中國奧園地產集團股份有限公司
China Aoyuan Property Group Limited
(Incorporated in the Cayman Islands with limited liability)
HKEx Stock Code: 3883

Annual Report 2011

Building a healthy, low-carbon lifestyle

Group Introduction

China Aoyuan Property Group Limited ("Aoyuan" or the "Company") and its subsidiaries (the "Group") have been developing residential projects for over ten years with innovative concept of composite property, incorporating healthy living concepts of low carbon, sports and regimen into residential communities. Thereafter, the Group introduced the Cathay Capital Group, a US investment fund, as one of its substantial shareholders, and the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 October 2007 (Stock Code: 3883).

The real estate projects currently held by the Group are mainly located in Guangdong and Shenyang; as well as Chongqing, Guangxi and Jiangxi, which have created excellent and comfortable living environment for property owners. The Group's strategy is to implement regional focus on the five major economic circles as its core regions in PRC, namely Pearl River Delta, Yangtze River Delta, Bohai Rim, Beibuwan as well as Central and Western China.

The Group has affirmed its future development direction: adhering to its development concept of "Building a healthy, low-carbon lifestyle" by delivering a low carbon and healthy living environment while formulating a "low-carbon and healthy residence" technology support system. Aoyuan will selectively apply such concept in accordance with different features of the respective projects and incorporate the brand concept of "low-carbon and health" into its project development, striving to provide its customers with superior products and create a healthy lifestyle.

Content

Corporate Information

Directors

Executive Directors

Mr. Guo Zi Wen *(chairman)*
Mr. Guo Zi Ning *(vice chairman and chief executive officer)*
Mr. Yang Zhong *(chief operating officer)*
Mr. Lam Kam Tong *(chief financial officer)*
Ms. Xin Zhu
Mr. Hu Da Wei

Non-executive Directors

Mr. Wu Jie Si *(vice chairman)*
Mr. Paul Steven Wolansky

Independent Non-executive Directors

Mr. Ma Kwai Yuen
Mr. Song Xian Zhong
Mr. Tsui King Fai
Mr. Cheung Kwok Keung

Registered Office

Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands

Principal Place of Business in the PRC

Aoyuan Mansion, No.108, HuangPu Avenue West,
Tianhe District, Guangzhou, PRC

Place of Business in Hong Kong

Room 5105, 51/F, The Center, 99 Queen's Road Central,
Hong Kong

Company Website

http://www.aoyuan.com.cn

Company Secretary

Mr. Lam Kam Tong

Authorized Representatives

Mr. Guo Zi Wen
Mr. Guo Zi Ning

Members of the Audit Committee

Mr. Ma Kwai Yuen *(chairman)*
Mr. Song Xian Zhong
Mr. Tsui King Fai
Mr. Cheung Kwok Keung

Members of the Remuneration Committee

Mr. Tsui King Fai *(chairman)*
Mr. Ma Kwai Yuen
Mr. Cheung Kwok Keung

Members of the Nomination Committee

Mr. Guo Zi Wen *(chairman)*
Mr. Ma Kwai Yuen
Mr. Song Xian Zhong
Mr. Tsui King Fai
Mr. Cheung Kwok Keung

Principal Bankers

Agricultural Bank of China Limited
Bank of China Limited
China Merchants Bank Co., Ltd.
Bank of Communications Co., Ltd.
Industrial and Commercial Bank of China Limited
Nanyang Commercial Bank Limited
China Construction Bank Corporation

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street, P.O. Box 705, Grand Cayman KY1-1107, Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
17 M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Financial Highlights

Results Highlights

For the year ended 31 December 2011

(RMB'000)

	2011	2010
Revenue	3,022,154	2,442,172
Gross profit	817,583	655,846
Net profit	458,069	346,600
Attributable to:		
– Owners of the Company	448,457	321,269
– Non-controlling interests	9,612	25,331
Earnings per share (cents)		
– Basic	17.17	12.30
– Diluted	17.15	12.28

Revenue Analysis

For the year ended 31 December 2011

(RMB'000)

	2011	2010
Property development	3,004,272	2,431,006
Property investment	5,966	7,802
Others	11,916	3,364
Total	3,022,154	2,442,172

Property Development Revenue Analysis

For the year ended 31 December 2011

	Sold and Delivered Area ('000 sq.m.)	Revenue (RMB'000)
Apartments	156.3	1,028,197
Villas and townhouses	86.9	890,082
Commercial properties	67.0	1,085,993
Total	310.2	3,004,272

Recognized Revenue

- Commercial properties 36%
- Apartments 34%
- Villas and townhouses 30%

Balance Sheet Summary

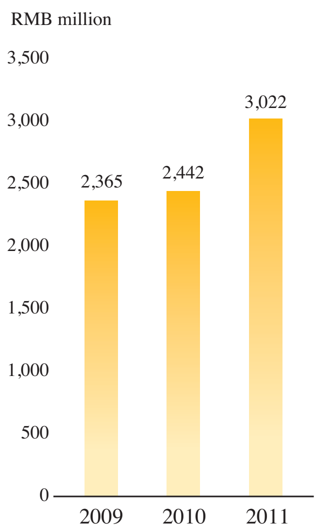
As at 31 December 2011

(RMB'000)

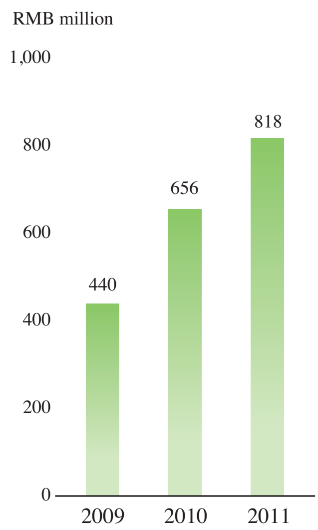
	2011	2010
Total assets	17,009,788	13,251,406
Total liabilities	10,646,862	7,274,278
Total equity	6,362,926	5,977,128

Three Years Financial Highlights

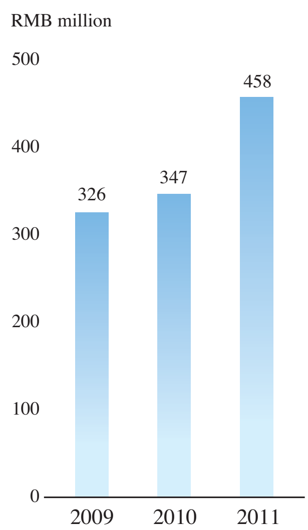
Revenue



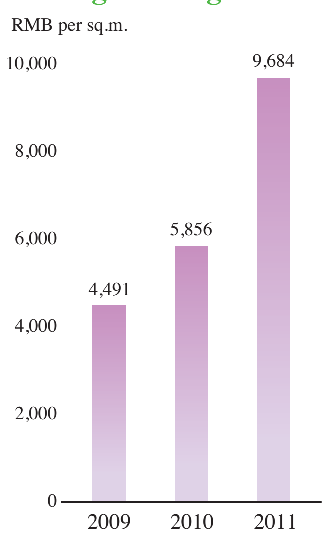
Gross Profit



Net Profit



Average Selling Price Delivered



Year in Review

Feb

The Group successfully acquired a commercial and residential land parcel in Yunhan Village, Shaxi Town, Zhong Shan City at minimum bidding price of approximately RMB144 million.

The grand opening ceremony of "Aoyuan Mansion" in Zhujiang New City was held.

Mar

The Group acquired a commercial and residential land parcel in Kunshan, Jiangsu Province at a total consideration of RMB383 million.

Apr

Zhongshan Aoyuan • Jinyu held its grand ceremony for foundation laying.

Aoyuan • Hai Jing Cheng Phase 2 was launched with grand opening.

May

Aoyuan Plaza Phase 2, Zhongshan Aoyuan Phase 2 "Aoyuan Galaxy" and two new products of Shenyang Aoyuan • The Metropolis were launched for sale.

The Group successfully bid a quality commercial land parcel in Panyu District, Guangzhou at base pice of approximately RMB520 million, at which Aoyuan Health Plaza would be built.

Jun

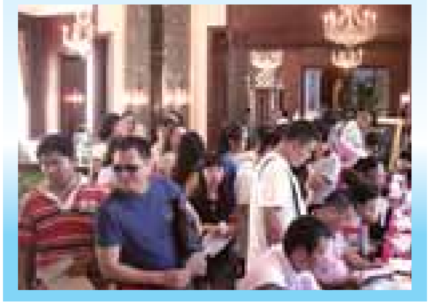
Aoyuan Health City held its grand opening, representing the beginning of Aoyuan's modern healthy living style.

Shenyang Aoyuan • The Metropolis newly launched a business street hosting a wide variety of businesses.

Aug

Life Centre of Shenyang Aoyuan • Convention Plaza successfully held a grand ceremony for foundation laying, representing that the commercial project of Shenyang Aoyuan • Convention Plaza was fully commenced.

Phase 3 of Zhongshan Aoyuan • Tianyi and two blocks of apartment of Aoyuan Plaza (Manhattan • Upper House) were launched.



Sep

Aoyuan Hai Jing Cheng • Central Plaza, Qingyuan Aoyuan "Madrid Sunshine" and "GuangAo • Youyi Shangju", the last phase of Guangzhou Aoyuan was launched.

The Group successfully bid a quality commercial and residential land parcel in Jiangmen City, Guangdong Province at base price of RMB203 million.

Oct

Shenyang Aoyuan • The Metropolis Phase 2 "Aoyuan Hongguan" was launched with grand opening.

Nov

The Group successfully bid two commercial land pracels in Guangzhou South Station, Guangzhou at base price of RMB669 million in total, which demonstrated the advantages of developing commercial and residential properties in parallel.

Dec

The Group successfully acquired the joint development right at a low price to jointly develop a commercial land parcel in Panyu, Guangzhou City. This cooperation symbolized that the Group has extended its footprint to Wanbo CBD of Panyu New City.

2011 Honors and Awards

"Enterprise of Contractual Performance and Creditworthiness"

Awarded as "Enterprise of Contractual Performance and Creditworthiness" by Guangzhou Administration for Industry and Commence and Guangzhou Contract Administration Association for the twelfth consecutive year.

"The 10th (2011) Top 20 Guangdong Property Enterprises with High Credit"

Awarded as "The 10th (2011) Top 20 Guangdong Property Enterprises with High Credit". The Group was one of the four major real estate companies in Guangdong Province winning the award for ten consecutive years.

"Top 50 Listed PRC Real Estate Companies"

Aoyuan was awarded as "Top 50 Listed PRC Real Estate Companies" by virtue of its excellent financial safety and strategic rationality.

