(北京)地產開發有限公司	27 June 2002	Limited liability company	RMB100,000,000	80%	20%	Property development in the PRC
北京華恩房地產開發有限公司	5 September 2000	Limited liability company	RMB30,000,000	52%	48%	Property development in the PRC
北京地源達房地產開發有限公司	7 February 2002	Sino-foreign joint venture with limited liability	USD5,000,000	–	100%	Property development in the PRC
北京鴻高置業發展有限公司	8 June 1999	Limited liability company	RMB300,000,000	–	100%	Property development in the PRC
北京龍熙順景房地產開發有限責任公司	20 August 2001	Limited liability company	RMB29,000,000	–	100%	Property development in the PRC
北京東方長安房地產開發有限公司	6 December 2001	Limited liability company	RMB50,000,000	–	100%	Property development in the PRC
富力(香河)房地產開發有限公司	5 November 2009	Limited liability company	RMB200,000,000	–	100%	Property development in the PRC
北京恒富物業服務有限公司	12 December 2002	Limited liability company	RMB5,000,000	–	100%	Property management in the PRC
北京富力天創廣告有限公司	24 October 2002	Limited liability company	RMB1,000,000	–	100%	Advertising agency in the PRC

(All amounts in RMB Yuan thousands unless otherwise stated)

10. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operations
Subsidiaries – incorporated in the PRC: (Continued)						
富力南京地產開發有限公司	8 September 2010	Limited liability company	RMB500,000,000	–	100%	Property development in the PRC
北京京城市政工程有限公司	6 March 2003	Limited liability company	RMB5,000,000	–	100%	Construction sub-contracting in the PRC
北京富力歐美園林綠化工程有限公司	6 March 2003	Limited liability company	RMB5,000,000	–	100%	Gardening and virescence construction in the PRC
北京天越門窗製造有限公司	8 August 2003	Limited liability company	RMB2,000,000	–	100%	Manufacture of aluminium frame and sales of construction and decoration materials in the PRC
北京富力會康體俱樂部有限公司	15 October 2004	Limited liability company	RMB3,000,000	–	100%	Operation of a recreational club in the PRC
北京極富房地產開發有限公司	30 August 2007	Limited liability company	RMB30,000,000	100%	–	Property development in the PRC
天津富力城房地產開發有限公司	29 November 2004	Limited liability company	RMB604,280,000	98.35%	1.65%	Property development in the PRC
天津鴻富房地產開發有限公司	30 June 2006	Limited liability company	RMB300,000,000	–	100%	Property development in the PRC
天津耀華投資發展有限公司	27 September 2002	Limited liability company	RMB320,000,000	–	100%	Property development in the PRC
天津濱海投資有限公司	25 December 2007	Limited liability company	RMB50,000,000	–	100%	Property development in the PRC
天津富景投資發展有限公司	30 December 2008	Limited liability company	RMB10,000,000	–	100%	Property development in the PRC
天津富力會休閒健身娛樂有限公司	23 October 2008	Limited liability company	RMB100,000	–	100%	Operation of a recreational club in the PRC

(All amounts in RMB Yuan thousands unless otherwise stated)

10. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operations
Subsidiaries – incorporated in the PRC: (Continued)						
西安富力房地產開發有限公司	26 September 2005	Limited liability company	RMB502,507,000	80.1%	19.9%	Property development in the PRC
西安保德信房地產開發有限公司	8 August 2005	Limited liability company	RMB65,000,000	–	100%	Property development in the PRC
西安濱湖花園房地產開發有限公司	8 August 2005	Limited liability company	RMB55,000,000	–	100%	Property development in the PRC
西安富力灣房地產開發有限公司	14 September 2010	Limited liability company	RMB100,000,000	–	100%	Property development in the PRC
太原富力城房地產開發有限公司	14 August 2007	Limited liability company	RMB350,000,000	–	100%	Property development in the PRC
重慶永富房地產開發有限公司	18 December 2007	Limited liability company	RMB10,000,000	–	100%	Property development in the PRC
重慶富力房地產開發有限公司	30 December 2005	Limited liability company	RMB660,000,000	32.35%	67.65%	Property development in the PRC
廣州富力地產(重慶)有限公司	26 January 2007	Limited liability company	RMB330,000,000	93.94%	6.06%	Property development in the PRC
成都富力房地產開發有限公司	27 March 2007	Limited liability company	RMB300,000,000	98.33%	1.67%	Property development in the PRC
成都熊貓萬國商城有限公司	29 October 1997	Limited liability company	RMB80,000,000	85%	–	Property development in the PRC
成都富力熊貓城項目開發有限公司	15 August 2006	Limited liability company	RMB30,000,000	65%	–	Property development in the PRC
四川富力百貨商貿有限公司	12 March 2008	Limited liability company	RMB10,000,000	–	100%	Property operation in the PRC
上海富力房地產開發有限公司	25 April 2007	Limited liability company	RMB200,000,000	95%	5%	Property development in the PRC

(All amounts in RMB Yuan thousands unless otherwise stated)

10. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operations
Subsidiaries – incorporated in the PRC: (Continued)						
上海浦衛房地產開發有限公司	18 July 2006	Limited liability company	RMB320,000,000	–	100%	Property development in the PRC
昆山新延房地產開發有限公司	16 November 2000	Limited liability company	RMB128,000,000	–	100%	Property development in the PRC
昆山國銀置業有限公司	9 July 2002	Limited liability company	RMB200,000,000	95%	5%	Property development in the PRC
海南三林發展有限公司	17 January 1995	Limited liability company	RMB25,210, 000	–	100%	Property development in the PRC
海南朝陽房地產發展有限公司	4 April 1995	Limited liability company	RMB11,060,000	–	100%	Property development in the PRC
海南三林旅業開發有限公司	7 March 1995	Limited liability company	RMB24,900,000	–	100%	Property development in the PRC
海南紅樹林度假村有限公司	24 March 1995	Limited liability company	RMB11,650,000	–	100%	Property development in the PRC
海南明強房地產發展有限公司	26 April 1995	Limited liability company	RMB11,700,000	–	100%	Property development in the PRC
海南易通生態科技有限公司	27 January 1994	Limited liability company	HKD15,000,000	–	100%	Property development in the PRC
海南怡豐房地產發展(香港)公司	27 January 1994	Limited liability company	HKD15,000,000	100%	–	Property development in the PRC
海南陵水富力灣開發有限公司	23 November 2006	Limited liability company	RMB300,000,000	100%	–	Property development in the PRC
海南富力房地產開發有限公司	29 March 2007	Limited liability company	RMB100,000,000	95%	5%	Property development in the PRC
海南那甲旅業開發有限公司	27 November 1998	Limited liability company	RMB100,000,000	99.8%	0.2%	Property development in the PRC

(All amounts in RMB Yuan thousands unless otherwise stated)

10. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operations
Subsidiaries – incorporated in the PRC: (Continued)						
海南協興地產發展(香港)有限公司	26 January 1994	Limited liability company	HKD15,000,000	100%	–	Property development in the PRC
海南天力建築工程有限公司	9 July 2010	Limited liability company	RMB20,000,000	–	100%	Construction company in the PRC
北京富源盛達房地產開發有限公司	20 January 2011	Limited liability company	RMB30,000,000	–	100%	Property development in the PRC
富力(哈爾濱)房地產開發有限公司	12 April 2011	Limited liability company	RMB100,000,000	–	100%	Property development in the PRC
文昌富力房地產開發有限公司	25 August 2011	Limited liability company	RMB100,000,000	95%	5%	Property development in the PRC
廣州富力足球俱樂部有限公司	7 July 2011	Limited liability company	RMB20,000,000	100%	–	Operation of a football club in the PRC
大同富力城房地產開發有限公司	7 November 2011	Limited liability company	RMB20,000,000	–	100%	Property development in the PRC
昆山富力會康體俱樂部有限公司	7 December 2011	Limited liability company	RMB30,000,000	–	100%	Operation of a recreational club in the PRC
廣州聖景房地產開發有限公司(「廣州聖景」)	27 August 2007	Limited liability company	USD80,000,000	25%	75%	Property development in the PRC
Subsidiaries – incorporated in Hong Kong:						
R&F Properties (HK) Company Limited	25 August 2005	Limited liability company	HKD10,000	100%	–	Investment holding in Hong Kong

(All amounts in RMB Yuan thousands unless otherwise stated)

10. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operations
Subsidiaries – incorporated in British Virgin Islands (BVI):						
R&F Properties (BVI) Co., Ltd.	31 March 2006	Limited liability company	USD1	–	100%	Investment holding in BVI
Palace View Investments Limited	21 March 2006	Limited liability company	USD1	–	100%	Investment holding in BVI
Maxview Investments Limited ("Maxview")	3 April 2006	Limited liability company	USD50,000	–	100%	Investment holding in BVI
General Light Investments Limited	5 July 2011	Limited liability company	USD1	–	100%	Investment holding in BVI

Controlled special purpose entity:

Special purpose entity	Principal activities
The Share Award Scheme Trust	Purchases, administers and holds the Company's shares for the Share Award Scheme for the benefit of eligible employees

11. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group 2011	Group 2010
At 1 January	**3,384,790**	876,063
Additional interests in 廣州市富景房地產開發有限公司(“廣州富景”)	**23,393**	201,572
Additional interests in 上海城投悦城置業有限公司(“上海悦城”)	**507,306**	–
Additional interests in Hines Shanghai New Jiangwan Development Co., Ltd (“Hines Shanghai”)	**–**	1,170,563
Interests in 廣州南沙經濟技術開發區森華木業有限公司(“森華木業”)	**500**	–
Interests in 天津和安房地產開發有限公司(“天津和安”)	**–**	2,500
Interests in 天津津南新城房地產開發有限公司(“津南新城”)	**–**	916,825
Interests in 惠州富茂房地產開發有限公司(“惠州富茂”)	**–**	250,000
Acquisition of remaining interests in Maxview	**(516,697)**	–
Down-stream elimination of unrealised profits (Note 38)	**(24,586)**	(12,189)
Share of results (Note 38)	**(19,131)**	(20,544)
At 31 December	**3,355,575**	3,384,790

	Company 2011	Company 2010
At 1 January	**697,369**	495,797
Additional interests in 廣州富景	**23,393**	201,572
Interests in 森華木業	**500**	–
Acquisition of remaining interests in Maxview	**(138,222)**	–
At 31 December	**583,040**	697,369

The results of the Group's principal jointly controlled entities, all of which are unlisted and its aggregated assets and liabilities are as follows:

	Particulars of issued shares held	Country of incorporation	Assets RMB'000	Liabilities RMB'000	Profit/(loss) RMB'000	% interest held at 31 December 2011 Direct	Indirect
Value Success Investments Limited (“Value Success”)	USD10,000	BVI	152,360	126,343	6,327	–	66.67%
富力(瀋陽)商務諮詢有限公司(“富力(瀋陽)”)	USD20,000,000	PRC	137,040	110	(904)	–	66.67%
瀋陽富力會餐飲服務有限公司(“瀋陽富力會”)	RMB500,000	PRC	226	611	(536)	–	66.67%
瀋陽億隆房屋開發有限公司(“瀋陽億隆”)	RMB20,000,000	PRC	748,914	695,031	33,324	–	66.67%
惠州富茂	RMB500,000,000	PRC	1,222,009	752,199	(20,014)	–	50%
廣州富景	HKD1,993,000,000	PRC	5,474,446	3,826,878	(29,498)	33.34%	–
津南新城	RMB3,667,300,000	PRC	8,514,423	4,993,021	(38,805)	–	25%
天津和安	RMB10,000,000	PRC	3,610,150	3,600,023	88	–	25%
Hines Shanghai	USD50,000	Cayman Islands	1,938,590	1,203,893	(33,491)	–	50%
上海悦城	RMB855,000,000	PRC	3,418,552	1,644,800	(6,088)	–	50%
森華木業	RMB1,000,000	PRC	506,589	511,305	173	50%	–

(All amounts in RMB Yuan thousands unless otherwise stated)

11. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Pursuant to the joint venture agreements, these entities are jointly controlled by the Group and other parties. None of the participating parties has unilateral control over the entities by obtaining more than one half of the voting rights.