"2011 Listed Real Estate Company with Top Investment Value Award"

Selected into the list of "The 11th Golden Brick Award for Real Estate of China" which was issued jointly by the 21st Century Business Herald and the organization committee of Boao 21st Century Real Estate Forum and awarded "2011 Listed Real Estate Company with Top Investment Value Award".

"2011 China Top 10 Brands of Listed Real Estate Companies in South China"

Awarded as "2011 China Top 10 Brands of Listed Real Estate Companies in South China" by virtue of its more than RMB 1.2 billion brand valuation on the Media Conference on the Research Findings of China Real Estate Brand Value in 2011 and the 8th Development Summit for China Real Estate Brand jointly held by Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy.

"2011 Outstanding China Real Estate Developer"

Awarded as "2011 Outstanding China Real Estate Developer" by Economic Digest of Hong Kong

"The Company with Greatest Potential Value" and "Top 10 Hong Kong Listed PRC Real Estate Companies"

Awarded as "The Company with Greatest Potential Value" and "Top 10 Hong Kong Listed PRC Real Estate Companies" in the contest of "2011 First Financial • China Real Estate Listed Companies" sponsored by First Financial Daily and First Financial Research Institute.

"CAPITAL Outstanding Green Enterprise Award 2011"

Awarded the "CAPITAL Outstanding Green Enterprise Award 2011" on the "CAPITAL Outstanding Green Excellence Awards 2011" organized by CAPITAL in Hong Kong.

"Hong Kong Outstanding Enterprise 2011"

Awarded as "Hong Kong Outstanding Enterprise 2011" on the "Hong Kong Outstanding Enterprises Parade 2011" held by Economic Digest in Hong Kong.

"The Most Competitive Enterprise in Guangdong 10 Years after China Joined the WTO"

Awarded as "The Most Competitive Enterprise in Guangdong 10 Years after China Joined the WTO" in the contest of "Honour to the Southern Elites" held by Nanfang Media Group.

"The Best Brand Development Company 2011"

Awarded as "The Best Brand Development Company 2011" in the "Ranking of Top 30 Real Estate Enterprises in China (Real Estate G30) and Excellent Performance Ranking 2011" by Guandian Real Estate New Media.

Chairman's Statement

Guo Zi Wen
Chairman

Dear Shareholders,

On behalf of China Aoyuan Property Group Limited, I am pleased to present to you the Group's annual results for the year ended 31 December 2011.

In 2011, Aoyuan achieved recognized revenue of RMB3,022.2 million, an increase of over 23.7% compared with the same period in 2010. The Group's gross profit and net profit attributable to shareholders also increased by 24.7% and 39.6% respectively to RMB817.6 million and RMB448.5 million respectively, compared with the same period in 2010.

For 2011, success in the growth of Aoyuan financial results is primarily because the management of Aoyuan adopted the strategy of developing commercial and residential properties in parallel in the past few years. Recognized revenue contributed by commercial properties sold increased to RMB1,086.0 million, representing 237.3% as compared to that of 2010 and also representing 35.9% of the total revenue for 2011. Successful commercial projects including Aoyuan Plaza and Aoyuan • Hai Jin Cheng contributed higher average selling price and margin to Aoyuan and also set the foundation and model for continuing success in our commercial property development.

Furthermore, Aoyuan continued to adhere to the development concept of "Building a healthy, low-carbon lifestyle", by integrating elements such as environment protection, comfort, health and regimen into project development and adopting low carbon, regimen and healthy housing as its major development concept. Such development focus has received overwhelming compliments from the society at large and especially domestic and overseas investors, among these project, Aoyuan • The Metropolis in Shenyang was particularly successful.

Facing the uncertainties in the China property market and global financial market, Aoyuan adopted a consistent and cautious financial policy to ensure its growth in a healthy manner. The Group has been exploring flexible onshore and offshore funding channels to maintain our competitiveness and low gearing level as well as to capture good land bank opportunity to replenish our land reserve sufficient for the next 5 years of development and growth needs.

Appreciation

On behalf of the Board of Directors, I would like to express my sincere gratitude to all our shareholders, investors, business partners, local governments and property owners for their unfailing support. At the same time, I would like to take this opportunity to express my heartfelt gratitude to our directors, management and staff for their enormous contribution. Their support has enabled the Group to achieve its success and goals.

Guo Zi Wen
Chairman

21 March 2012

Chief Executive Officer's Report

China Property Market

In 2011, the growth of the global economy had been affected by many uncertainties such as the escalating European sovereign debt crisis, earthquake in northeastern Japan and instability in Middle East's political situations. International financial market has been unsettling, especially for developed countries with economic growth overall showed signs of slowdown a lack of momentum in recovery. China's rapid economic development is interrelated with the countries around the world, and the economic situation in China in 2011 was somewhat mixed with the coexistence of a stable economic growth as well as a heightened inflation pressure.

Having a strong determination to curb inflation and rising property prices, the central government further tightened its monetary and credit policies by promulgating control polices on the real estate market with intensified and deepened efforts, which include the implementation of the new "Eight Measures of the State Council", the pilot programme on property tax reform and local properties purchase restrictions for 47 cities across the nation. The measures contained the soaring property prices while the transaction volume

Guo Zi Ning
Vice chairman and chief executive officer

in major cities maintained at a low level and the land market has been cooled down effectively, particularly in October, after which the market was completely dominated by supply and demand, with active price reductions by local small and medium enterprises.

However, according to the National Bureau of Statistics, sale areas of commodity residential properties sold in China was approximately 970.3 million sq.m. in 2011, representing a year-on-year increase of 4.3%; sales amounted to approximately RMB4,861.9 billion, representing a year-on-year increase of 10.6%, with a relatively high growth rate in investment and construction of commercial residential properties. Given that no significant decline was shown in a number of indicators of the property market, it is anticipated that China will continue its rigid controls over the property market, and the Central Economic Work Conference also clearly state that control measures of properties will be continued unswervingly in 2012 with an aim to help property prices resume to a reasonable level. In this regard, we believe the property market in 2012 will be lackluster, thus inducing a downward pressure on property prices before the market recovers substantially in practice.

Business Review

In 2011, the Group has implemented the strategy of developing commercial and residential properties in parallel effectively and achieved the growth in contracted sales despite of the forbidding downturn in the property market of China, with its contracted sales performance throughout the year surpassing that of the previous year to a satisfactory level. Commercial projects such as Phase 2 of Aoyuan • Hai Jing Cheng in Nansha, Phase 2 of Aoyuan Plaza and Shenyang Aoyuan • Convention Plaza that were launched during the year achieved admirable sales performance. In addition, residential projects that incorporate the regimen and health concepts including Zhongshan Aoyuan, Nansha Aoyuan, Shenyang Aoyuan • The Metropolis elicited heated sales responses. From May to September 2011, Zhongshan Aoyuan continues to rank Top 10 by monthly sales amongst other major projects in Zhongshan, and finally won third place in terms of sales in Zhongshan in 2011, whilst Shenyang Aoyuan • The Metropolis secured fourth place on the sales chart for Shenyang property market in the first half of the year.

Capitalizing on its sound financial position, the Group has also achieved outstanding performance in investment and acquisition to expedite the development progress across the nation. The Group has acquired six parcels of lands in including Zhongshan, Guangzhou and Jiangsu Province for commercial and residential purposes, among which Aoyuan Health Plaza, Aoyuan Metropolitan Plaza and Aoyuan International Center are medium-to large-scale commercial projects. Currently, the Group's lands are located in five major economical circles as its core regions in PRC, namely Pearl River Delta, Yangtze River Delta, Bohai Rim, Beibuwan as well as Central and Western China.

Adhering to its development concept of "Building a healthy, low-carbon lifestyle", the advantages of property projects with regimen and health concepts advocated by Aoyuan have become more apparent in the diversifying property market, with its corporate and brand images becoming more distinctive. Aoyuan Health City, a new representative project of Aoyuan's healthy and low-carbon concept of development, officially commenced operation in June 2011, which incorporated property development with regimen and health elements to provide residential services that combines regimen, leisure and living. The Group further consolidated the concept during the implementation process and incorporated into commercial properties with residential properties in our projects. The newly acquired Aoyuan Health Plaza lodges health and regimen as its unique features. During the year, we were recognized by authoritative organizations that the brand value of Aoyuan is to worth over RMB1.2 billion, signifying that our corporate brand receives increasing recognition and commendation by others.

During the year, the Group further strengthened the operating system, and various departments within the Group strived to establishing systems for the implementation of standardized and rationalized management. In respect of cost control, the Group improved the bidding system to enhance dynamic cost management and continued to expand its scope and scale of purchase; in respect of design, we provided additional support and management for the design of regional companies, and improved the design standards and details as well as increased in-depth research and development for low-carbon, healthy and energy saving residential technologies; in respect of marketing management, we enhanced the efforts, specifications and effectiveness of our projects to strengthen the interconnection. In addition, project companies also gradually improved the management system in the areas of construction, marketing and customer service to ameliorate the operational capabilities. Our commercial assets companies also actively promote our business, regulate the development process, and operate our business with information technology in all respects, which lays a solid foundation for our business management capability.

Future Outlook

Given the fact that market share will cling to major brands and competitive developers driven by keen competition in the industry, the property market in China will become arduous in 2012. However we believe this is an opportune time for us to "overtake" on the ground that we are "well-positioned" for the challenge!

The Group will incessantly uphold its "marketing-oriented" strategy, carry out "sales promotion" as its core task, instill the "cost-control" concept to employees and implement "cost-reduction" measures, the alleged "external sales and internal controls". Meanwhile, we will capture all opportunities arising during the years and match broadcast and promotion tools with regional marketing activities of the Group.

By actively developing and improving Aoyuan's commercial operation and management system, as well as strengthening the marketing activities of various projects, the Group is well-prepared for the precise positioning of our commercial projects at the preliminary state and enhancing our operation and management at the later stage.

With a view to enhancing the brand value of the Group, we will step up the promotion of the brand so as to implement the brand concept of "Building a healthy, low-carbon lifestyle" and bring a quality living style of regimen and low-carbon into the Aoyuan residential community. We will also raise market recognition through improved property management and customer service quality.

In respect of land bank, the Group will acquire quality land as reserves for an increasing number of new exemplary projects of the Group with the application of an innovative investment model to cope with market demand and policies, which lay a rigid foundation for the Group's future development.

In response to the existing financial and monetary policies, the Group continues to adhere to the principle of a prudent financial management policy in order to enhance the financial management, accelerate the return of funds and expand its funding channels, so as to provide a strong support for the rapid and sustainable development of the Group.

Management Discussion and Analysis

BUSINESS REVIEW

In 2011, in spite of the control measures launched by the government to cool down the domestic property market, sales performance of the Group improved over 2010 with its growth bringing it to a new high, thanks to the development strategy of commercial and residential properties, increasing marketing capacity, differentiated quality products and well-received branding.

In 2011, the Group recorded total contracted sales of RMB5,016.4 million with total contracted sale areas of approximately 550,100 sq.m., and the average selling price was approximately RMB9,100 per sq.m.

Contracted sales of the Group mainly derived from newly launched commercial projects of the Group, including Phase 2 of Aoyuan • Hai Jing Cheng in Nansha, Phase 2 of Aoyuan Plaza and Shenyang Aoyuan • Convention Plaza. In addition, the robust sales of residential projects with regimen and health concepts such as Zhongshan Aoyuan, Nansha Aoyuan and Shenyang Aoyuan • The Metropolis also contributed greatly to the contracted sales of the Group.

Details of contracted sales breakdown by major projects of the Group in 2011 are as follows:

	Contracted Sales	
Project	**Revenue**	**Area**
	RMB million	’000 sq.m.
Aoyuan • Hai Jing Cheng	950.6	98.7
Zhongshan Aoyuan	764.6	110.5
Aoyuan Plaza	747.5	35.0
Shenyang Aoyuan • The Metropolis	717.7	87.0
Nansha Aoyuan	378.3	27.9
Jiangmen Aoyuan	299.3	37.8
Guangzhou Aoyuan	219.1	12.7
Yulin Aoyuan	191.1	42.7
Shenyang Aoyuan • Convention Plaza	154.4	18.9
Others	593.8	78.9
Total	5,016.4	550.1

Financial Position

In 2011, in view of the austerity measures and credit tightening of China, the Group continued to adhere to the principle of a prudent financial management policy in order to enhance the financial management, accelerate the return of funds and further expand its funding channels, so as to provide a strong support to fund the development of the Group. As of 31 December 2011, the Group had banking facilities granted by domestic banks amounting to RMB6,320.0 million in total, of which RMB1,650.0 million were unutilized.

As at 31 December 2011, cash, bank deposit and restricted bank deposit of the Group amounted to approximately RMB3,823.2 million. With sufficient funding, the stable and healthy financial position of the Group laid a more stable foundation for the Group's future business development and performance growth.

Land Bank

In 2011, the Group kept an eye on and grasped any development opportunities arising in the market on the basis of a prudent and rational land bank strategy. During the period, the Group has successfully acquired six parcels of land including Zhongshan, Guangzhou and Jiangsu Province for commercial and residential purposes and newly acquired land for development was approximately 1,080,000 sq.m.

Our existing land bank focused on the five economic zones, namely the Pearl River Delta, Yangtze River Delta, Bohai Rim, Beibuwan and Central and Western China and mainly located in regions such as Guangdong, Shenyang in Liaoning, Guangxi and Chongqing. As of 31 December 2011, the Group had a land bank for approximately 8,602,000 square meters of gross floor area ("GFA"). Of which, 44.4% and 27.5% of the land bank are located in Guangdong and Shenyang respectively. The Group's strategy is to maintain a low cost and high quality land bank, and the average cost was approximately RMB780 per square meter of GFA as at 31 December 2011.

The Group's land bank included approximately 718,000 square meters of completed properties, 2,070,000 square meters under development stage and 5,814,000 square meters held for future development. The management believes that the existing land bank can meet the needs of the Group's project development in the coming five to seven years.

Looking forwards, the Group will continue to capture any invaluable merger and acquisition opportunities arising in the market and keep investing in areas with robust demand and high growth potential, particularly in Southern China where we have accumulated strong development experience. Meanwhile, the Group will also actively cooperate with the government to carry out the works on the "Transformation of the three olds" in a bid to acquiring lands with development potential at a low cost, so as to provide quality land bank for the Group's development projects.

FINANCIAL REVIEW

Operating results

The revenue is primarily generated from two business segments: property development and property investment. In 2011, the Group's total revenue was RMB3,022.2 million, representing an increase of RMB580.0 million or 23.7% over RMB2,442.2 million in 2010. Property development revenue and property investment revenue accounted for 99.4% and 0.6% respectively.

In 2011, the Group's revenue generated from property development amounted to RMB3,004.3 million, representing an increase of RMB573.3 million or 23.6% over RMB2,431.0 million in 2010. The gross floor area of delivered properties decreased by 25.3% to 310,224 sq.m. from 415,100 sq.m. in 2010, while the average selling price increased by 65.4% to RMB9,684 per square meter from RMB5,856 per square meter in 2010. This was mainly attributable to a higher proportion of the revenue in 2011 of 65.8% was derived from commercial projects and villa projects against 36.1% in 2010, which is benefited from the strategy of developing commercial and residential properties in parallel by the Group and our reputable branding which is well-received by the market. For the year ended 31 December 2011, the Group's sales revenue derived from commercial properties accounted for 36.1% (2010: 13.3%) of total sales revenue generated from property development; sales revenue derived from villas has increased to 29.7% from 22.8% in 2010. Overall, the revenue generated from property development of Aoyuan Plaza (commercial project), Zhongshan Aoyuan (villa project), Nansha Aoyuan (villa project) and Aoyuan • Hai Jing Cheng (commercial project) were the main source of property development revenue for the Group, with sales revenue amounting to RMB1,749.9 million in total. The revenue generated from property development attributable to Guangzhou, Zhongshan and other cities accounted for 59.0%, 18.0% and 23.0% respectively.

Breakdown of property development revenue in 2011 by product type:

	Sold and Delivered	
Product	**Revenue**	**Area**
	RMB million	’000 sq.m.
Apartments	1,028.2	156.3
Commercial properties	1,086.0	67.0
Villas	890.1	86.9
Total	3,004.3	310.2

Gross Profit and Margin

In 2011, the gross profit of the Group was RMB817.6 million, representing an increase of 24.7% over RMB655.8 million in 2010. The average selling price for the revenue recognised from property development increased to RMB9,684 per square meter from RMB5,856 per square meter in 2010, and gross margin increased to 27.1%. The stable gross margin of the Group was attributable to the success of the Group's commercial projects development and sales model.

Selling and Administrative Expenses

In 2011, total selling and distribution expenses were RMB160.0 million, representing an increase of 39.4% from RMB114.8 million in 2010, the ratio of selling expenses to sales slightly increased to 5.3% from 4.7% in 2010, which remained stable basically, which is attributable to the Group's strict cost control program and the use of more effective marketing strategies. Total administrative expenses increased by 59.2% from RMB158.8 million in 2010 to RMB252.8 million, mainly due to the new office building's commencing operation, which increased relevant expenses and depreciation, the expenses on the improvement of the old offices and expenses from the new acquisition projects in 2011, in addition to the increase in the number of employees to expedite the development of the projects which were acquired by the Group in 2010 and 2011 and commenced operations during the year and the increase of employees' salaries by 71.2% from RMB57.6 million in 2010 to RMB98.6 million in 2011. The total number of employees was increased by 129.2% to 1,497 in 2011, as compared to 653 in 2010.

Taxation

Income tax expense comprised of PRC enterprise income tax, land appreciation tax and deferred taxation. The effective tax rate of 40.8% is higher than standard PRC enterprise income tax rate of 25%, primarily due to land appreciation tax of approximately RMB147.7 million.

Profit Attributable to Owners of the Company

In 2011, profit attributable to owners of the Company amounted to RMB448.5 million (2010: RMB321.3 million).

Financial Position

As at 31 December 2011, the Group's total assets amounted to RMB17,009.8 million (as at 31 December 2010: RMB13,251.4 million) and total liabilities were RMB10,646.9 million (as at 31 December 2010: RMB7,274.3 million).

Current ratio was 1.5 as at 31 December 2011 (as at 31 December 2010: 2.0).

Financial Resources and Liquidity

In 2011, the Group's sources of fund primarily included income generated from business operations and cash from bank borrowings, which were used in our business operations and investment in development projects.

The Group expects that income generated from business operations and bank borrowings will continue to be the main sources of funding in the coming year. Therefore, the Group will continue to strengthen cash flow management, improve the efficiency of capital returns of projects and strictly control the cost and various expenses. In addition, the Group will continue to explore opportunities of cooperation with foreign and domestic investors to provide another source of funding for the expansion of projects and business development.

Cash Position

As at 31 December 2011, the Group had cash and bank deposits of approximately RMB877.2 million (as at 31 December 2010: RMB2,203.1 million).

As at 31 December 2011, the Group had restricted bank deposits of approximately RMB2,946.0 million (as at 31 December 2010: RMB1,636.0 million), of which RMB2,035.2 million served for acquiring bank loans, and others were only for payments to construction contractors.

As at 31 December 2011, cash, bank deposits and restricted bank deposits of the Group mentioned above totalled RMB3,823.2 million, of which 99.1% was denominated in Renminbi and 0.9% was denominated in other currencies (mainly HK dollar and U.S. dollar).

Borrowings and Net Gearing Ratio

Bank borrowings

As at 31 December 2011, the Group had bank borrowings of approximately RMB4,631.6 million (as at 31 December 2010: RMB3,473.9 million) as follows:

Repayment period	**31 December 2011 RMB Million**	31 December 2010 RMB Million
Within one year	**2,615.8**	1,359.6
More than one year, but not exceeding two years	**1,077.5**	1,045.2
More than two years, but not exceeding five years	**516.0**	855.0
More than five years	**422.3**	214.1
	4,631.6	3,473.9

The majority of bank borrowings of the Group are floating-rate borrowings, of which interest rates are subject to negotiation on annual basis, thus exposing the Group to fair value interest rate risk. The effective interest rate on bank borrowings in 2011 was 9.7% per annum, which was higher than 6.7% in 2010 due to higher interest rates of new borrowings in 2011, the newly incurred interest of borrowings and borrowing cost of Shenyang Aoyuan • The Metropolis and Aoyuan Plaza as well as increase in People's Bank of China rate. The Group has implemented certain interest rate management policies which mainly included, among others, close monitoring of interest rate movements and replacing and entering into new banking facilities when good pricing opportunities arise.

As at 31 December 2011, the Group had banking facilities of approximately RMB6,285.0 million (as at 31 December 2010: RMB6,333.0 million) for short-term and long-term bank loans, of which approximately RMB1,654.0 million (as at 31 December 2010: RMB4,780.5 million) were unutilized.

Net gearing ratio

Net gearing ratio is measured by the net borrowings (total borrowings net of cash and cash equivalents and restricted bank deposits) over the total capital and reserves attributable to equity holders. As at 31 December 2011, the Group's net gearing ratio was 12.7%. The Group has implemented certain loan management policies, which mainly include close monitoring of the gearing ratio and any changes in net gearing ratio, and optimization of the bank credit structure when good pricing opportunities arise.