The proportionate interest in commitments relating to the Group's interests in jointly controlled entities are RMB284,989,000 at 31 December 2011 (2010: RMB1,165,288,000).

There are no other contingent liabilities relating to the Group's interests in jointly controlled entities.

12. INTERESTS IN ASSOCIATES

	Group	
	2011	2010
At 1 January	**137,866**	35,348
Interests in 北京粵商投資股份有限公司("北京粵商")	**12,500**	–
Interests in 廣州盛安創富投資管理有限公司("盛安創富")	**4,002**	–
Interests in 廣州利合房地產開發有限公司("廣州利合")	**–**	134,464
Interests in 山西非遺園投資管理有限公司("山西非遺園")	**–**	8,000
Interests in 廣州中昊投資發展有限公司("中昊投資")	**–**	7,274
Disposal of interests in 山西非遺園	**(8,000)**	–
Share of results (Note 38)	**118,218**	(47,220)
At 31 December	**264,586**	137,866

	Company	
	2011	2010
At 1 January	**134,464**	–
Interests in 盛安創富	**4,002**	–
Interests in 廣州利合	**–**	134,464
At 31 December	**138,466**	134,464

12. INTERESTS IN ASSOCIATES (Continued)

The results of the Group's principal associates, all of which are unlisted and its aggregated assets and liabilities are as follows:

Name	Particulars of issued shares held	Country of incorporation	Assets	Liabilities	Revenues	Profit/(loss)	% Interest held at 31 December 2011	
			RMB'000	RMB'000	RMB'000	RMB'000	Direct	Indirect
北京富盛利房地產經紀有限公司 (“北京富盛利”)	RMB91,913,000	PRC	287,343	156,995	33,997	2,435	–	30%
廣州利合	HKD750,000,000	PRC	23,156,198	22,139,433	6,449,181	597,642	20%	–
廣州超力混凝土有限公司(“超力混凝土”)	RMB20,000,000	PRC	164,205	137,437	164,685	1,794	–	21%
中昊投資	RMB14,000,000	PRC	14,004	5	–	(3)	–	30%
北京粵商	RMB57,000,000	PRC	57,049	31	860	18	–	22%
盛安創富	RMB20,000,000	PRC	20,003	–	–	(3)	20%	–

* Pursuant to the Articles of Association of the entity, the Group has the power to participate in the financial and operating policy decisions but not control or jointly control over the entity.

There are no other contingent liabilities relating to the Group's interests in associates.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group and Company	
	2011	2010
At 1 January	**182,700**	175,000
Fair value (loss)/gain recognised in comprehensive income before tax	**(5,600)**	7,700
At 31 December	**177,100**	182,700

As at 31 December 2011 and 2010, available-for-sale financial assets represented the Group's equity investments in Guangzhou Securities Co., Ltd. ("Guangzhou Securities"), which are not quoted in active market.

As at 31 December 2011, the Group holds 4.88% of equity interests in Guangzhou Securities (2010: 4.88%).

There were no impairment provisions on available-for-sale financial assets during the year (2010: Nil).

The fair value of the Group's available-for-sale financial assets was revalued on 31 December 2011 by independent, qualified valuer. Respective fair value loss on the equity investments was charged to the reserve account. Valuation was performed based on the market approach, which was by reference to fair value of another instrument that is substantially the same, maximising the use of observable market data and rely as little as possible on entity specific estimates.

(All amounts in RMB Yuan thousands unless otherwise stated)

14. PROPERTIES UNDER DEVELOPMENT

	Group	
	31 December 2011	31 December 2010
To be recovered after more than 12 months	**14,013,286**	11,529,179
To be recovered within 12 months	**19,074,494**	17,538,240
	33,087,780	29,067,419
Amount comprises:		
Land use rights	**17,196,780**	14,001,002
Construction costs and capitalised expenditures	**15,164,384**	14,344,559
Finance costs capitalised	**726,616**	721,858
	33,087,780	29,067,419

	Company	
	31 December 2011	31 December 2010
To be recovered after more than 12 months	**861,505**	477,624
To be recovered within 12 months	**2,256,559**	1,406,979
	3,118,064	1,884,603
Amount comprises:		
Land use rights	**1,112,542**	569,310
Construction costs and capitalised expenditures	**1,653,518**	1,181,489
Finance costs capitalised	**352,004**	133,804
	3,118,064	1,884,603

The Group had made payments for land use rights of RMB5,025,945,000 as at 31 December 2011 (2010: RMB 4,237,626,000), for which the Group was in the process of applying for formal land use rights certificates.

The Company had made payments for land use rights of RMB617,528,000 as at 31 December 2011 (2010: RMB 260,051,000), for which the Company was in the process of applying for formal land use rights certificates.

(All amounts in RMB Yuan thousands unless otherwise stated)

14. PROPERTIES UNDER DEVELOPMENT (Continued)

The capitalisation rate of borrowings is as follows:

	Group		Company	
	2011	2010	**2011**	2010
Capitalisation rate	**6.20%**	5.30%	**5.95%**	5.12%

Properties under development pledged as collateral is as follows:

	Group		Company	
	2011	2010	**2011**	2010
Properties under development	**3,160,585**	2,712,987	**–**	–

All properties under development are located in the PRC.

15. COMPLETED PROPERTIES HELD FOR SALE

	Group	
	31 December 2011	31 December 2010
Land use rights	**1,524,513**	1,403,395
Construction costs and capitalised expenditures	**4,232,832**	3,146,998
Finance costs capitalised	**278,200**	217,279
	6,035,545	4,767,672

	Company	
	31 December 2011	31 December 2010
Land use rights	**227,857**	255,961
Construction costs and capitalised expenditures	**774,596**	718,669
Finance costs capitalised	**84,467**	86,313
	1,086,920	1,060,943

Completed properties held for sale pledged as collateral is as follows:

	Group		Company	
	2011	2010	**2011**	2010
Completed properties held for sale (Note 26)	**526,891**	836,101	**19,470**	50,478

All completed properties held for sale are located in the PRC and are stated at cost.

(All amounts in RMB Yuan thousands unless otherwise stated)

16. INVENTORIES

	Group	
	2011	2010
Construction materials	**263,337**	263,369
Inventories for hotel operations	**8,521**	8,402
	271,858	271,771

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2011	2010	**2011**	2010
Trade receivables				
– Due from jointly controlled entities (Notes (a) and 42(x))	**96,754**	47,367	**–**	–
– Due from third parties (Note (a))	**1,827,962**	1,314,134	**202,020**	156,026
	1,924,716	1,361,501	**202,020**	156,026
Less: provision for impairment of trade receivables (Note (a))	**(2,737)**	(2,756)	**(1,941)**	(1,941)
Trade receivables – net	**1,921,979**	1,358,745	**200,079**	154,085
Other receivables (Note (b))	**2,992,091**	3,069,930	**2,518,066**	2,661,220
Prepayments (Note (c))	**2,492,803**	2,465,938	**8,120**	8,120
Due from subsidiaries (Note (d))	**–**	–	**5,685,896**	3,573,750
Due from jointly controlled entities (Note 42(x))	**1,269,600**	1,454,788	**1,234,083**	1,365,050
Due from associates (Note 42(x))	**1,142,648**	1,516,866	**1,139,377**	1,515,443
Less: provision for impairment of other receivables (Note (f))	**(27,996)**	(26,725)	**(4,785)**	(5,299)
Total (Note (e))	**9,791,125**	9,839,542	**10,780,836**	9,272,369
Less: non-current portion	**(2,209,693)**	(2,610,120)	**(1,260,620)**	(1,436,698)
Current portion	**7,581,432**	7,229,422	**9,520,216**	7,835,671

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

(All amounts in RMB Yuan thousands unless otherwise stated)

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) Trade receivables

Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. Generally, purchasers of properties are required to settle the balances within 90 days as specified in the sales and purchase agreements. Purchasers of certain office and commercial units are required to settle the outstanding balances within 12 months as specified in the sale and purchase agreements. The ageing analysis of trade receivables at 31 December 2011 is as follows:

	Group		Company	
	2011	2010	**2011**	2010
0 to 90 days	**906,943**	946,600	**127,134**	57,983
91 to 180 days	**428,877**	124,747	**8,131**	10,543
181 to 365 days	**389,779**	68,628	**1,120**	23,069
1 year to 2 years	**102,765**	143,350	**27,892**	23,783
Over 2 years	**96,352**	78,176	**37,743**	40,648
	1,924,716	1,361,501	**202,020**	156,026

Trade receivables are analysed as below:

	Group		Company	
	2011	2010	**2011**	2010
Fully performing under credit terms	**1,742,691**	1,342,845	**200,079**	154,085
Past due but not impaired	**179,288**	15,900	**–**	–
Non-performing and impaired	**2,737**	2,756	**1,941**	1,941
Trade receivables	**1,924,716**	1,361,501	**202,020**	156,026
Less: provision for impairment	**(2,737)**	(2,756)	**(1,941)**	(1,941)
Trade receivables – net	**1,921,979**	1,358,745	**200,079**	154,085

As at 31 December 2011, trade receivables of RMB2,737,000 were impaired and fully provided for (31 December 2010: RMB2,756,000). The individually impaired receivables mainly relate to certain independent customers which are in unexpectedly difficult economic situations.

For past due but not impaired receivables, the Group has the right to cancel the sales contracts and take over the legal title and possession of the underlying properties for re-sales. Therefore, the Directors consider that the receivables would be recovered and no provision was made against these receivables as at 31 December 2011 (31 December 2010: Nil).