Contingent liabilities

As at 31 December 2011, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities provided by banks to purchasers amounting to approximately RMB2,841.3 million (as at 31 December 2010: RMB2,943.6 million).

The contingent liabilities represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is liable to the repayment of outstanding mortgage principals together with accrued interest and penalty owed to the banks by defaulted purchasers, and the Group is entitled to take over the legal title and possession of the related properties. The amounts as at 31 December 2011 were to be discharged upon the earlier of: (i) issuance of the real estate ownership certificate; and (ii) the satisfaction of mortgaged loan by the purchasers of properties.

In 2007, a subsidiary of the Group (the "Subsidiary") entered into an agreement with two independent third parties (the "Vendors") for a potential acquisition of a company (the "Target"). However, this acquisition agreement was subsequently terminated by the Subsidiary because of the uncertainty about the validity of the Vendors' shareholding in the Target. The Vendors then claimed against the Subsidiary for compensation of approximately RMB61,096,000. The case is in legal proceeding. No provision has been provided for this case, however, because in the opinion of the executive directors of the Group and the Group's legal counsel, the likelihood that the subsidiary is required to pay the compensation is remote.

The Group provided a guarantee for a bank facility granted to Century Profit amounting to HK$670,000,000 as at 31 December 2010. The fair value of the financial guarantee was not significant at initial recognition and no provision for such financial guarantee was provided at 31 December 2010 as the default risk was low. This financial guarantee was released in July 2011.

Commitments

As at 31 December 2011, the Group had construction cost contracted but not provided for of approximately RMB3,503.5 million (as at 31 December 2010: RMB2,799.9 million). The Group expects to fund these commitments principally from sale proceeds of the properties and partly from bank borrowings.

Foreign currency risks

Most of the Group's revenues and operating costs were denominated in Renminbi. Except for the bank deposits and bank loans denominated in foreign currencies, the Group's operating cash flow or liquidity is not directly subject to any other material exchange rate fluctuations. The Group did not enter into any foreign exchange hedging arrangements as at 31 December 2011.

Pledge of assets

As at 31 December 2011, the Group pledged its property held for development and property under construction of approximately RMB1,113.0 million (as at 31 December 2010: RMB1,839.9 million) to various banks to secure project loans and general banking facilities granted to the Group.

Events after the reporting period

As announced on 31 January 2012, the Group acquired a parcel of land situated in Chongqing, the PRC, at a consideration of approximately RMB218,340,000 through public auction. The land is designated for commercial and residential uses.

Employees and Remuneration

As at 31 December 2011, the Group employed a total of 1,497 employees. In order to encourage and retain excellent staff, the Group has adopted a performance based rewarding system since September 2007 to motivate its staff and such system was reviewed on a regular basis. As at 31 December 2011, share options in respect of a total of 17,200,000 shares of the Company were granted to certain directors. In addition to a basic salary, year-end bonuses will be offered to those staff with outstanding performance. In accordance with the relevant national and local labour laws and regulations, the Group is required to pay employees social insurance and other insurance benefits. The Group believes the salaries and benefits that the employees receive are competitive in comparison with market rates.

Directors and Senior Management Profile

Back row from left: Mr. Tsui King Fai, Mr. Hu Da Wei, Ms. Xin Zhu, Mr. Paul Steven Wolansky, Mr. Song Xian Zhong, Mr. Ma Kwai Yuen, Mr. Cheung Kwok Keung, Mr. Lam Kam Tong
Front row from left: Mr. Guo Zi Wen, Mr. Wu Jie Si, Mr. Guo Zi Ning, Mr. Yang Zhong

Executive Directors

Guo Zi Wen, Chairman

Guo Zi Wen, aged 48, is the founder of the Group, and holds a Master's degree in Business Management. He is an executive Director and the chairman. Mr. Guo is mainly responsible for the formulation of development strategies of the Company, as well as giving guidance to the Group's project planning, financing and investment. He is currently a committee member of the Chinese People's Political Consultative Conference in Guangdong Province (廣東省政協委員), the vice chairman of the Guangdong Federation of Industry and Commerce (廣東省工商業聯合會副主席) and the chairman of the Guangdong Investment Chamber of Private Enterprises (廣東省民營企業投資商會主席).

In 2001, Mr. Guo was honored by national main stream media and China Real Estate Association (中國房地產協會) as one of the Top 10 Persons in Real Estate Industry (中國房地產十大風雲人物). In 2004, Mr. Guo received the National Real Estate Special Contribution Award (中國房地產特別貢獻獎) and the China Real Estate Theory Research Contribution Award (中國房地產理論研究貢獻獎), and was named one of the Top 10 Outstanding Real Estate Entrepreneurs in the PRC (中國房地產十大傑出企業家) in the same year. In 2008, Mr. Guo was awarded as one of the Top 10 Outstanding Entrepreneurs of the Past Three Decades in China Real Estate (中國房地產30年十大傑出貢獻人物獎), and was recognized as one of the Top 30 Leaders in the Residential Construction of Guangdong (廣東住宅建設30強領軍人物). In 2010, Mr. Guo was named "Outstanding Leader" in the event "Leaders of Real Estate of Guangdong in Ten Golden Years" (黃金十年廣東地產領袖榜 • 領袖人物) and in 2011, Mr. Guo was named "CAPITAL Leader of Excellence 2011". Except for being a Director of the Company, Mr. Guo has not held any directorship in other listed public companies during the past three years. Mr. Guo is the brother of Mr. Guo Zi Ning.

Guo Zi Ning, Vice Chairman and Chief Executive Officer

Guo Zi Ning, aged 51, is an executive Director, a vice chairman and the chief executive officer. He is also a director of the subsidiaries of the Group, and holds a Master's Degree in Business Administration. He joined the Group in 1998, now primarily responsible for administration and human resources, legal affairs, investment and business expansion and leads the overall management of the Group. Mr. Guo ceased to be a director of Aoyuan Group Company Limited during the period of being the vice president of the Council of Beijing Normal University Nanguo Aoyuan Experimental School. In 2006, Mr. Guo was reappointed as a director of Aoyuan Group Company Limited. Except for being a Director of the Company, Mr. Guo has not held any directorship in other listed public companies during the past three years. Mr. Guo is the brother of Mr. Guo Zi Wen.

Executive Directors (continued)

Yang Zhong, Chief Operating Officer

Yang Zhong, aged 44, is an executive Director and chief operating officer of the Company. He joined our Group in September 2009, and was appointed as executive Director on 20 January 2011. He has the qualification of a PRC registered real estate appraiser and is a registered supervision engineer with extensive, comprehensive and professional management experience in the real estate industry in the PRC. Mr. Yang worked in two reputable property developers prior to joining the Group in September 2009 and since then, he has been primarily responsible for the overall management of the operations of the Group. Except for being a director of the Company, Mr. Yang has not held any directorship in any other listed public companies during the past three years.

Lam Kam Tong, Chief Financial Officer

Lam Kam Tong, aged 43, is an executive Director and the chief financial officer and Company Secretary. He joined the Company in December 2008 and was appointed as an executive Director since 25 September 2009. Mr. Lam is mainly responsible for legal and compliance issues of the Company in Hong Kong, investor relations management, auditing, mergers and acquisitions and overseas financing. He has over 14 years of experience in professional audit, and had been the chief financial officer and company secretary of another listed company engaged in real estate development in the PRC for three years. He is a member of the Hong Kong Institute of Certified Public Accountant and the Association of Chartered Certified Accountants. Mr. Lam holds a Bachelor's Degree in Business Management from the Chinese University of Hong Kong. Mr. Lam is currently an independent non-executive director of Sheng Yuan Holdings Limited (盛源控股有限公司) which is listed on the Main Board of the Stock Exchange.

Executive Directors (continued)

Xin Zhu, Executive Vice President

Xin Zhu, aged 44, is an executive Director and an executive vice president. She joined our Company in July 2008 and has been appointed as an executive Director since 25 September 2009. Ms. Xin is primarily responsible for overseeing the onshore financing, accounting and internal audit. She has over 20 years of experience in accounting, auditing and corporate finance management. She is a member of The Chinese Institute of Certified Public Accountants and has become a member of CPA Australia in January 2010. She also holds a Master's Degree in Business Administration in International Management from The International College of Auckland Institute of Studies. Except for being a Director of the Company, Ms. Xin has not held any directorship in any other listed public companies during the past three years.

Hu Da Wei, Vice President

Hu Da Wei, aged 49, is an executive Director and a vice president. He is also a director of the subsidiaries of the Group. Mr. Hu graduated from Hunan University of Science and Technology majoring in architecture and served as a designer in Guangdong Guangzhou Panyu Architecture Design Institute (廣東省廣州市番禺建築設計院) from 1988 to 1998. Mr. Hu has over 10 years of experience in real estate development and management. He joined the Group in 1998, primarily responsible for project management and development of the Group in Northern region of the Mainland China. Except for being a Director of the Company, Mr. Hu has not held any directorship in any other listed public companies during the past three years.

Non-executive Directors

Wu Jie Si, Vice Chairman

Wu Jie Si, aged 60, is a non-executive Director and a vice chairman. Mr. Wu holds a Doctorate Degree in Economics. He joined the Group in 2008 and acted as an executive Director, primarily responsible for overseeing strategic development planning, financial management, financing and mergers and acquisitions, as well as improvement and revision of regulatory framework of the Group, and was then re-designated to be a non-executive Director since 24 December 2009. Mr. Wu has over 20 years of banking and administrative experience in financial and corporational management sectors in Mainland China. He was appointed as the chairman of Guangdong Yue Gang Investment Holdings Company Limited (廣東粵港投資控股有限公司) and GDH Limited (廣東控股有限公司), the honorary president of Guangdong Investment Limited (粵海投資有限公司) and Guangdong Tannery Limited (粵海制革有限公司), the managing director of Hopson Development Holdings Limited (合生創展集團有限公司), the president of Shenzhen Branch of Industrial and Commercial Bank of China (中國工商銀行), the deputy mayor of the Shenzhen Municipal Government (深圳市副市長), as well as the assistant to the governor of Guangdong province (廣東省省長助理). He had also been an independent non-executive director of China Merchants Bank Co., Ltd. (招商銀行股份有限公司) which is a company listed on the Main Board of the Stock Exchange, from September 2005 to July 2011. He is currently holding directorships in a number of companies listed on the Main Board of the Stock Exchange, including being an independent non-executive director of Beijing Enterprises Holdings Limited (北京控股有限公司) and China Taiping Insurance Holdings Company Limited (中國太平保險控股有限公司), a non-executive director of China Water Affairs Group Limited (中國水務集團有限公司), Shenzhen Investment Limited (深圳控股有限公司) and Silver Base Group Holdings Limited (銀基集團控股有限公司).