(All amounts in RMB Yuan thousands unless otherwise stated)

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) Trade receivables (Continued)

Movements on the provision for impairment of trade receivables are as follows:

	Group		Company	
	2011	2010	**2011**	2010
At 1 January	**2,756**	2,756	**1,941**	1,941
Reversal for doubtful debts (Notes 31 and 38)	**(19)**	–	**–**	–
At 31 December	**2,737**	2,756	**1,941**	1,941

(b) Other receivables

The ageing analysis of other receivables at 31 December 2011 is as follows:

	Group		Company	
	2011	2010	**2011**	2010
0 to 1 year	**781,683**	2,916,704	**417,954**	2,590,729
1 year to 2 years	**2,094,769**	100,857	**2,042,295**	61,809
2 year to 3 years	**77,916**	21,163	**50,029**	2,065
Over 3 years	**37,723**	31,206	**7,788**	6,617
	2,992,091	3,069,930	**2,518,066**	2,661,220

It mainly represents deposits for acquisitions of land use rights through tendering system. Such deposits will be transferred to prepayments when the tender is successful. Payments on land acquisitions will be made in accordance with the payment terms as stipulated in the land acquisition contracts. The land acquisition costs which are contracted but not provided for are included in commitments (Note 40).

Other receivables are analysed as below:

	Group		Company	
	2011	2010	**2011**	2010
Performing under normal business	**2,964,095**	3,043,205	**2,513,281**	2,655,921
Non-performing and impaired	**27,996**	26,725	**4,785**	5,299
Other receivables	**2,992,091**	3,069,930	**2,518,066**	2,661,220
Less: provision for impairment	**(27,996)**	(26,725)	**(4,785)**	(5,299)
Other receivables – net	**2,964,095**	3,043,205	**2,513,281**	2,655,921

(c) It mainly represents prepayments for acquisitions of land use rights and prepayments for purchases of construction materials.

(All amounts in RMB Yuan thousands unless otherwise stated)

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(d) The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

(e) The carrying amounts of the Group's trade and other receivables and prepayments at 31 December 2011 are denominated in RMB (31 December 2010: balance due from a jointly controlled entity amounted to RMB96,338,000 was denominated in USD).

(f) Movements on the provision for impairment of other receivables are as follows:

	Group		Company	
	2011	2010	**2011**	2010
At 1 January	**26,725**	22,347	**5,299**	7,175
Provision for doubtful debts (Notes 31 and 38)	**12,893**	13,693	**846**	1,725
Reversal of provision for doubtful debts (Notes 31 and 38)	**(11,622)**	(9,315)	**(1,360)**	(3,601)
At 31 December	**27,996**	26,725	**4,785**	5,299

18. TIME DEPOSITS

The initial term of time deposits were over three months, and the interest rate was 3.5% for the year ended 31 December 2011. The Group's time deposits are denominated in RMB.

19. RESTRICTED CASH

	Group		Company	
	2011	2010	**2011**	2010
Guarantee deposits for construction of pre-sold properties (Note (a))	**1,794,984**	1,727,423	**244,293**	204,162
Guarantee deposits for resettlement costs (Note (b))	**22,365**	54,917	**10,840**	10,938
Guarantee deposits for construction payable (Note (c))	**849,412**	160,590	**712,289**	1,863
Guarantee deposits for bank borrowings (Note (d))	**11,540**	1,448,647	**–**	1,438,711
Guarantee deposits for mortgage loans provided to customers (Note (e))	**59,201**	17,100	**–**	–
Guarantee deposits for bank acceptance notes (Note (f))	**–**	100,000	**–**	–
Guarantee deposits for interests of senior notes (Note (g))	**144,205**	–	**–**	–
Others (Note (h))	**17,913**	5,756	**–**	–
	2,899,620	3,514,433	**967,422**	1,655,674

(All amounts in RMB Yuan thousands unless otherwise stated)

19. RESTRICTED CASH (Continued)

Notes:

(a) In accordance with relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.

(b) In accordance with relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the resettlement costs payable to the owners or residents of the existing buildings which are subject to demolition for development. The deposits can only be used for such resettlement costs according to the payment schedule.

(c) According to relevant contracts, certain property development companies of the Group are required to place at designated bank accounts certain amount as guarantee deposits for potential default in payment. Such guarantee deposits can only be used for the construction of related properties and will be released after settlement of the contract.

(d) Pursuant to the relevant bank loan agreement, the Group is required to place at a designated bank account certain amount as deposits for securing the borrowings provided to a subsidiary. Such guarantee deposits will only be released after full repayment of borrowings. As at 31 December 2011, no guarantee deposits is pledged for bank loans (31 December 2010: 1,444,230,000).

Pursuant to a bank loan agreement, the Group is required to place all proceeds from lease of a property, which has been pledged to the bank as collateral of the loan, in a designated bank account. The deposit can be drawn out only after obtaining approval from the bank. As at 31 December 2011, the guarantee deposits amounted to RMB11,540,000 (31 December 2010: 4,417,000).

(e) According to relevant contracts, certain property development companies of the Group are required to place at designated bank accounts certain amount as deposits for potential default in payment of mortgage loans advanced to property purchasers. Such guarantee deposits will only be released after full repayment of the mortgage loans.

(f) According to the relevant contract, the Group is required to place certain cash deposits at a designated bank account as security for bank acceptance notes. Such guarantee deposits will only be released after fully payment of the notes.

(g) According to the relevant contract, the Group is required to place certain cash deposits at a designated bank account as security for payment of interests of senior notes. Such guarantee deposits will only be released after payment of interests.

(h) Others mainly include guarantee deposits for letter of credit and salary payments for construction workers.

The restricted cash is denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
RMB	**2,836,685**	3,510,016	**967,422**	1,655,674
HKD	**11,540**	4,417	**–**	–
USD	**51,395**	–	**–**	–
	2,899,620	3,514,433	**967,422**	1,655,674

The Directors of the Group are of the view that the restricted cash listed as above will be released within one year.

20. CASH

	Group		Company	
	2011	2010	**2011**	2010
Cash at bank and on hand	**4,826,243**	5,653,716	**518,468**	897,177

20. CASH (Continued)

	Group		Company	
	2011	2010	**2011**	2010
Denominated in:				
— RMB	**4,725,183**	5,631,106	**516,666**	892,385
— USD	**85,443**	3,306	**1,334**	29
— HKD	**15,617**	19,304	**468**	4,763
	4,826,243	5,653,716	**518,468**	897,177

The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

The table below shows the restricted cash, time deposits and cash at bank balances of the major counterparties with external credit ratings as at 31 December 2011 and 2010.

Counterparties with external credit rating (Note)	Group		Company	
	2011	2010	**2011**	2010
A1	**4,723,765**	5,215,447	**674,705**	536,853
A3	**315,176**	467,630	**–**	–
Baa2	**171,910**	125,849	**19,036**	52,388
Baa3	**824,175**	761,253	**20,039**	202,745
Ba1	**28,091**	25,457	**812**	160
Ba2	**79,169**	87,070	**6,629**	10,311
Others and cash in hand	**2,883,577**	2,485,443	**764,669**	1,750,394
	9,025,863	9,168,149	**1,485,890**	2,552,851

Note: The source of credit rating is from Moody's.

21. SHARE CAPITAL

	Number of shares (thousands)	Share capital	Share premium	Total
At 31 December 2011 and 2010				
– domestic shares	2,207,108	551,777	–	551,777
– H shares	1,015,259	253,815	3,636,625	3,890,440
	3,222,367	805,592	3,636,625	4,442,217

At 31 December 2011 and 2010, the registered, issued and fully paid capital of the Company was RMB805,592,000, divided into 3,222,367,000 shares of RMB0.25 each, comprising 2,207,108,000 domestic shares and 1,015,259,000 H shares.

(All amounts in RMB Yuan thousands unless otherwise stated)

22. RETAINED EARNINGS

	Group		Company	
	2011	2010	**2011**	2010
Balance at 1 January	**14,661,501**	11,793,197	**2,217,561**	2,563,553
Profit for the year	**4,841,650**	4,350,593	**1,427,537**	1,136,297
Dividends (Note 37)	**(1,933,421)**	(1,482,289)	**(1,933,421)**	(1,482,289)
Balance at 31 December	**17,569,730**	14,661,501	**1,711,677**	2,217,561

23. OTHER RESERVES

	Share premium	Available-for-sale financial assets	Statutory reserve fund	Total
Group and Company				
Balance at 1 January 2010	3,636,625	139,084	539,144	4,314,853
Fair value gain of available-for-sale financial assets, net of tax	–	5,775	–	5,775
Balance at 31 December 2010	3,636,625	144,859	539,144	4,320,628
Balance at 1 January 2011	**3,636,625**	**144,859**	**539,144**	**4,320,628**
Fair value loss of available-for-sale financial assets, net of tax	**–**	**(4,200)**	**–**	**(4,200)**
Balance at 31 December 2011	**3,636,625**	**140,659**	**539,144**	**4,316,428**

Notes:

(a) According to the rules and regulations applicable to the Group's subsidiaries in the PRC, when distributing net profit of each year, these subsidiaries shall set aside 10% of their net profits as reported in their statutory accounts for the statutory reserve fund until the balance of such fund has reached 50% of its registered capital.

(b) Statutory reserve fund forms part of the shareholders' funds and is not distributable other than on liquidation.

(c) Dividends will be distributed out of the Group's distributable reserves, which represent the lower amount as determined in accordance with CAS and HKFRS. As at 31 December 2011, the Company's distributable reserves were approximately RMB1,565 million (31 December 2010: RMB1,963 million), being the smaller of the distributable reserves as determined under CAS and HKFRS.

(d) Share premium can be utilised for increasing paid-up capital as approved by the Directors.

(All amounts in RMB Yuan thousands unless otherwise stated)

24. SHARES HELD FOR SHARE AWARD SCHEME

	Group and Company
Balance at 1 January 2011	**–**
Shares purchased for Share Award Scheme	**(165,924)**
Balance at 31 December 2011	**(165,924)**

On 23 August 2011, a Share Award Scheme (the "Scheme") has been approved and adopted by the Board of Directors of the Company. The terms of the Scheme provide for H shares of the Company to be awarded to eligible employees of the Group as part of their compensation package. Such shares would be vested progressively over the vesting period after the awards are granted, provided that the relevant awardee remained employed by the Group or retired on reaching normal retirement age.

Shares awarded under the Scheme shall be subject to a vesting schedule as follows:

(i) 33.3% on the first anniversary date of the award date;
(ii) 33.3% on the second anniversary date of the award date; and
(iii) 33.4% on the third anniversary date of the award date.

Before vesting, the Awarded Shares are held in a trust set up by the Scheme.

During the year, the trustee of the Share Award Scheme acquired 28,000,000 H shares through purchases on the open market at a total cost of RMB165,924,000, which was debited to Shares held for Share Award Scheme.

As at 31 December 2011, the shares held for Share Award Scheme has not been awarded to eligible employees.

25. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
Amounts due to subsidiaries (Note (b))	**–**	–	**9,512,624**	6,167,471
Amounts due to jointly controlled entities (Notes (b) and 42 (x))	**809,056**	106,024	**90,000**	–
Amounts due to associates (Notes (b) and 42 (x))	**70,290**	40,457	**3,992**	–
Construction payables (Note (c))	**6,071,992**	4,684,124	**830,052**	880,174
Other payables and accrued charges (Note (d))	**3,173,600**	2,914,802	**375,658**	1,390,919
Notes payables	**–**	100,000	**–**	–
	10,124,938	7,845,407	**10,812,326**	8,438,564

(a) The carrying amounts of the Group's accruals and other payables are denominated in RMB, except for balance due to a jointly controlled entity amounted to RMB457,164,000 as at 31 December 2011 which is denominated in HKD (31 December 2010: Nil).