Paul Steven Wolansky

Paul Steven Wolansky, aged 56, was appointed as a non-executive Director and a vice chairman from 3 April 2007 to 20 January 2011. He holds a Bachelor of Arts degree from Amherst College and a Juris Doctor degree from Harvard Law School. Mr. Wolansky has over 20 years of experience in fund management and direct investment. He is the chairman and the chief executive officer of New China Investment Management Inc., the investment manager of The Cathay Investment Fund, Ltd., and New China Capital Management L.P., the investment manager of Cathay Capital Holdings, L.P. and Cathay Capital Holdings II L.P.. and Cathay Sino Property Limited, a substantial shareholder of the Company, is wholly owned by Cathay Capital Holdings, L.P. Mr. Wolansky is a non-executive director of Centron Telecom International Holding Limited (星辰通信國際控股有限公司) which is listed on the Main Board of the Hong Kong Stock Exchange. Mr. Wolansky was re-designated as the Group's non-executive Director on 24 February 2011.

Independent Non-executive Directors

Ma Kwai Yuen

Dr. Ma Kwai Yuen, aged 59, was appointed as an independent non-executive Director of the Company on 13 September 2007. Dr. Ma received a Doctor of Philosophy in Business Administration from Bulacan State University in May 2011. He received a master's degree in international corporate and finance law from the University of Wolverhampton in 2009, a graduate certificate in company law, auditing and taxation from the New South Wales Institute of Technology in 1985 and a higher diploma in accounting from Hong Kong Polytechnic University in 1977. Dr. Ma is a fellow member of the Chartered Institute of Management Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Australian Certified Practicing Accountants Australia. He has over 30 years of professional experience in accounting, financial management and business consultancy. Dr. Ma is a director and principal consultant of Wellon Consultants Limited. Dr. Ma serves as an independent non-executive director at Genvon Group Limited (正峰集團有限公司) and PacMOS Technologies Holdings Limited (弘茂科技控股有限公司); Dr. Ma has also been an independent non-executive director of China Fiber Optic Network System Group Limited (中國光纖網絡系統集團有限公司) since June 3, 2011, all of which are listed on the Main Board of the Stock Exchange. He had also been an independent non-executive director of China Shineway Pharmaceutical Group Limited (中國神威藥業集團有限公司), from May 2008 to December 2009 and Vision Tech International Holdings Limited (金科數碼國際控股有限公司), from March 2008 to June 2009, all are listed on the Main Board of the Stock Exchange.

Song Xian Zhong

Song Xian Zhong, aged 48, was appointed as an independent non-executive Director on 13 September 2007. He is an executive committee member of the Accounting Society of China, a member of the Accounting Standards Expert Committee of Ministry of Finance, and the vice chairman of the Audit Institute of Guangzhou. Mr. Song is with over 20 years of teaching and research experience in the fields of accounting and finance, and has published many books and articles on topics such as enterprise finance management, reorganization finance and socially responsible accounting for business enterprises. Currently, he is an independent director of Guangdong Electric Power Development Co., Ltd. (廣東電力發展股份有限公司), a company listed on the Shenzhen Stock Exchange.

Independent Non-executive Directors (continued)

Tsui King Fai

Tsui King Fai, aged 62, was appointed as an independent non-executive Director on 13 September 2007. Mr. Tsui holds a Master of Science in Accountancy degree and a Bachelor of Business Administration degree with first class honours awarded by the University of Houston. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in Australia and a member of the American Institute of Certified Public Accountants. He has over 30 years of extensive experience in accounting, finance and investment management, particularly in investments in Mainland China. Mr. Tsui is a director and senior consultant of a registered financial services company in Hong Kong. He had worked for two of the "Big Four" audit firms in Hong Kong and the United States of America and served in various public listed companies in Hong Kong in a senior capacity. Currently, Mr. Tsui is an independent non-executive director of Lippo Limited (力寶有限公司), Lippo China Resources Limited (力寶華潤有限公司), Hongkong Chinese Limited (香港華人有限公司), Vinda International Holdings Limited (維達國際控股有限公司) and Newton Resources Limited (新礦資源有限公司), all listed on the Main Board of the Stock Exchange.

Cheung Kwok Keung

Mr. Cheung, aged 45, was appointed as an independent non-executive director on 20 January 2011. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has over 20 years of experience in auditing, accounting and financial management. Mr. Cheung is the chief financial officer and company secretary of Lee & Man Paper Manufacturing Limited (理文造紙有限公司) and he is also an independent non-executive director of Sheng Yuan Holdings Limited (盛源控股有限公司), both of which are listed on the Main Board of the Stock Exchange.

Senior Management

Xiao Yi (肖毅)

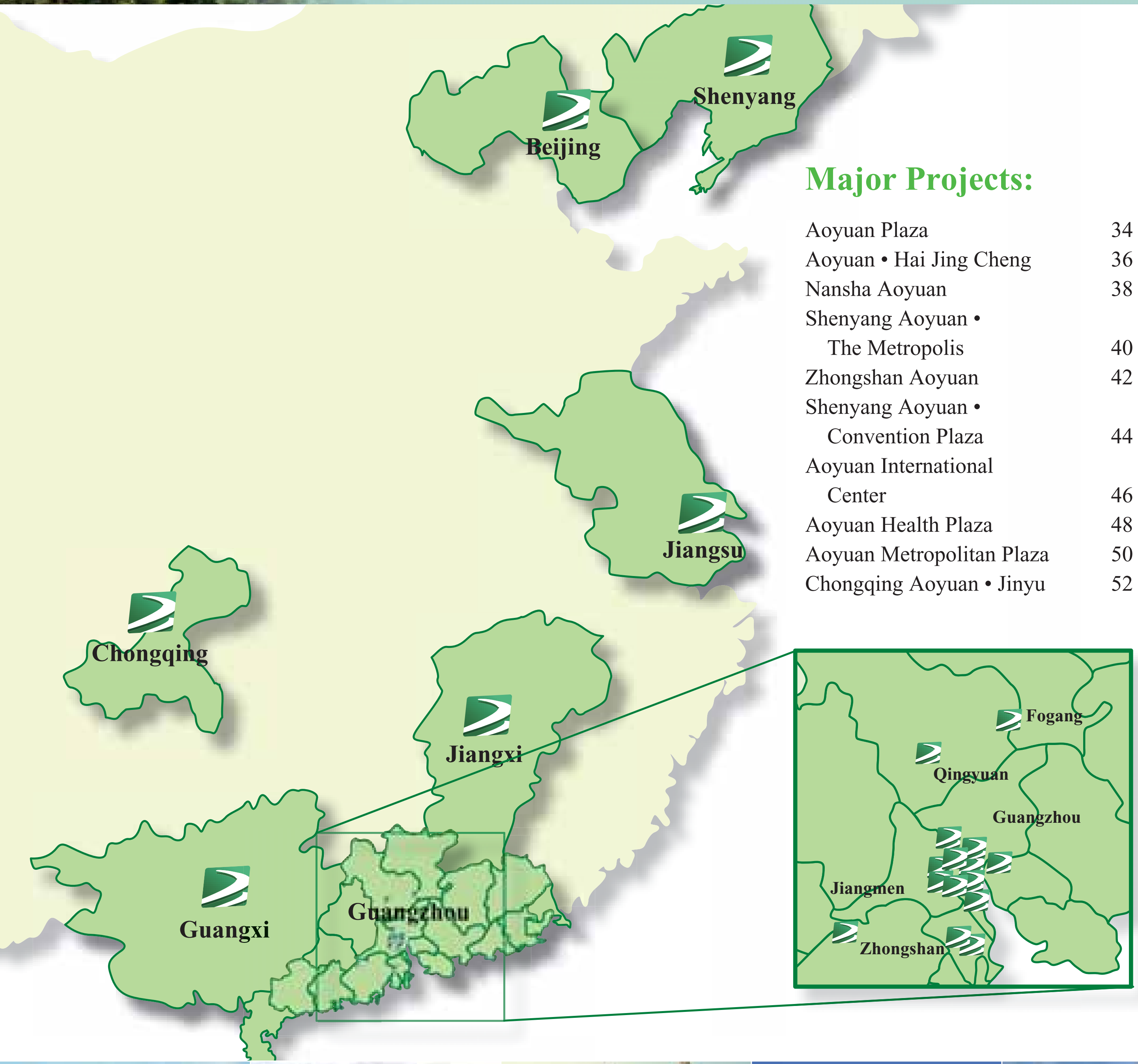
Mr. Xiao Yi, aged 41, assistant to Group President and director of the cost centre. He graduated from the Chongqing Institute of Architecture and Civil Engineering, possessing extensive experiences in engineering, cost and design management. He had served as a deputy general manager, general manager of engineering in Winsan (Shanghai) Industrial Corporation and Chongqing Longfor Properties, etc. He joined the Group in June 2009 and is now mainly responsible for the management of the cost centre of the Group, Research and Development centre and Aoyuan Design Institution. He also provides professional guidance in the Property Management Companies.

Wang Shu Yu (王曙煜)

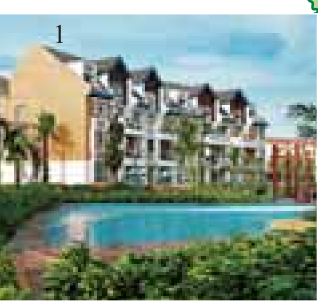
Ms. Wang Shu Yu, aged 39, assistant to Group President and general manager of the Asset Management Company. She graduated from the Hunan University, possessing extensive experiences in marketing planning, operational management and promotion. She had served as an assistant to the general manager and a general manager in renowned property companies such as Forte Land and Dalian Wanda, etc. She joined the Group in August 2010, and is now mainly responsible for the management of the Group's branding marketing division and Asset Operation and Management Companies.

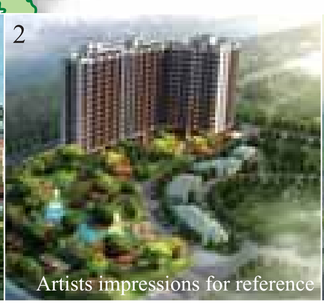
Liang Xiu Lei (梁秀蕾)

Ms. Liang Xiu Lei, aged 49, is an assistant to the President. She graduated from Sun Yat-sen University with a bachelor's degree. She has extensive experience in marketing, operational management and promotion and had served in Gemdale Group (金地集團) as the deputy general manager and as the strategic manager in China Land (中地行), a renowned sales and strategy agency in the PRC and the general manager of its Wuhan branch company, etc. She joined the Group in July 2001 and served as the marketing director of Nanguo Aoyuan and the general manager of Guangzhou Aoyuan. She is now primarily responsible for marketing management of Northern Aoyuan Company.