(b) The amounts of the Group's accruals and other payables are unsecured, interest free and are repayable on demand.

(All amounts in RMB Yuan thousands unless otherwise stated)

25. ACCRUALS AND OTHER PAYABLES (Continued)

(c) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis for trade and other payables is presented.

(d) The balance mainly represents interest payables, accruals and other tax payables excluding income tax.

(e) The carrying amounts of accruals and other payables approximate their fair value.

26. BORROWINGS

	Group		Company	
	2011	2010	**2011**	2010
Non-current				
Long-term borrowings				
Bank loans (Note (a))				
– Secured	**8,570,135**	9,569,805	**62,000**	1,262,750
– Unsecured	**9,494,900**	11,345,860	**4,826,000**	3,620,000
	18,065,035	20,915,665	**4,888,000**	4,882,750
Corporate bonds (Note (b))				
– Unsecured	**5,455,924**	5,442,161	**5,455,924**	5,442,161
Senior notes (Note (c))				
– Unsecured	**3,505,615**	–	**–**	–
Other borrowings (Note (d))				
– Secured	**1,000,000**	–	**–**	–
Less: current portion of long-term borrowings	**(9,741,324)**	(5,688,430)	**(6,997,924)**	(1,854,750)
	18,285,250	20,699,396	**3,346,000**	8,470,161
Current				
Short-term borrowings (Note (a))				
– Secured	**154,033**	1,438,195	**–**	–
– Unsecured	**198,000**	58,000	**–**	–
	352,033	1,496,195	**–**	–
Current portion of long-term borrowings	**9,741,324**	5,688,430	**6,997,924**	1,854,750
Total borrowings	**28,378,607**	27,854,021	**10,343,924**	10,324,911

(All amounts in RMB Yuan thousands unless otherwise stated)

26. BORROWINGS (Continued)

(a) Bank loans

The exposure of the Group's bank loans to interest-rate changes and the contractual repricing dates are all within one year.

At 31 December 2011, bank loans of RMB8,724,168,000 (31 December 2010: RMB11,008,000,000) of the Group and RMB62,000,000 (31 December 2010: RMB1,262,750,000) of the Company were secured by the following:

	Group		Company	
	2011	2010	**2011**	2010
Land use rights (Note 6)	**412,006**	82,606	**–**	–
Properties under development	**1,035,710**	2,712,987	**–**	–
Property, plant and equipment (Note 7)	**2,562,435**	2,191,771	**–**	–
Investment properties (Note 8)	**8,549,379**	6,140,383	**103,000**	88,100
Completed properties held for sale (Note 15)	**526,891**	836,101	**19,470**	50,478
Restricted cash	**–**	1,444,230	**–**	1,438,711
Equity investments in subsidiaries	**–**	153,419	**–**	–
	13,086,421	13,561,497	**122,470**	1,577,289

The majority of unsecured bank loans are supported by guarantees. Details are as follows:

	Group		Company	
	2011	2010	**2011**	2010
Guarantors				
The Company	**4,866,900**	7,723,860	**–**	–
Subsidiaries	**1,610,000**	2,020,000	**1,610,000**	1,960,000
	6,476,900	9,743,860	**1,610,000**	1,960,000

At 31 December 2011, bank loans of RMB3,216,000,000 (31 December 2010: RMB1,660,000,000) of the Group and the Company are credit loans.

The maturity of bank loans is as follows:

	Group		Company	
	2011	2010	**2011**	2010
Within one year	**4,637,433**	7,184,625	**1,542,000**	1,854,750
Between one and two years	**5,249,500**	4,391,180	**2,010,000**	1,438,000
Between two and five years	**4,746,400**	6,690,000	**1,336,000**	1,590,000
Over five years	**3,783,735**	4,146,055	**–**	–
Total bank loans	**18,417,068**	22,411,860	**4,888,000**	4,882,750

(All amounts in RMB Yuan thousands unless otherwise stated)

26. BORROWINGS (Continued)

(a) Bank loans (Continued)

The carrying amounts of bank loans are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
RMB	**18,263,035**	20,973,665	**4,888,000**	4,882,750
HKD	**154,033**	289,306	**–**	–
USD	**–**	1,148,889	**–**	–
	18,417,068	22,411,860	**4,888,000**	4,882,750

Interests are charged based on floating rates on outstanding principals and the weighted average effective interest rates at the balance sheet date are as follows:

	2011	2010
RMB bank loans – floating rates	**5.93%**	5.34%
HKD bank loans – floating rates	**1.79%**	2.23%
USD bank loans – floating rates	**Nil**	1.62%

The carrying amounts and fair value of the non-current bank loans are as follows:

	Group			
	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
Bank loans	**13,779,635**	15,227,235	**13,861,547**	15,350,803

	Company			
	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
Bank loans	**3,346,000**	3,028,000	**3,364,530**	3,028,126

The carrying amounts of non-current bank loans approximate their fair values as all such bank loans are with floating interest rate. The fair values are based on cash flows discounted at the borrowing rate of 6.09% (2010: 5.30%)

The carrying amounts of short-term bank loans approximate their fair values.

(All amounts in RMB Yuan thousands unless otherwise stated)

26. BORROWINGS (Continued)

(b) Corporate bonds

The Company issued 55,000,000 corporate bonds at a par value of RMB5.5 billion in the PRC on 23 October 2009. The bonds will mature after five years from the issue date at their nominal value of RMB5.5 billion.

On 12 November 2009, the corporate bonds are listed on Shanghai Stock Exchange.

The principal terms of the corporate bonds are as follows:

(i) Interest rate

The interest rate of the corporate bonds is fixed at 6.85% per annum. On the third anniversary of the issue date, the Company has an option to increase the interest rate by up to 100 basic points for the remaining periods.

(ii) Maturity

The corporate bonds will mature after five years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date. Therefore, the corporate bonds are recorded as current liabilities in the Group's consolidated balance sheet at 31 December 2011.

The economic characteristics and risks of the put option embedded in the debt instrument is closely related to the host contract as the option's exercise price is approximately equal on the exercise date to the amortised cost of the host debt instrument. Therefore, the embedded derivative is not separately accounted for from the host contract.

The movement of the corporate bonds is set out below:

	Group and Company
Amortised cost as at 1 January 2010	5,429,319
Interest charged (Note 33)	389,592
Interest included in other payables	(376,750)
Amortised cost as at 31 December 2010	5,442,161
Amortised cost as at 1 January 2011	5,442,161
Interest charged (Note 33)	390,513
Interest included in other payables	(376,750)
Amortised cost as at 31 December 2011	5,455,924

The fair value of the corporate bonds at 31 December 2011 amounted to RMB5,512,650,000 (31 December 2010: RMB5,758,500,000). The value is determined directly by references to the price quotations published by Shanghai Stock Exchange on 30 December 2011, the last dealing date of 2011.

(All amounts in RMB Yuan thousands unless otherwise stated)

26. BORROWINGS (Continued)

(c) Senior notes

On 29 April 2011, a subsidiary of the Group, Big Will Investments Limited issued 7% senior notes due 29 April 2014 in the aggregate nominal value of RMB2,612,000,000 (the "CNY Notes") and 10.875% senior notes due 29 April 2016 in the aggregate nominal value of USD150,000,000 (equivalent to approximately RMB979,500,000) (the "USD Notes") at face value. The net proceeds of the CNY Notes and the USD Notes, after deducting the transaction costs, amounted to RMB3,527,947,000.

The CNY Notes and the USD Notes are jointly guaranteed by certain subsidiaries of the Group.

Subject to certain exceptions, the issuer may at its option redeem all of the CNY Notes and the USD Notes at a redemption price equal to 100% of the principal amount plus applicable premium, together with accrued and unpaid interest, if any, to the date fixed by the issuer for redemption.

The movement of senior notes is set out below:

	Group
Senior notes issued on 29 April 2011	3,591,500
Transaction costs	(63,553)
Initial cost at the date of issuance	3,527,947
Interest charged (Note 33)	204,377
Interest included in other payables	(194,375)
Exchange gain	(32,334)
Carrying amount as at 31 December 2011	3,505,615

The fair value of the senior notes at 31 December 2011 amounted to RMB2,664,041,000. The value is determined directly by references to the price quotations published by Bloomberg on 30 December 2011, the last dealing date of 2011.

(d) Other borrowings

On 13 July 2011, a subsidiary of the Company who is principally engaged in development of a real estate project in Nanjing ("Nanjing Project Company") and a financial institution (the "Trustee") entered into a fund arrangement, pursuant to which the Trustee will raise a trust fund totaling RMB1,000,000,000 and inject the fund to Nanjing Project Company. The fund bears a floating interest rate and will mature in January 2013. During the period of the fund, 60% shares of Nanjing Project Company held by the Group are pledged as security and land use right of Nanjing Project Company of RMB2,124,875,000 are pledged to the Trustee. The borrowings are also guaranteed by the Company.

As at 31 December 2011, the Group has received the funds totaling RMB1,000,000,000. The movement of the liability for the year is set out below:

	Group
Initial cost at 13 July 2011	1,000,000
Interest charged (Note 33)	62,111
Interest included in other payables	(62,111)
Carrying amount as at 31 December 2011	1,000,000

The carrying amount of other borrowings appropriates its fair value.

(All amounts in RMB Yuan thousands unless otherwise stated)

27. TAX PREPAYMENTS

Tax prepayments amounts are as follows:

	Group		Company	
	2011	2010	**2011**	2010
Enterprise income tax prepayments	**346,177**	454,720	**23,419**	9,710
Land appreciation tax prepayments	**300,310**	242,098	**39,148**	11,534
Business tax prepayments	**754,663**	837,672	**71,205**	28,016
Other tax prepayments	**4,847**	13,181	**529**	1,486
	1,405,997	1,547,671	**134,301**	50,746

Tax prepayments are calculated based on certain percentage of cash received from pre-sale of properties.

28. DEFERRED INCOME TAX

There were no offsettings of deferred income tax assets and liabilities in 2011 and 2010.