Major Projects:

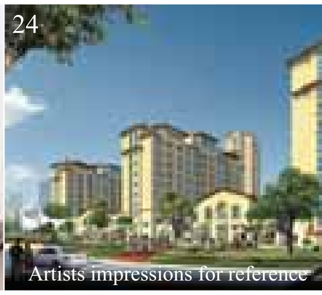




Artists impressions for reference

	Project Name	Location	Type of Property	Land Bank (thousand sq.m.)
	Guangdong Province			
1	Nanguo Aoyuan	Panyu, Guangzhou	Integrated residential community	149.9
2	Guangzhou Aoyuan	Panyu, Guangzhou	High-rise apartments, commercial properties	44.1
3	Panyu Aoyuan	Panyu, Guangzhou	Integrated residential community	56.4
4	Guo Ao Investment Development Centre	Nansha, Guangzhou	Hotel, commercial properties, office and high-rise apartments	91.6
5	Nansha Aoyuan	Nansha, Guangzhou	Commercial properties, villas and integrated residential community	93.3
6	Aoyuan • Hai Jing Cheng	Nansha, Guangzhou	Commercial properties, office and high-rise apartments	171.1
7	Aoyuan Plaza	Panyu, Guangzhou	High-rise apartments, commercial properties	211.4
8	Aoyuan Health Plaza	Panyu, Guangzhou	High-rise apartments, commercial properties	125.3
9	Aoyuan Metropolitan Plaza	Panyu, Guangzhou	High-rise apartments, commercial properties	133.8
10	Luogang Aoyuan	Luogang, Guangzhou	High–rise apartments, commercial properties	155.3
11	Fogang Aoyuan	Qingyuan, Guangdong	Villas, commercial properties	1,308.9
12	Qingyuan Aoyuan	Qingyuan, Guangdong	Villas, commercial properties	163.3
13	Jiangmen Aoyuan	Jiangmen, Guangdong	Integrated residential community	80.9
14	Jiangmen Aoyuan • BinJiang WaiTan	Jiangmen, Guangzhou	High–rise apartments, commercial properties	187.8
15	Zhongshan Aoyuan	Zhongshan, Guangdong	Villas, integrated residential community	639.7
16	Aoyuan • Jinyu	Zhongshan, Guangdong	High-rise apartments, commercial properties	210.0
	Jiangxi Province			
17	Jiangxi Aoyuan	Ganzhou, Jiangxi	Hotel, commercial properties, office, high-rise apartments and villas	516.0
	Guangxi Province			
18	Yulin Aoyuan	Yulin, Guangxi	Integrated residential community	402.0
19	Yulin Aoyuan • City of Health	Yulin, Guangxi	Integrated residential community	921.2
	Chongqing			
20	Chongqing Aoyuan • City of Health	Chongqing	High-rise apartments, commercial properties	84.2
	Shenyang			
21	Shenyang Aoyuan • The Metropolis	Shenyang, Liaoning	Integrated residential community	1,478.1
22	Shenyang Aoyuan • Convention Plaza	Shenyang, Liaoning	Integrated residential community	891.3
	Beijing			
23	Chang'an Ave	Beijing	High-rise apartments, commercial properties	247.6
	Jiangsu Province			
24	Kunshan Aoyuan	Jiangsu, Suzhou	High-rise apartments, commercial properties	239.0

Artists impressions for reference



Artists impressions for reference

Artists impressions for reference

Aoyuan Plaza

Aoyuan Plaza

Aoyuan Plaza is located in the prime commercial and residential center of Panyu District of Guangzhou with a high-end consumer group of approximately one million people around Shiqiao. The project is in a superior location of great business potential with sufficient and steady customer flow. The project occupies a total site area of approximately 65,000 sq.m. and a total GFA of approximately 250,000 sq.m.. The project is linked with two highways, leading to the down town of Shiqiao and center of Guangzhou to the north and Nansha Industrial Port to the south. The project is also close to three east-west expressways, and can be connected to the 1-hour urban economic circle of Pearl River Delta Areas such as Shenzhen, Dongguan, Zhongshan, Foshan, Zhuhai and Zhaoqing further evidencing its superior location. The project is of great commercial value, enhancing by the nearby Guangzhou South Railway Station. Metro Line No.3 has been put into operation and Line No. 17 and Line No. 19 are under planning and design.

Aoyuan Plaza mainly comprises three components: one-stop shopping mall, high-end international apartments and commercial streets. The project, one of the key projects under the "Tenbillion Economy Incubation Programme" of the Panyu District government of Guangzhou and a symbolic high-end commercial project in the Pearl River Delta, is a major comprehensive business project invested by Aoyuan on the basis of the development strategy to construct a modernized industrial system and livable urban and rural area of Panyu District People's Government and District Committee of CPC. Presently the well-known retail giant, CR Vanguard has decided to have its first flagship store of China in Aoyuan Plaza, and a number of first-tier brands of China, including Stellar International Cineplex, Suning Appliance, Tao Heung Cheers Palace and H&M were all waiting in line to have their shops and stores in Aoyuan Plaza.

Artists impressions for reference

Phase 1 of Aoyuan Plaza was launched for sale in October 2010. On the grand opening day, all of the 140 commercial shops as well as 260 out of 286 apartment units were sold out. The subscription amount reached RMB910 million, the project achieved remarkable sale performance, and created a new record on daily sales for commercial properties in the Pearl River Delta region. On 1 May 2011, the commercial properties of Phase 2 of Aoyuan Plaza were launched for sale, on which more than 95% of the shops was sold with a total subscription amount of approximately RMB350 million with the highest selling price amounted to RMB120,000 per sq.m., and apartments of Phase 2 (Block 1 and Block 2) were launched for sale on 26 June and 26 August 2011 respectively with satisfactory sales. At present, commercial properties and apartments of Phase 2 have basically been sold out and Phase 1 of Aoyuan Plaza has completed the delivery of properties on 31 December 2011. The commercial portion of Aoyuan Plaza is expected to commence trial operation at the end of the year.

In September 2011, Aoyuan Plaza was honored with the title of "2011 Commercial Complex with the Most Appreciation Potential in Guangzhou" in the real estate selection of supreme homes held by Guangzhou Real Estate Industry Association and received the "Business with the Most Investment Value Award" by Yang Cheng Evening News in December during the year.

The successful sale of Aoyuan Plaza demonstrates Aoyuan has been capable of developing commercial properties, and the strategy of developing commercial and residential properties in parallel has brought fruitful results to the Group's revenue growth.

Artists impressions for reference

Aoyuan • Hai Jing Cheng

Aoyuan • Hai Jing Cheng

Aoyuan • Hai Jing Cheng is situated at Jin'gang Avenue, Nansha District and adjacent to Jinzhou metro station, positioned in the conjunctional area of Jin'gang Avenue, central axis of Nansha and Jinsha Road, linked with a number of key highways, including Beijing-Zhuhai Highway, Humen Highway and Nansha Port Expressway and is within 15 minutes walking distance from Jinzhou and Jiaomen Stations of Guangzhou metro Line 4, forming a comprehensive transport network linking to Pearl River Delta.

Located in the core area of Jinzhou in Nansha, the project is the only large-scale comprehensive commercial project for sales in the core district of Nansha, comprises of two phases, Phase 1 of Jinsha Plaza and Phase 2 of Hai Jing Cheng.


Artists impressions for reference

Phase 1, Jinsha Plaza, is the only integrated business, residential and commercial complex in Nansha. It consists of four podium buildings, financial avenue and Ginza Commercial Center. Ginza Commercial Center houses prime office buildings of three to nine floors and SOHO individual business space of 10 to 15 floors. Currently, certain companies and enterprises such as China Merchants Bank and Postal Savings Bank have already occupied the podium buildings, which is one of the rare high-end commercial centers in Nansha CBD.

Phase Two of Hai Jing Cheng is the only integrated city complex in Nansha including modern theme shopping mall, special feature streets, international top-quality residences and serviced apartments, bringing Nansha to a brand new fashionable life.

To build a modern high-end shopping mall in Nansha, the modern theme shopping mall is planned and designed with leading international perspective, hosting a number of industries including top-quality department stores, branded clothing, fashionable jewellery and leisure dining. Featured Wealth Street is of traditional Lingnan construction style, a combination of culture and business for creating wealth of clusters. The theme mall of Hai Jing Cheng has attracted and signed contracts with a number of renowned merchants including China Resources Vanguard chain supermarket, one of the retail giants in the PRC, five-star cinema Heng Dian Cinema as well as Super K, transforming into a genuine integrated city complex in Nansha!

In 2011, thanks to the Twelfth Five-year Plan which favors the development of Nansha and the strong marketing capabilities of Aoyuan, the three phases of Aoyuan • Hai Jing Cheng are all achieved robust sales, with over 90% being sold on the first day, achieving remarkable market reputation and sales performance.

Nansha Aoyuan

Nansha Aoyuan

Nansha Aoyuan occupies a site area of 1,000 acres, and is located at the Lion Ocean, the only waterway exit of Guangzhou, which is not only the single large-scale residential project with mountainous and sea views in Guangzhou, but also the only low-carbon regimen residence that harmonizes five scarce natural resources including mountains, forests, lakes, sea and springs in Guangzhou. As a large regimen community for real estate development that blends living, vacation, regimen, health care, travel and culture together, within the areas are exquisite Italian-style mountain-top villas, scenic lake villas, apartments, clubhouses, star-grade health hotel, stylistic commercial streets and health botanical garden.

In recognition of the significance of ecology and nature, Nansha Aoyuan incorporates the concepts of low-carbon, health and regimen, preserving the primitive ecological forest and two natural lakes covering an area of over 30,000 sq.m. within the region, with a greening rate of up to 75%. Away from disturbance and the hustle and bustle of urban areas, the community presents the tranquility and elegance environment with the forest on the three sides isolating it from the surrounding, heralding the building and the soul of the very return to serenity and nature.

Equipped with the largest health city in southern China, Nansha Aoyuan was built with hotels that firstly feature unique regimen rooms in the industry, which include Regimen Restaurant, Regimen Center, National Chinese Medical Centre, the largest international conference center in Nansha, tennis courts, spas with constant temperature as well as karaoke, upholding the "five-highs" value system, namely "regimen environment of high quality", "regimen and health care projects of high standards", "high humane standard service system", "highly modernized management platform" and "highly elegant and harmonious interpersonal network", and is a large regimen resort hotel that integrates the functions of health management, promotion of regimen culture, leisure and vacation, regimen and health care as well as high-end commercial conference.

Nansha Aoyuan provides convenient transportation to 14 cities and five major international airports in Pearl River Delta being accessible within an hour's drive, and it takes less than eight minutes' drive to most of the major leisure attractions and living facilities in Nansha, making it an ideal place for home and leisure for the entire Pearl River Delta region.