	Group	
	31 December 2011	31 December 2010
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	**1,545,484**	502,596
– Deferred tax assets to be recovered within 12 months	**857,338**	419,907
	2,402,822	922,503
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	**(2,137,199)**	(2,073,607)
– Deferred tax liabilities to be recovered within 12 months	**(226,988)**	(80,933)
	(2,364,187)	(2,154,540)

(All amounts in RMB Yuan thousands unless otherwise stated)

28. DEFERRED INCOME TAX (Continued)

	Company	
	31 December 2011	31 December 2010
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	**13,974**	10,896
– Deferred tax assets to be recovered within 12 months	**115,950**	28,617
	129,924	39,513
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	**(61,650)**	(55,095)
– Deferred tax liabilities to be recovered within 12 months	**(33,838)**	(13,875)
	(95,488)	(68,970)

The gross movement on the deferred income tax account is as follows:

	Group	
	2011	2010
At 1 January	**(1,232,037)**	(1,007,264)
Income statement credit/(charge) (Note 34)	**1,269,272**	(222,848)
Tax credit/(charge) relating to components of other comprehensive income (Note 34)	**1,400**	(1,925)
At 31 December	**38,635**	(1,232,037)

	Company	
	2011	2010
At 1 January	**(29,457)**	(16,927)
Income statement credit/(charge)	**62,493**	(10,605)
Tax credit/(charge) relating to components of other comprehensive income	**1,400**	(1,925)
At 31 December	**34,436**	(29,457)

(All amounts in RMB Yuan thousands unless otherwise stated)

28. DEFERRED INCOME TAX (Continued)

The movement in deferred tax assets and liabilities during the year is as follows:

Deferred tax liabilities:

	Group					
	Timing difference in sales recognition	Fair value gain on investment properties	Revaluation gain arising from business combinations	Revaluation of available-for-sale financial assets	Others	Total
At 1 January 2010	34,363	1,360,315	270,954	27,928	33,293	1,726,853
Charged/(credited) to the income statement	46,570	437,483	(58,291)	–	–	425,762
Charged to other comprehensive income	–	–	–	1,925	–	1,925
At 31 December 2010	80,933	1,797,798	212,663	29,853	33,293	2,154,540
Charged/(credited) to the income statement	146,055	130,643	(65,651)	–	–	211,047
Credited to other comprehensive income	–	–	–	(1,400)	–	(1,400)
At 31 December 2011	226,988	1,928,441	147,012	28,453	33,293	2,364,187

	Company				
	Timing difference in sales recognition	Fair value gain on investment properties	Revaluation of available-for-sale financial assets	Others	Total
At 1 January 2010	23,233	44,002	27,928	4,986	100,149
Credited to the income statement	(9,358)	(23,746)	–	–	(33,104)
Charged to other comprehensive income	–	–	1,925	–	1,925
At 31 December 2010	13,875	20,256	29,853	4,986	68,970
Charged to the income statement	19,963	7,955	–	–	27,918
Credited to other comprehensive income	–	–	(1,400)	–	(1,400)
At 31 December 2011	33,838	28,211	28,453	4,986	95,488

(All amounts in RMB Yuan thousands unless otherwise stated)

28. DEFERRED INCOME TAX (Continued)

Deferred tax assets:

	Group				
	Accruals	Tax losses	Unrealised profit on intra-group transactions	Others	Total
At 1 January 2010	313,596	299,304	98,416	8,273	719,589
Credited/(charged) to the income statement	179,730	(21,706)	42,216	2,674	202,914
At 31 December 2010	493,326	277,598	140,632	10,947	922,503
Credited/(charged) to the income statement	1,396,362	(5,488)	79,263	10,182	1,480,319
At 31 December 2011	1,889,688	272,110	219,895	21,129	2,402,822

	Company		
	Accruals	Others	Total
At 1 January 2010	64,581	2,279	66,860
Charged to the income statement	(26,878)	(469)	(27,347)
At 31 December 2010	37,703	1,810	39,513
Credited/(charged) to the income statement	90,540	(129)	90,411
At 31 December 2011	128,243	1,681	129,924

29. CURRENT INCOME TAX LIABILITIES

	Group		Company	
	2011	2010	**2011**	2010
Land appreciation tax payable	**4,754,234**	3,125,385	**810,283**	944,313
Income tax payable	**1,749,546**	958,510	**30,140**	(22,526)
	6,503,780	4,083,895	**840,423**	921,787

(All amounts in RMB Yuan thousands unless otherwise stated)

30. OTHER GAINS – NET

	2011	2010
Fair value gain on investment properties-net (Notes 8 and 38)	**435,686**	1,109,713
Gain on disposal of property, plant and equipment and land use rights (Note 38)	**12,097**	122,737
Loss on disposal of investment properties (Note 38)	**(29,602)**	(13,700)
Interest income (Note 38)	**129,112**	77,573
Dividend income from available-for-sale financial assets (Note 38)	**–**	18,900
Gain on disposal of land use rights to local governments (Note 38)	**150,203**	–
Others	**28,376**	53,016
	725,872	1,368,239

31. EXPENSES BY NATURE

Expenses by nature comprising cost of sales, selling and marketing costs, administrative expenses and other operating expenses are analysed as follows:

	2011	2010
Crediting		
Reversal of provision for doubtful debts (Notes 17 and 38)	**(11,641)**	(9,315)
Charging:		
Cost of completed properties sold	**14,161,629**	13,720,230
Employee benefit expense (Note 32)	**763,725**	556,068
Depreciation (Notes 7 and 38)	**227,541**	226,902
Amortisation of land use rights and intangible assets (Note 38)	**22,244**	33,341
Office expenses	**103,831**	78,060
Business taxes and other levies	**1,625,546**	1,445,192
Auditors' remuneration	**7,824**	7,414
Operating lease payments	**9,873**	6,732
Provision for doubtful debts (Notes 17 and 38)	**12,893**	13,693
Advertising cost	**215,120**	193,308
Others	**749,114**	659,581
	17,899,340	16,940,521
	17,887,699	16,931,206

(All amounts in RMB Yuan thousands unless otherwise stated)

32. EMPLOYEE BENEFIT EXPENSE

The employee benefit expense, including Directors' and Supervisors' emoluments is as follows:

	2011	2010
Wages and salaries	**581,689**	407,893
Retirement scheme contributions	**129,651**	39,409
Other allowances and benefits	**52,385**	108,766
	763,725	556,068

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2011 is set out below:

Name of Director	**Salary**	**Other benefits (i)**	**Total**
Executive Directors			
Mr. Li Sze Lim	**2,666**	**676**	**3,342**
Mr. Zhang Li	**2,666**	**676**	**3,342**
Mr. Zhou Yaonan	**3,105**	**236**	**3,341**
Mr. Lu Jing	**2,405**	**274**	**2,679**
Non-executive Directors			
Ms. Zhang Lin	**348**	**–**	**348**
Ms. Li Helen	**348**	**–**	**348**
Independent non-executive Directors			
Mr. Huang Kaiwen	**336**	**–**	**336**
Mr. Dai Feng	**278**	**–**	**278**
Mr. Lai Ming, Joseph	**278**	**–**	**278**

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

Name of Director	Salary	Other benefits (i)	Total
Executive Directors			
Mr. Li Sze Lim	2,665	676	3,341
Mr. Zhang Li	2,665	676	3,341
Mr. Zhou Yaonan	2,960	236	3,196
Mr. Lu Jing	2,260	274	2,534
Non-executive Directors			
Ms. Zhang Lin	357	–	357
Ms. Li Helen	357	–	357
Independent non-executive Directors			
Mr. Huang Kaiwen	336	–	336
Mr. Dai Feng	286	–	286
Mr. Lai Ming, Joseph	286	–	286

(All amounts in RMB Yuan thousands unless otherwise stated)

32. EMPLOYEE BENEFIT EXPENSE (Continued)

(b) Supervisors' emoluments

The remuneration of every Supervisor for the year ended 31 December 2011 is set out below:

Name of Supervisor	Salary	Other benefits (i)	Total
Mr. Feng Xiangyang	448	32	480
Ms. Liang Yingmei	60	–	60
Mr. Zheng Ercheng	60	–	60

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

Name of Supervisor	Salary	Other benefits (i)	Total
Mr. Feng Xiangyang	1,420	65	1,485
Mr. Liang Yingmei	60	–	60
Mr. Zheng Ercheng	60	–	60

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2010: four) Directors whose emoluments are reflected in the analysis presented above. The emolument payable to the remaining one (2010: one) individual during the year is as follows:

	2011	2010
Salaries	4,405	4,160
Retirement scheme contributions and other benefits	236	236
	4,641	4,396

The emolument of the individual fell within the following bands:

	Number of individuals	
	2011	2010
Emolument bands		
RMB 4,000,001 to RMB 5,000,000	1	1

Notes:

(i) Other benefits mainly include welfare and transportation expenses.

(ii) No Directors or Supervisors of the Company waived or agreed to waive any remuneration for the year ended 31 December 2011 (2010: Nil).

(iii) During the year, no emolument was paid by the Group to any of the above Directors or Supervisors or the five highest individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

(All amounts in RMB Yuan thousands unless otherwise stated)

33. FINANCE COSTS

	2011	2010
Interest on bank loans	**1,252,636**	1,217,073
Interest on corporate bonds (Note 26 (b))	**390,513**	389,592
Interest on senior notes (Note 26 (c))	**204,377**	–
Interest on other borrowings (Note 26 (d))	**62,111**	–
Less: interest capitalised	**(770,485)**	(665,818)
	1,139,152	940,847

The average interest rate applied for capitalisation of funds borrowed and used for the development of properties and property, plant and equipment is 6.22% per annum for the year ended 31 December 2011 (2010: 5.29%).

34. INCOME TAX EXPENSES

	2011	2010
Current income tax		
– PRC enterprise income tax (Note (b))	**3,172,860**	1,644,053
Deferred income tax (Note 28)	**(1,269,272)**	222,848
	1,903,588	1,866,901
Current PRC land appreciation tax (Note (c))	**2,429,799**	1,746,972
Total income tax expenses (Note (d))	**4,333,387**	3,613,873

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the year (2010: Nil).

(b) PRC enterprise income tax

The PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC.

For the year ended 31 December 2011, the applicable income tax rate for the profits generated from property construction by a subsidiary was 25% based on taxable profits (2010: 2.5% based on the revenue throughout the year); the applicable income tax rate for the profits generated from other business was primarily 25% (2010: 25%) based on taxable profits.

(c) PRC land appreciation tax

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

(All amounts in RMB Yuan thousands unless otherwise stated)

34. INCOME TAX EXPENSES (Continued)

(d) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2011	2010
Profit before income tax	**9,168,203**	8,070,242
Less: land appreciation tax	**(2,429,799)**	(1,746,972)
	6,738,404	6,323,270
Calculated at tax rate of 25% (2010: 25%)	**1,684,601**	1,580,818
Effect of different income tax regime of certain companies	**(22,824)**	(29,860)
Development costs not deductible for taxation purposes	**67,292**	264,174
Others	**174,519**	51,769
PRC enterprise income tax	**1,903,588**	1,866,901
Land appreciation tax	**2,429,799**	1,746,972
Tax charge (Note 38)	**4,333,387**	3,613,873

(e) The tax credit/(charge) relating to components of other comprehensive income is as follows:

	2011			2010		
	Before tax	**Tax credit**	**After tax**	Before tax	Tax charge	After tax
Fair value (loss)/gain of available-for-sale financial assets	**(5,600)**	**1,400**	**(4,200)**	7,700	(1,925)	5,775

35. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB1,427,537,000 (2010: RMB1,136,297,000).

36. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year less shares held for Share Award Scheme.

	2011	2010
Profit attributable to owners of the Company	**4,841,650**	4,350,593
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (thousands)	**3,215,534**	3,222,367
Earnings per share (RMB per share)	**1.5057**	1.3501

There were no dilutive potential shares during the years presented above.