In 2011, Nansha Aoyuan was acclaimed with the "The Best Living Environment Award" by Yang Cheng Evening News and "2011 South China Benchmark Suburb Mansion" by Dayoo.com.

Shenyang Aoyuan • The Metropolis

Shenyang Aoyuan • The Metropolis

Shenyang Aoyuan • The Metropolis is situated in the new town core area of Hun River, linking to the largest International Exhibition Center in Northeast China, the new Shenyang Railway Station to be commissioned and metro Line 4 instantaneously with excellent transportation. To its north is the Chinese Medical University which is under planning, south is the new Shenyang Exhibition Centre and south-eastern side is the Sport University. With the overall development of Shenyang shifting south and the southern-relocation of Shenyang Government, the construction of high-speed railway (Ha'erbin-Dalian Express Railway) and subway (Line 4), it will significantly enhance the advantages and appreciation of the project. It is noteworthy that the construction of sports center for the National Games will promote the comprehensive development of the region, which will improve the municipal facilities of all kinds. The region will be developed into the second downtown of Shenyang in the future, and will also become a new economic and residential focal point in Shenyang.

Shenyang Aoyuan • The Metropolis occupies total site area of approximately 370,000 sq.m. and a total GFA (including saleable and non-saleable) of approximately 1,500,000 sq.m.. The project includes townhouses, high-rise apartments, small high-rise scenic apartments, star-grade hotel, service apartment, A-grade offices, large-scale shopping mall, international brands commercial street, international top-class private clubhouse, kindergarten and primary school.

Shenyang Aoyuan • The Metropolis brought eight green technologies to Shenyang. The project successfully built the "breathing" mansions with constant temperature, humidity and oxygen environment for 24 hours without the needs of opening the windows and turning on the air conditioners. The room temperature remains at 20-26°C, with a humidity of 30%-70%, noise range of 30 to 45 Decibels and a circulation of oxygen into the unit once per hour, which led Shenyang to a new era of living without air conditioners, defining a brand new standard for healthy living.

The major sales in 2011 consisted of villas, apartments and multi-business retail street with mainly small apartments with flexible space designs. In October 2011, Aoyuan • Hongguan was launched for sales, which was well-received by the market, setting a new price benchmark to cater to the various demand in Shenyang and becoming the most competitive star-rated property in the Dahunnan area.

Being Aoyuan's maiden work to tap into Shenyang, the project has been favored by consumers since 2010, and also secured fourth place on the sales chart for Shenyang property market in 2011. In December 2011, Shenyang Aoyuan • The Metropolis received the title of "2011 Best Innovative Exemplary Property" by Shenyang Property Market Report.

Zhongshan Aoyuan

Zhongshan Aoyuan

Zhongshan Aoyuan is designed to be the "top choice for healthy living in Zhongshan". By virtue of the advanced development philosophy and outstanding planning and design, to incorporate the advanced concepts of "healthy life and regimen" into community life, Zhongshan Aoyuan project was awarded as the "The China LivCom Project Award", "Healthy House Construction Pilot Site" (健康住宅試點工程), "2011 Top Ten Guangdong Leading Real Estate Brands" and "Member of the Zhongshan Real Estate Industry Association".

The project is located at an advantageous geographical location, in Guangfeng Community in the West District of Zhongshan City, with only 10 minutes drive from the downtown through Guangfeng Industry Road that is under planning, and is a key area for future residential development in Zhongshan. Guangzhou-Zhuhai light transit commenced operation on 7 January 2011, which is within 30 minutes from Guangzhou South Station. With urban transport networks, including Hongkong-Zhuhai-Macao Bridge and Shenzhong Road consecutively put into use, the distance to other cities within the Pearl River Delta is significantly shortened, enabling Zhongshan project to capture the opportunities of development from the integration of metropolitan clusters in Pearl River Delta.

The project occupies a total site area of approximately 350,000 sq.m. and a total GFA (including saleable and non-saleable) of approximately 700,000 sq.m.. Nan Liu Yong, a tributary of Qijiang River, flows through the center of the project, allowing people to enjoy the fresh air by the water and live a healthy life along the 1,500-meter river shore. As a benchmark flagship large-scale residential project of Zhongshan, the project offers a wide range of products such as villas, apartments, commercial facilities and service apartments respectively, with units ranging from 30 to 400 sq.m., with a total of approximately 6,000 units which can accommodate nearly 20,000 people.

In 2011, total contracted sales of Zhongshan Aoyuan amounted to approximately RMB764.6 million, becoming one of the benchmark large-scale residential projects of Zhongshan. In May to September 2011, Zhongshan Aoyuan continued to rank top 10 by

monthly sales amongst other major projects in Zhongshan, and finally won third place for sales in Zhongshan in 2011, which was well-received by the market and the industry.

In 2012, the project will continue to improve its integrated facilities which include community facilities such as school, kindergarten, commercial properties, hypermarkets, integrated market, community service center and police station within the residential community.

In December 2011, Zhongshan Aoyuan received the “2011 Best-selling Property Project Award” from Guangzhou Daily and was crowned the title of “2011 The Most Popular Property Project in Zhongshan” by Zhongshan Daily.

Artists impressions for reference

Shenyang Aoyuan • Convention Plaza

Shenyang Aoyuan • Convention Plaza

Shenyang Aoyuan • Convention Plaza is located at the core area of the proposed exhibition and convention center in Dahunnan, Shenyang, and is at the adjacent street of the Shenyang International Exhibition Center. Having rosy development prospects, the district is the largest transport hub in Northeastern China which includes airport, high-speed railway, metropolitan railway, subway, public transport, rental and Changke.

The proposed new Shenyang South Railway Station 2.2 km east to the project will form a 2-hour economic circle that encompasses northeastern China and pan-Northern China, leading to Haerbin to the north, Dalian to the south and Beijing to the west. The new South Railway Station also connects with Harbin-Dalian, Shenyang- Dandong and Beijing-Shenyang railway lines for passenger as well as Shenyang- Dalian and Shenyang- Fushun intercity railways, developing a "1-hour economic circle" between

Shenyang and its surrounding cities. Meanwhile, the project together with the new South Railway Station and the public transport system make "travel with zero transfer" possible with the metro Line 4 running north-south and metro Line 10 running east-west intersecting each other at the project location. At 13 km to the south-western side of the project rests the Taoxian Airport, the largest aviation hub in Northeastern China, which is 10 minutes' drive from the project, which heads to many places in the nation and even the world.

Being the fifth generation of integrated city complex highlighted with exhibition and conference feature, the project integrates five commercial buildings including residence, service apartments, shops, international 5A-standard A-grade offices and commercial streets that feature mega business and exhibition events. The project occupies a total site area of approximately 223,000 sq.m. and a GFA of approximately 890,000 sq.m., which is divided into two development phases, Phase 1 of which mainly comprises high-rise apartment buildings.

Shenyang Aoyuan • Convention Plaza, a masterpiece of Aoyuan Group after accumulating invaluable experience in a number of past residential and commercial projects, together with Shenyang Aoyuan • The Metropolis are developed into a 2,400,000-sq.m. economic complex with exhibition and conference function, being an exemplary of the fifth generation of integrated city complex. The project will bring the fullest satisfaction to urban people who look for different and diversified commercial facilities and services by operating on the business strategy of "3+1", of which "3" represents family life center (mainly includes various shopping centers for commercial purposes such as leisure and dining, international cinemas, fashion, fitness and KTV), interactive family entertainment centers as well as shopping centers; "1" represents is a five-star resort hotel with convention and exhibition functions.

Artists impressions for reference

Leveraging the increasingly reliance of the economy on exhibition and the soon commissioning high speed railway, Shenyang Aoyuan • Convention Plaza integrates distinctive features to meet the insatiable demand in the district. With its wide range of business development, Shenyang Aoyuan • Convention Plaza will provide owners with a one-stop convenient living environment, which is expected to become a landmark for new business and living center in Shenyang upon completion, symbolizing high-end consumption pattern and living style in the southern district of Shenyang.

In December 2011, Shenyang Aoyuan • Convention Plaza was crowned "2011 City Gold Landmark" by Shenyang Property Market Report, and received the "2011 Greatest Appreciation Potential Award" in the 6th China's Overall Real Estate Evaluation in the same month.

Artists impressions for reference

Aoyuan International Center

Aoyuan International Center

Aoyuan International Center is located at the center of Wanbo, Guangzhou, where Panyu Road and Hanxi Road intersect, and is the integrated CBD to the south of the central axis of Guangzhou that concentrated on the development of headquarters economy. Its surrounding area accommodated a number of super luxury residences, mustering approximately 1.3 million high-end consumer groups around the Shiqiao and Dashi areas.

The project directly links with metro Line 7 (under construction) in proximity to Panyu Road, and forms a convenient traffic network with Hanxi Road, Hanxi Station of metro Line 3, Xinguang Highways, Shiguang Road as well as the new and old National Highway 105, which can reach the urban area of Guangzhou within 10 minutes and the Guangzhou South Station (high-speed railway) within 20 minutes.

According to the Twelfth Five-year Plan of the Guangzhou municipal government, the central business district of Wanbo is positioned to be the headquarter for modern information services, which will mainly comprise information services, business head offices, intermediaries and large commercial buildings. It serves not only as the focal point for Panyu to optimize and adjust its economic structure, develop and expand leading industries and the headquarters for economic entities, but also an important basis for the economic growth of Panyu in the next few years.

Being an intelligent business complex of Aoyuan designed, planned and built to international standards, Aoyuan International Center is located at the center of the business downtown of Wanbo. The project occupies a site area of approximately 60,000 sq.m. and a total GFA of approximately 300,000 sq.m., which will be developed into a dynamic business hub including two super high-rise towers, within which are commercial pedestrian streets, underground shops, luxury apartments, A-grade offices as well as international business clubhouses. Upon completion, it will bring to the majority of the Guangzhou citizens a brand new classy, modern and convenient experience in business, leisure and entertainment.

Aoyuan's commercial projects elicited heated response in the market when being launched for sales with no exception. Our rich experience in commercial property development will strongly support Aoyuan to furnish the this project as a spectacular commercial development within the district. Currently, Aoyuan International Center is under preparation, which is proposed to be launched in the market in 2013.

Artists impressions for reference

Aoyuan Health Plaza

Aoyuan Health Plaza

Aoyuan Health Plaza is located at the future commercial and living center of Panyu, Panyu-Qiaonan Street city center, which connects with Panyu Central Hospital to the south, Shinanlu and Xianyong Village to the north, Xiangsheng College to the east and Dexin Road to the west. The project occupies a site area of approximately 48,000 sq.m. and a total GFA of approximately 180,000 sq.m., which mainly consists of Chinese regimen centers, commercial streets and commercial office buildings, of which commercial streets occupy approximately 50,000 sq.m. whilst commercial office buildings occupy approximately 80,000 sq.m. with approximately 1,200 sq.m. lower ground car parking spaces.