37. DIVIDENDS

	2011	2010
Interim dividend paid of RMB0.20 (2010: RMB0.10) per ordinary share	**644,473**	322,237
Less: Dividend for shares held by Share Award Scheme	**(1,751)**	–
	642,722	322,237
Proposed final dividend of RMB0.40 (2010: RMB0.40) per ordinary share	**1,288,948**	1,288,948
Less: Dividend for shares held by Share Award Scheme at 31 December 2011	**(11,200)**	–
	1,277,748	1,288,948
	1,920,470	1,611,185

A 2010 final dividend of RMB0.40 per ordinary share, totaling RMB1,288,948,000 was paid in June and July 2011.

An interim dividend of RMB0.20 per ordinary share, totalling RMB644,473,000 was proposed by the board of directors and paid in Octorber and December 2011 (in respect of six months ended 30 June 2010: RMB322,237,000), of which RMB1,751,000 was paid for shares held by Share Award Scheme.

2011 final dividend of RMB0.40 (2010: RMB0.40) per ordinary share, amounting to a total dividend of RMB1,288,948,000 which is based on the number of shares as at 31 December 2011 is to be approved by the shareholders at the Annual General Meeting ("AGM") on 25 May 2012, of which RMB11,200,000 is to be paid for shares held by Share Award Scheme as at 31 December 2011, This proposed final dividend will be accounted for as an appropriation of retained earnings in the year ending 31 December 2012. These financial statements do not reflect this dividend payable.

The aggregate amounts of the dividends paid and proposed during 2011 and 2010 have been disclosed in the consolidated income statement in accordance with the Hong Kong Companies Ordinance.

(All amounts in RMB Yuan thousands unless otherwise stated)

38. CASH GENERATED FROM OPERATIONS

	2011	2010
Profit for the year	**4,834,816**	4,456,369
Adjustments for:		
– Tax (Note 34)	**4,333,387**	3,613,873
– Interest income (Note 30)	**(129,112)**	(77,573)
– Interest expense (Note 33)	**1,139,152**	940,847
– Depreciation (Notes 7 and 31)	**227,541**	226,902
– Amortisation of land use rights and intangible assets (Note 31)	**22,244**	33,341
– Gain on disposal of subsidiaries	**(10,002)**	–
– Gain on disposal of property, plant and equipment and land use rights (Note 30)	**(12,097)**	(122,737)
– Loss on disposal of investment properties (Note 30)	**29,602**	13,700
– Gain on disposal of land use rights to local governments (Note 30)	**(150,203)**	–
– Goodwill disposed for sale of properties, charged to cost of sales (Note 9)	**37,403**	–
– Provision for doubtful debts (Notes 17 and 31)	**12,893**	13,693
– Reversal of provision for doubtful debts (Notes 17 and 31)	**(11,641)**	(9,315)
– Share of results of jointly controlled entities (Note 11)	**19,131**	20,544
– Share of results of associates (Note 12)	**(118,218)**	47,220
– Fair value gain on investment properties – net (Notes 8 and 30)	**(435,686)**	(1,109,713)
– Dividend income from available-for-sale financial assets (Note 30)	**–**	(18,900)
– Down-stream elimination of unrealised profits (Note 11)	**24,586**	12,189
– Operating profit before changes in working capital	**9,813,796**	8,040,440
– Changes in working capital:		
– Properties under development and completed properties held for sale	**(3,662,495)**	(565,790)
– Trade receivables	**(563,233)**	(468,981)
– Other receivables, deposits and prepayments	**470,152**	(5,271,224)
– Restricted cash	**(822,294)**	(977,831)
– Deposits received on sale of properties	**(1,424,823)**	4,114,209
– Accruals and other payables	**1,965,588**	1,187,660
– Business tax payable	**(169,040)**	109,902
Net cash generated from operations	**5,607,651**	6,168,385

In the statement of cash flows, proceeds from disposals of property, plant and equipment and land use rights comprise:

	2011	2010
Net book amount of property, plant and equipment (Note 7)	**40,132**	35,989
Net book amount of land use rights (Note 6)	**495**	6,863
Gain on disposal of property, plant and equipment and land use rights (Note 30)	**12,097**	122,737
Receivables for disposal of property, plant and equipment and land use rights	**(690)**	69,000
Proceeds from disposal of property, plant and equipment and land use rights	**52,034**	234,589

(All amounts in RMB Yuan thousands unless otherwise stated)

38. CASH GENERATED FROM OPERATIONS (Continued)

In the statement of cash flows, proceeds from disposal of investment properties comprise:

	2011	2010
Net book amount (Note 8)	**77,131**	76,551
Loss on disposal of investment properties (Note 30)	**(29,602)**	(13,700)
Proceeds from disposal of investment properties	**47,529**	62,851

39. FINANCIAL GUARANTEE CONTRACTS

The face values of the financial guarantees issued by the Group and the Company as at 31 December 2011 are analysed as below:

	Group		**Company**	
	2011	2010	**2011**	2010
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	**12,514,920**	12,326,826	**5,473,033**	3,357,885
Guarantees given to banks for bank loans of subsidiaries (Note (b))	**–**	–	**4,866,900**	7,723,860
Guarantees in respect of borrowings of jointly controlled entities and an associate (Notes (c) and 42 (ix))	**3,991,260**	1,374,638	**3,991,260**	1,374,638
	16,506,180	13,701,464	**14,331,193**	12,456,383

Notes:

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of 25 months upon the completion of guarantee registration; or (ii) completion of mortgage.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the real estate ownership certificate for the mortgagees. The Directors consider that the fair value of these contracts at date of inception was minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

(b) It represents guarantees provided to subsidiaries of the Group to obtain bank loans. The Directors consider that the fair value of these contracts at the date of inception was minimal and understand the repayment was on schedule and risk of default in payment was remote, therefore no provision has been made in the financial statements for the guarantees.

(c) It represents the maximum exposure of the guarantee provided for jointly controlled entities and an associate for their borrowings.

(All amounts in RMB Yuan thousands unless otherwise stated)

40. COMMITMENTS

(a) Expenditure commitments for properties under development

	2011	2010
Authorised but not contracted for	6,211,565	5,670,567
Contracted but not provided for	12,497,064	12,862,943
	18,708,629	18,533,510

(b) Operating lease commitments

At 31 December 2011, the Group had future aggregate minimum lease payments for land and buildings under non-cancellable operating leases as follows:

	2011	2010
Not later than one year	13,137	3,416
Later than one year and not later than five years	26,586	4,334
Over five years	72,840	22,561
	112,563	30,311

(c) Other commitments

The Group had commitments for investments in a number of PRC companies in various major cities in the PRC. Payment obligations of the Group are established when the other contracting parties have fulfilled their respective contractual obligations as specified in the contracts. The total commitments at 31 December 2011 were as follows:

	2011	2010
Contracted but not provided for	–	480,163

(All amounts in RMB Yuan thousands unless otherwise stated)

41. FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

At 31 December 2011, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	Group		Company	
	2011	2010	**2011**	2010
Not later than one year	**507,650**	388,350	**57,232**	38,621
Later than one year and not later than five years	**1,030,269**	937,108	**68,179**	80,866
Over five years	**611,913**	955,501	**3,843**	20,011
	2,149,832	2,280,959	**129,254**	139,498

42. SIGNIFICANT RELATED-PARTY TRANSACTIONS

The major shareholders of the Group include Li Sze Lim and Zhang Li (both are national of PRC), who owns 33.52% and 32.02% of the Company's shares.

Transactions are based on the price lists in force and terms that would be available to third parties. The following transactions were carried out with related parties:

i) Provision of restaurant services

	2011	2010
Common shareholders:		
廣州富力宮酒家有限公司	**–**	4,112
惠州市金鵝溫泉實業有限公司	**9,725**	6,584
	9,725	10,696

ii) Provision of lease of properties

	2011	2010
Common shareholders:		
廣州金貝殼投資有限公司(“廣州金貝殼”)	**1,271**	1,224
Associate:		
廣州利合	**2,415**	1,932

(All amounts in RMB Yuan thousands unless otherwise stated)

42. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

iii) Drinking water system charges

	2011	2010
Common shareholders:		
廣州越富環保科技有限公司(“越富環保”)	15,252	8,782

iv) Key management compensation

	2011	2010
Salaries and welfare benefits	15,483	16,807

v) Provision of property management services

	2011	2010
Associates:		
北京富盛利	–	852
廣州利合	289	324
	289	1,176
Common shareholders:		
廣州金貝殼	222	222

vi) Purchases of construction materials

	2011	2010
Associate:		
超力混凝土	96,584	88,594

vii) Provision of design services

	2011	2010
Jointly controlled entity:		
廣州富景	3,973	12,570

(All amounts in RMB Yuan thousands unless otherwise stated)

42. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

viii) Provision of construction services

	2011	2010
Jointly controlled entities:		
瀋陽億隆	**154,934**	113,223
廣州富景	**–**	1,738
廣州聖景	**–**	340
	154,934	115,301

ix) Provision of guarantees for borrowings

(a) The Group and other shareholders have jointly provided guarantees for certain bank facilities granted to the Group's jointly controlled entities and an associate for project development purpose. Such guarantees are limited to the Group's proportionate interests in the jointly controlled entities and associate. As at 31 December 2011, the Group's proportionate guarantees for bank loans provided to its jointly controlled entities and associate are shown as follows:

	2011	2010
Jointly controlled entities:		
瀋陽億隆	**195,000**	50,000
廣州富景	**350,070**	300,060
Hines Shanghai	**567,490**	–
上海悦城	**478,300**	–
	1,590,860	350,060
Associate:		
廣州利合	**772,500**	1,024,578

(b) The Group and the other shareholders of 津南新城 provided guarantees in proportion of their respective equity interests in 津南新城 for its borrowings obtained from a funding plan. The Group provided guarantees amounted to RMB900,000,000, as well as the pledge of the Group's equity interest in 津南新城.

(c) The Group and the other shareholders of 廣州利合 provided guarantees for its borrowings obtained from a funding plan. As at 31 December 2011, the Group provided guarantees amounted to RMB727,900,000 (31 December 2010: Nil).

(All amounts in RMB Yuan thousands unless otherwise stated)

42. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

x) Balances with related parties

As at 31 December 2011, the Group had the following significant balances with related parties:

	2011	2010
Due from:		
Jointly controlled entities		
– Non-trade balances		
Value Success (Note (b))	**85,053**	89,148
廣州富景 (Note (a))	**433,819**	589,950
惠州富茂 (Note (a))	**351,500**	200,000
津南新城	**60,607**	58,175
瀋陽富力會	**286**	286
森華木業 (Note (a))	**234,845**	–
瀋陽億隆		
– consideration receivable (Note (c))	**72,969**	141,500
– prepayments of construction costs (Note (d))	**30,521**	73,632
	103,490	215,132
廣州聖景 (Note (g))	**–**	205,759
Hines Shanghai	**–**	96,338
	1,269,600	1,454,788
– Trade balances		
廣州聖景 (Note (g))	**–**	261
瀋陽億隆 (Note (e))	**96,754**	47,106
	96,754	47,367
Associates		
– Non-trade balances		
北京富盛利	**1,271**	1,423
北京粵商	**2,000**	–
廣州利合 (Note (a))	**1,139,377**	1,515,443
	1,142,648	1,516,866
	2,509,002	3,019,021
Due to:		
Jointly controlled entities		
– Non-trade balances		
Maxview (Note (g))	**–**	16,024
Hines Shanghai	**457,164**	–
上海悅城	**351,892**	90,000
	809,056	106,024

(All amounts in RMB Yuan thousands unless otherwise stated)

42. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

x) Balances with related parties (Continued)

	2011	2010
Due to:		
Associates		
– Non-trade balances		
盛安創富	**3,992**	–
廣州富力城信信息科技有限公司	**–**	5
	3,992	5
– Trade balances		
超力混凝土 (Note (f))	**66,298**	40,452
	70,290	40,457
	879,346	146,481

The non-trade balances with related parties are interest free, unsecured and have no fixed repayment terms. The trade balances with related parties are interest free, unsecured and settled according to contract terms.

(a) It represents prepayments for purchases of land use rights on behalf of the Group's jointly controlled entities and the associate.

(b) It represents borrowings to the jointly controlled entity in proportion to the controlling interest pursuant to the joint venture agreement.

(c) It represents the consideration paid on behalf of the jointly controlled entity for acquisition in 2007.

(d) It represents construction costs paid by the Group on behalf of the jointly conrolled entity.

(e) It represents receivables relating to construction services provided by the Group which will be settled in various construction stages.

(f) It represents payables relating to purchases of construction materials by the Group, of which monthly settlements are made based on contract terms.

(g) The Group acquired the remaining interests in Maxview in 2011. Maxview became a wholly-owned subsidiary of the Group.

(All amounts in RMB Yuan thousands unless otherwise stated)

RECONCILIATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group has prepared a separate set of consolidated financial statements for the year ended 31 December 2011 in accordance with China Accounting Standards for Business Enterprises ("CAS"). The differences between the consolidated financial statements prepared under CAS and HKFRS are summarised as follows:

	Profit attributable to owners of the Company for the year ended 31 December		Equity attributable to owners of the Company as at 31 December	
	2011	2010	**2011**	2010
As stated in accordance with CAS	**4,863,733**	4,589,761	**22,688,474**	19,928,286
Impact of HKFRS adjustments:				
1. Amortisation of revaluation gain arising from business combinations	**(39,894)**	(100,775)	**83,326**	123,220
2. Amortisation of customer contracts	**–**	(16,621)	**(322,000)**	(322,000)
3. Fair value of investment properties under construction	**–**	(235,294)	**–**	–
4. Deferred taxation	**17,811**	88,434	**76,026**	58,215
5. Non-controlling interests	**–**	25,088	**–**	–
As stated in accordance with HKFRS	**4,841,650**	4,350,593	**22,525,826**	19,787,721

Notes:

1. The Group adopted SSAP 27 "Accounting for Group Reconstructions" for acquisition of certain subsidiaries before the issuance of Accounting Guideline 5 "Merger Accounting for Common Control Combinations" in November 2005 effective upon issue. As the acquisitions did not meet the conditions for using merger accounting under SSAP 27, which prevented the use of predecessor costs when non-controlling interests or rights of the ultimate shareholder have changed, the Group adopted purchase method to account for the acquisitions.

2. The Group acquired the entire equity interests in Guangzhou Tianli Construction Co., Ltd. on 5 June 2007 and recognised an intangible asset for the customer contracts on hand upon acquisition, as an identifiable asset distinguished from goodwill.

   Under HKFRS, such customer contracts which have a finite useful life, are amortised using the straight-line method over the execution of the customer contracts. These customer contracts, considered as goodwill under CAS, do not require any amortisation but are subject to annual impairment test assessment.

3. In 2009, the Group applied HKAS 40 (Amendment) 'Investment property', resulted in a fair value gain for investment properties under construction. Such gain was recognised under CAS upon completion of the construction in 2010.

4. It refers to the effects of deferred tax arising from the above adjustments.

5. It mainly refers to the effects of non-controlling interests arising from fair value gain of investment properties under construction.

FIVE-YEAR FINANCIAL SUMMARY

(All amounts in RMB Yuan thousands)

CONSOLIDATED BALANCE SHEET (AS AT 31 DECEMBER)

	2011	2010	2009	2008	2007
Non-current assets	**26,750,409**	25,364,801	17,638,060	13,684,690	12,361,505
Current assets	**57,408,475**	52,052,104	48,705,957	41,362,335	41,928,669
Total assets	**84,158,884**	77,416,905	66,344,017	55,047,025	54,290,174
Non-current liabilities	**20,649,437**	22,823,936	19,249,643	12,767,411	14,243,928
Current liabilities	**40,777,073**	34,593,748	30,075,008	27,234,516	27,252,083
Total liabilities	**61,426,510**	57,417,684	49,324,651	40,001,927	41,496,011
Total equity	**22,732,374**	19,999,221	17,019,366	15,045,098	12,794,163

CONSOLIDATED INCOME STATEMENT (YEAR ENDED 31 DECEMBER)

	2011	2010	2009	2008	2007
Revenue	**27,370,095**	24,641,820	18,196,463	15,360,151	14,771,919
Cost of sales	**(15,954,244)**	(15,348,632)	(12,446,844)	(10,201,681)	(9,148,146)
Gross profit	**11,415,851**	9,293,188	5,749,619	5,158,470	5,623,773
Other gains – net	**725,872**	1,368,239	1,213,455	1,520,892	3,385,097
Selling and marketing costs	**(471,804)**	(425,921)	(370,888)	(295,282)	(188,268)
Administrative expenses	**(1,452,454)**	(1,121,274)	(978,244)	(1,010,851)	(483,038)
Other operating (expenses)/income	**(9,197)**	(35,379)	(247,988)	30,752	(43,227)
Operating profit	**10,208,268**	9,078,853	5,365,954	5,403,981	8,294,337
Finance costs	**(1,139,152)**	(940,847)	(505,334)	(341,202)	(102,929)
Share of results of jointly controlled entities	**(19,131)**	(20,544)	(2,427)	7,812	(3,866)
Share of results of associates	**118,218**	(47,220)	434	(479)	(52)
Profit before income tax	**9,168,203**	8,070,242	4,858,627	5,070,112	8,187,490
Income tax expense	**(4,333,387)**	(3,613,873)	(1,937,394)	(1,931,903)	(2,810,012)
Profit for the year	**4,834,816**	4,456,369	2,921,233	3,138,209	5,377,478
Attributable to:					
Owners of the Company	**4,841,650**	4,350,593	2,899,500	3,119,499	5,365,025
Non-controlling interest	**(6,834)**	105,776	21,733	18,710	12,453

PROPERTY LIST

Property	The Group's Interest (%)	Location	Use	Site Area (sq.m.)	Total GFA (sq.m.)	GFA held by the Group (sq.m.)	Expected Date of Completion
Properties for sale (under-development)							
Guangzhou							
R&F Jingang City (excluding Holiday Inn Airport Hotel Guangzhou)	100%	Modern Avenue, Huadu Town, Huadu District	Residential, Industrial and Storage	1,119,211	1,975,999	1,123,526	2014
R&F Junhu Palace	100%	West of Shouyue, Liuhua Road, Liwan District	Residential	38,358	146,459	102,692	2012
R&F Haizhu Plaza	100%	Southwest of the Interchange of Jiangnan Xi Road and Jiangnan Avenue, Haizhu District	Commercial & Office	18,816	135,804	135,804	2014
R&F Yingyao Building (J2-5 Project)	100%	Zone J, Pearl River New Town, Tianhe District	Commercial & Office	7,918	155,244	155,244	2014
R&F Yingtong Plaza	100%	East of Huaxia Road, Tianhe District	Office	7,008	120,000	120,000	2013
R&F Spring World	100%	Hot Spring Village, Hot Spring Town, Conghua City	Residential	808,018	520,000	443,110	Pending
R&F Tangning Garden	100%	North of Xiwan Road, Liwan District	Residential	71,554	133,081	133,081	2012
R&F Yangji Project	100%	Zhongshan First Road, Yuexiu District	Residential & Commercial	44,288	273,800	273,800	2014
R&F Yingkai Plaza (Office & Shopping Mall)	100%	Zone J, Pearl River New Town, Tianhe District	Commercial & Office	7,944	112,666	112,666	2013
Liede Project	33.34%	Liede Village, Liede Road, Tianhe District	Apartment, Commercial and Office	114,176	523,230	174,445	Pending
Asian Games City Project	20%	Asia Game City, Panyu District	Residential & Commercial	2,639,520	4,557,700	723,331	Pending
R&F Jinyu Garden	100%	Zone F, Jinsha Zhou, Baiyun District	Residential	101,355	59,705	59,705	Pending
Huizhou							
Longquan Project	100%	Maqiao Re Shui Village, Yonghan Town, Longmen County	Residential & Commercial	1,330,673	1,303,010	1,303,010	Pending
Fumao Venice Bay	50%	Dapu Tun, Renshan Town, Rendong County	Residential & Commercial	1,318,673	2,969,763	1,474,393	Pending
R&F Huibo City	100%	Huibo Yan Jiang Exit, Luoyang Town, Boluo County	Residential & Commercial	79,167	319,576	319,576	Pending

Property	The Group's Interest (%)	Location	Use	Site Area (sq.m.)	Total GFA (sq.m.)	GFA held by the Group (sq.m.)	Expected Date of Completion
Hainan							
R&F Bay Shore	100%	Zone B, Xiangshui Bay, Lingshui Town, Sanya	Residential, Commercial and Hotel	1,353,396	477,763	294,393	2015
R&F Yingxi Valley	100%	Najia Po, Xiuying District, West Coast, Haikou	Residential	453,000	171,000	102,510	2013
R&F Mangrove Bay	100%	Sanlin Exit, Huandao West Line High-way, Chengmai Town	Residential & Commercial	4,352,042	2,631,814	2,579,538	2018
Chongqing							
Chongqing R&F City (excluding Holiday Inn @ University City Chongqing)	100%	Xiyong Unit, Shaping Ba District	Residential & Commercial	1,981,995	6,192,338	5,643,725	Pending
Chengdu							
R&F Panda City Phase II (excluding Ritz-Carlton Chengdu)	100%	Shuncheng Street, Qingyang District	Residential & Commercial	16,177	252,048	252,048	2012
R&F Peach Garden	100%	South of Zhenhai Du Road West, Xindu Town	Residential	186,650	1,081,774	881,776	2016
Kunshan							
R&F Bay Shore Phase I	100%	West of Wanyuan Road, Dianshan Lake Town, Kunshan	Residential	921,333	402,138	258,650	2013
Shanghai							
R&F Peach Garden	100%	Qingpu Industrial Zone, Qingpu District	Residential	231,983	291,933	160,123	2013
R&F New Jiangwan Town	50%	New Jiangwan Town, Yangpu District	Residential, Commercial, Office & Hotel	142,664	267,419	133,710	Pending
Nanjing							
Nanjing R&F City	100%	Qilin Science & Technology Parks, Jiangning District, Nanjing	Residential, Office & Hotel	571,864	600,477	600,477	Pending
Beijing							
R&F Festival City	100%	North of Dalu Dian, Douge Village, Chaoyang District	Residential, Commercial and Storage	341,249	1,123,616	202,110	2013
R&F Danish Town	100%	Jinnan Green and Ecology Community, West of the Development Zone, Pangge Village, Daxing District	Residential, Commercial and Storage	607,333	417,655	170,237	2013
R&F No. 10	100%	No.10, Guangqu Men Wai, Chaoyang District	Residential	32,300	94,500	89,498	2012

Property	The Group's Interest (%)	Location	Use	Site Area (sq.m.)	Total GFA (sq.m.)	GFA held by the Group (sq.m.)	Expected Date of Completion
R&F Golden Jubilee Garden	100%	South of Xincheng Street, Tongzhou District	Residential	73,050	317,760	317,760	2013
R&F Chengyue Court	100%	No. 4, Yizhuang Old Dongong Station, Daxing District	Residential & Commercial	88,911	190,861	190,861	2013
Tianjin							
R&F Peach Garden	100%	North of Lishuang Road, West of Weishan Road, Shuanggang Town, Jinnan District	Residential and Commercial	166,400	518,035	289,930	2012
R&F Jinmen Lake	100%	West of Youyi Nan Road, Hexi District	Residential	930,932	1,706,287	1,143,809	2015
R&F Center	100%	East of Nanchang Road, Hexi District	Commercial & Office	9,588	180,217	180,217	2013
R&F Guangdong Building	100%	South of Tuochang Road, West of Binhe Xi Road, Tanggu District	Office	23,070	361,101	361,101	2013
Jinnan Xincheng Project	25%	Xianshui Gu Town, Jinnan District	Residential, Commercial, Office, Hotel & Shopping Mall	1,289,227	3,010,901	752,725	Pending
Xian							
Xian R&F City (excluding R&F Holiday Inn Xian)	100%	South of North Ring Road, Chang'an District	Residential, Commercial and Office	381,814	1,080,661	595,221	2015
Taiyuan							
Taiyuan R&F City	100%	No.3, Jinan East Street, Xinhua Ling District	Residential & Commercial	1,056,200	2,112,400	1,702,741	2016
R&F Modern Plaza	100%	South of Donger Xiang, Yijing Xi Road, West of Heping Nan Road, Wanbolin District	Residential	87,022	330,925	132,257	2012
R&F Peach Garden	100%	No.5, Jinan Dong Street, Xinghua Ling District	Residential	195,827	349,924	349,924	Pending
R&F Palace	100%	No. 9 Jiefang Road North	Residential & Commercial	237,601	814,634	814,634	Pending
Harbin							
Jiangwan City	100%	Youyi Xi Road, Dao Li District	Residential & Commercial	120,574	700,000	700,000	Pending
Shenyang							
Xianhu Project	66.67%	Huangshan Village, Taoxian Town, Dongling District	Residential	373,406	200,015	90,000	Pending

Property	The Group's Interest (%)	Location	Use	Site Area (sq.m.)	Total GFA (sq.m.)	GFA held by the Group (sq.m.)	Expected Date of Completion
Properties for sale (under planning)							
Guangzhou							
Huadu Huawei Co. Project	100%	Modern Avenue, Huadu District	Industrial & Storage	142,571	187,299	187,299	Pending
Nansha Project	50%	West of Industrial Estate, Nansha District	Residential	83,222	233,022	116,511	Pending
Hainan							
Wenchang Moon Bay Project	100%	Yueliang Wan, Changli Town, Wenchang City	Hotel, Travel & Commercial	277,160	117,980	117,980	Pending
Chongqing							
Nanshan Villa	100%	No.99 Nanshan Road, Nan'an District	Residential & Commercial	79,583	31,540	31,540	Pending
Kunshan							
R&F Bay Shore Phase II	100%	West of Wanyuan Road, Dianshan Hu Town, Kunshan	Residential	142,390	34,946	34,946	Pending
Beijing							
Daxing Panggezhuang Project	100%	Panggezhuang, Daxing District	Residential & Commercial	138,869	230,747	230,747	Pending
Hebei							
Xianghe Project	100%	East of Daxiang High-way, Jiangxin Tun Town, Xianghe County, Langfang City	Residential	309,345	610,770	610,770	Pending
Datong							
Datong R&F City	100%	South of Yunzhou Street, Datong City	Residential & Commercial Financial	127,571	392,493	392,493	Pending
Properties for investment (completed)							
Guangzhou							
R&F Cambridge Terrace Shopping Mall	100%	Dongguan Zhuang Road, Tianhe District	Commercial	-	42,993	42,993	N/A
R&F West Garden Shopping Mall	100%	Huanshi Xi Road, Liwan District	Commercial	-	3,570	3,570	N/A
R&F King's Court (Commercial)	100%	Xiaomei Street, Liwan District	Office	-	9,184	9,184	N/A
R&F Square (North Court) Shopping Mall	100%	Zhongshan Eighth Road, Liwan District	Commercial	-	8,455	8,455	N/A
R&F Children World	100%	Zhongshan Eighth Road, Liwan District	Commercial	-	16,307	16,307	N/A

Property	The Group's Interest (%)	Location	Use	Site Area (sq.m.)	Total GFA (sq.m.)	GFA held by the Group (sq.m.)	Expected Date of Completion
R&F Square Zone B Shopping Mall	100%	Zhongshan Eighth Road, Liwan District	Commercial	-	2,213	2,213	N/A
R&F Modern Plaza - Jiaxin Commercial Center	100%	Gexin Road, Haizhu District	Commercial	-	29,000	29,000	N/A
R&F Center	100%	Zone J, Pearl River New Town, Tianhe District	Office	8,117	162,605	162,605	N/A
Grand Hyatt Guangzhou	100%	Zone F, Pearl River New Town, Tianhe District	Hotel	10,291	114,498	85,596	N/A
The Ritz-Carlton, Guangzhou	100%	Zone J, Pearl River New Town, Tianhe District	Hotel	6,895	104,322	104,322	N/A
Beijing							
Renaissance Beijing Capital Hotel	100%	North of Guangqu Men Wai Street, Chaoyang District	Hotel, Office & Commercial	43,703	120,349	120,349	N/A
Beijing R&F City Shopping Mall	100%	North of Guangqu Men Wai Street, Chaoyang District	Commercial	-	110,636	110,636	N/A
Beijing R&F Center	100%	North of Guangqu Men Wai Street, Chaoyang District	Office	-	59,600	59,600	N/A
Express by Holiday Inn Temple of Heaven Beijing	100%	No.35 Court, Nanwei Road, Xuanwu District	Hotel	6,190	22,302	22,302	N/A
Chongqing							
R&F Ocean Plaza (Commercial)	100%	Yanghe New Area, Guanyin Qiao Street, Jiangbei District	Commercial	-	72,675	72,675	N/A
Chengdu							
R&F Panda City Tianhui Mall	100%	Shuncheng Street, Qingyang District	Commercial	-	254,626	254,626	N/A
Properties for investment (under-development)							
Guangzhou							
Park Hyatt Guangzhou	100%	Zone J, Pearl River New Town, Tianhe District	Hotel	7,944	65,504	65,504	2013
Conrad Guangzhou	33.34%	Liede Village, Liede Road, Tianhe District	Hotel	-	45,000	15,003	2013
Huizhou							
Renaissance Huizhou Hotel	100%	Yanjiang Economic Circle, Jiangbei New District	Hotel	15,000	67,126	67,126	2012
Tianjin							
Tianjin R&F City Commercial Complex	100%	South of Beima Road, West of Dongma Road, Nankai District	Commercial	23,000	166,638	166,638	Pending

Property	The Group's Interest (%)	Location	Use	Site Area (sq.m.)	Total GFA (sq.m.)	GFA held by the Group (sq.m.)	Expected Date of Completion
Chongqing							
Hyatt Regency Chongqing	100%	Yanghe New Area, Guanyin Qiao Street, Jiangbei District	Hotel	16,137	46,439	46,439	2012
Chengdu							
Ritz-Carlton Chengdu	100%	Shuncheng Street, Qingyang District	Hotel	-	59,171	59,171	2012
Properties for investment (under planning)							
Guangzhou							
Holiday Inn Airport Hotel Guangzhou	100%	Modern Avenue, Huadu District	Hotel	4,405	34,215	34,215	Pending
Chongqing							
Holiday Inn @ University City Chongqing	100%	Xiyong Unit, Shaping Ba District	Hotel	30,893	67,612	67,612	Pending
Xian							
R&F Holiday Inn Xian	100%	North Ring Road, Chang'an District	Hotel	6,880	50,000	50,000	2014
Huizhou							
Hilton Huizhou Longmen Resort	100%	Maqiao Re Shui Village, Yonghan Town, Longmen County	Hotel	-	45,000	45,000	2013
Hainan							
Doubletree Resort by Hilton Haikou-Chengmai	100%	Sanlin Exit, Huandao West Line High-way, Chengmai Town	Hotel	-	38,000	38,000	2013

CORPORATE INFORMATION

Executive Directors	Li Sze Lim, Zhang Li, Zhou Yaonan, Lu Jing
Non-executive Directors	Zhang Lin, Li Helen
Independent Non-executive Directors	Huang Kaiwen, Dai Feng, Lai Ming Joseph
Supervisors	Feng Xiangyang (resigned on 23/2/2012), Chen Liangnuan (appointed on 23/2/2012), Liang Yingmei, Zheng Ercheng
Authorized Representatives	Li Sze Lim, Chow Oi Wah Fergus
Company Secretary	Chow Oi Wah Fergus
Registered Office in the PRC	45-54/F., R&F Center, No.10 Huaxia Road, Pearl River New Town, Guangzhou 510623 PRC
Principal Place of Business in the PRC	45-54/F., R&F Center, No. 10 Huaxia Road, Pearl River New Town, Guangzhou 510623 PRC
Place of Business in Hong Kong	Room 1103, Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong
Auditor	PricewaterhouseCoopers 22/F., Prince's Building, Central, Hong Kong
Legal Advisor as to Hong Kong Law	Sidley Austin 39/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Hong Kong H share Registrar	Computershare Hong Kong Investor Services Limited 17M/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Website	www.rfchina.com

SHAREHOLDERS' INFORMATION

SHAREHOLDERS' CALENDAR

Interim results announcement	23 August 2011
Interim dividend paid	13 October 2011
Final results announcement	20 March 2012
Closure of register of members (for Annual General Meeting)	24 April 2012 to 25 May 2012 (both days inclusive)
Closure of register of members (for entitlement of final dividend)	4 June 2012 to 8 June 2012 (both days inclusive)
Annual general meeting	25 May 2012
Final dividend payable date	To be announced

LISTING INFORMATION

The Company's H shares were listed on The Stock Exchange of Hong Kong Limited on 14 July 2005.

Stock Code

Hong Kong Stock Exchange	2777
Reuters	2777.HK
Bloomberg	2777HK

Board Lot Size 400 shares

Share Information

Year	Stock Price* High HK$	Stock Price* Low HK$
2005 (from 14 July to 31 Dec)	6.9375	2.7
2006	17.14	6.675
2007	45.6	12.8
2008	28.3	2.3
2009	18.98	5.31
2010	14.14	8.55
2011	12.54	5.48

* 4-for-1 share sub-division adjusted

廣州富力地產股份有限公司
GUANGZHOU R&F PROPERTIES CO., LTD.*

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* for identification purpose only