The project is positioned as the benchmark health complex within the commercial circle, which will satisfy the demand for high-end health and regimen services in Panyu, and

Artists impressions for reference

will join forces with many large brands to attract a variety of regimen companies to form a health and regimen industry chain. The project can reach facilities including RT-Mart, Ha Street, Hailunbao Shopping Park, five-star Royal Marina Hotel, schools as well as hospitals within a 10 minutes' drive. The Aoyuan Health Plaza together with Aoyuan Plaza will form the "Qiaonan Golden Business Circle" in the future.

The commercial portion of Aoyuan Health Plaza is divided into two phases which is developed under a centralized scientific planning: the first and second floors of the Phase 1 commercial buildings connect with gold shops along the street, and is planned to be developed with health and regimen business relating to natural supplements, health care and nutritional products, restaurants and dining, national medical center, pharmacies, organic food, expensive supplement specialties and fruits, which will be built as the largest high-end professional health and regimen services group in the Pearl River Delta to seize market share; shops on the third and fourth floors are planned to house large restaurants, mid- to high-end food shops and specialty catering, which reconcile the health and regimen dieting with the regime theme of the first and second floors, while attracting 5 million people every year from the Panyu Central Hospital.

The first and second floors of Phase 2 commercial buildings lead to golden shops along the street, and is proposed to be developed into rehabilitation center with medical equipment and health care business relating to healthy sleeping as well as medical cosmetic, ophthalmic, dental and orthopedic to cope with the health and regimen business mode of Phase 1. The first, third, fourth and fifth floors house the Chinese regimen center, which is transformed to a high-end professional leisure and health center with the provision of body check centers, music therapy and regimen clubhouses.

Phase 2 of the commercial complex solicits various shops that suit everyday needs such as banks, convenience stores, regimen and foot therapy shops, tea houses and restaurants, which effectively stimulate the consumption within the community and fully complement with the regime commercial street to generate affluent wealth.

Every central hospital in a city will boost the development of a commercial street. Adjacent to Panyu Central Hospital, Aoyuan Health Plaza accommodates the largest high-end professional health and regimen services group for the Pearl River Delta and the entire Southern China region and has a bright development prospect.

Artists impressions for reference

Aoyuan Metropolitan Plaza

Aoyuan Metropolitan Plaza

Aoyuan Metropolitan Plaza is the first large business complex introduced by Aoyuan Group in the Guangzhou South Station district as a trade and exhibition centre in Southern China, which lies on two plots, namely Lot Nos. BA0501009 and BA0501034, respectively, and is located in the high-end business cluster in Guangzhou to be developed under the "Twelfth Five-year Plan"; an iconic city portal in Southern China; the largest and most prestigious integrated transport hub with most features; and the Guangzhou South Station area, being a modern business and trade services center. As the geographic center of the Guangzhou-Foshan metropolitan circle, the Guangzhou South Station is surrounded by international commodity exhibition and trade centers, first-class universities and research and development centers in the PRC, 5A-grade travel and cultural centers, production bases for automobile components as well as services and manufacturing centers in Foshan and florist markets and has a large population.

Artists impressions for reference

The South Station has an integrated road system that comprises a number of railway lines for passenger, intercity railways, subways, and high speed railways, which provide convenient transportation.

Aoyuan Metropolitan Plaza has a total GFA of approximately 135,000 sq.m., and consists of five major functional centers including exhibition and trade center, business center, office building center, life center as well as food center. It is a distinctive business complex that combines A-grade offices, exhibition and trade fairs, top-quality hotels, business clubhouses, SOHO apartments and catering. The project is divided into the southern and northern districts: the southern district is mainly composed of Aoyuan Metropolitan Plaza which features A-grade offices and mega exhibition and trade services centers; whilst the northern distract will be Aoyuan City Tower mainly designed for SOHO commercial and residential uses. As the pioneer for real estate development at the South Station, Aoyuan strives to create the best environmental-friendly business complex in Southern China and improve the quality of the project with intelligent and ecological systems. Currently, the project has completed the preliminary plan and basic design and is proposed to be developed in two phases within the two districts. Phase 1 is expected to be launched for sales in 2013.

Artists impressions for reference

Chongqing Aoyuan • Jinyu

Chongqing Aoyuan • Jinyu

Subsequent to Chongqing Aoyuan • City of Health, Chongqing Aoyuan • Jinyu is another masterpiece presented by Aoyuan in a major southwestern city of China-Chongqing. Occupying a site area of approximately 20,000 sq.m. with a total GFA of approximately 120,000 sq.m., the project is planned to be developed into four top-quality residences alongside some theme shopping streets, and will consistently employ the elegant and simple architectural style of Aoyuan.


Artists impressions for reference

Located at the core area of Chongqing, Jiulongpo District, Chongqing, the project connects with the traffic hub situated at the sub-town centre of Dashiyang (Daping, Shiqiaopu, Yangjiaping), and the stations of Chenjiaping, Yuanjiagang, Yangjiaping along light rail Line 1 are simply within walking distance. With an extensive and convenient transportation network, superb geographical location coupled with abundant municipal and daily facilities, the area has unlimited potential for appreciation as the Jiulongpo old town improvement programme is being implemented.

The project is expected to be launched for sales in 2012, during which we will dedicate new healthy, livable and stylish buildings to Chongqing by adhering to the "low-carbon, regimen, health" concept of Aoyuan, marking a new epoch of supreme living style for Chongqing, which once again uplifts Aoyuan's brand awareness and reputation.

Corporate Governance Report

The board of directors (the "Board") of the Company is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2011.

The key corporate governance principles and practices of the Company are summarized as follows:

Corporate Governance Practices

The Group strives to maintain high standards of corporate governance to enhance shareholder value and safeguard shareholder interests. The Group's corporate governance principles emphasize the importance of a quality Board, effective internal controls and accountability to shareholders.

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as its own code of corporate governance.

The Company has complied with most of the code provisions as set out in the CG Code save for certain deviations from the code provisions, details of which will be explained below.

The Company will, from time to time, review and enhance its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

The Board of Directors

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

All directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Board Composition

Membership of the Board is currently made up of twelve members in total, with six executive directors, two non-executive directors and four independent non-executive directors.

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The relationships among the members of the Board are disclosed under "Directors and Senior Management Profile" on page 25. Mr. Guo Zi Wen is the brother of Mr. Guo Zi Ning. Save as disclosed, members of the Board are unrelated to one another.

During the year ended 31 December 2011, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

All directors, including non-executive directors and independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive directors are invited to serve on the Audit, Remuneration and Nomination Committees of the Company.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2011.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Chairman and Chief Executive Officer

The roles and duties of the Chairman and the Chief Executive Officer of the Company are carried out by different individuals and have been clearly defined in writing.

The Chairman of the Board is Mr. Guo Zi Wen, and the Chief Executive Officer is Mr. Guo Zi Ning. With the support of the company secretary and the senior management, the Chairman is responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings, and that all key and appropriate issues are discussed by the Board in a timely manner. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

Appointment, Re-election and Removal of Directors

Each of the executive directors, non-executive directors and independent non-executive directors of the Company has entered into a service contract or a letter of appointment with the Company for a specific term. Such term is subject to his re-election by the Company at an annual general meeting ("AGM") upon retirement. The articles of association (the "Articles of Association") of the Company provides that any director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting of the members of the Company and shall then be eligible for re-election at such meeting. Besides, any director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

In accordance with the Articles of Association, one-third of all directors of the Company are subject to retirement by rotation at least once every three years. A retiring director is eligible for re-election and continues to act as a director throughout the meeting at which he retires. Any director appointed by the Board to fill a casual vacancy or as an addition to the Board shall not be taken into account for retirement by rotation.

The members of the Company may, at any general meeting convened and held in accordance with the Articles of Association to remove a director at any time before the expiration of his period of office notwithstanding anything contrary in the Articles of Association or in any agreement between the Company and such director.

Induction and Continuing Development of Directors

Each newly appointed director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure proper understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for directors will be arranged where necessary.

Board Meetings

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management where necessary.

The senior management attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The company secretary assists the chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are followed. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and final versions are open for directors' inspection.

The Articles of Association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

Code provision A.1.3 stipulates that at least 14 days' notice should be given for a regular Board meeting.

Certain Board meetings held during the year ended 31 December 2011 were convened with less than 14 days' notice. The Company adopted a flexible approach in convening Board meetings and ensuring that sufficient time and adequate information were given to directors for making informed decisions.

Directors' Attendance Records

During the year ended 31 December 2011, 19 regular Board meetings were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

Name of Director	Attendance/Number of Meetings
Executive Directors	
Mr. Guo Zi Wen	19/19
Mr. Guo Zi Ning	19/19
Mr. Yang Zhong	18/19
Mr. Lam Kam Tong	19/19
Ms. Xin Zhu	19/19
Mr. Hu Da Wei	19/19
Non-executive Directors	
Mr. Wu Jie Si	19/19
Mr. Paul Steven Wolansky (resigned on 20 January 2011 and then re-appointed by the Board with effect from 24 February 2011)	18/19
Mr. Leung Ping Chung, Hermann (resigned on 21 February 2011)	1/19
Independent Non-executive Directors	
Mr. Ma Kwai Yuen	19/19
Mr. Song Xian Zhong	19/19
Mr. Tsui King Fai	19/19
Mr. Cheung Kwok Keung	18/19

Delegation of Management Functions

The Board undertakes responsibility for decision making in major Company matters, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The Board has delegated a schedule of responsibilities to the Chief Executive Officer and senior management of the Company. These responsibilities include implementing decisions of the Board, directing and coordinating day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the operating and production plans and budgets, and supervising and monitoring the control systems.

The Board has established three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are available to shareholders upon request.

Nomination Committee

The Nomination Committee comprises five members, namely Mr. Guo Zi Wen (chairman of the Committee), Mr. Ma Kwai Yuen, Mr. Song Xian Zhong, Mr. Tsui King Fai and Mr. Cheung Kwok Keung, the majority of them are independent non-executive directors.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of the independent non-executive directors.

The Nomination Committee held 3 meetings during the year ended 31 December 2011 and all the members attended the meetings.

The Nomination Committee reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

In accordance with the Articles of Association, Mr. Guo Zi Ning, Ms. Xin Zhu, Mr. Song Xian Zhong and Mr. Ma Kwai Yuen shall retire by rotation and being eligible, offer himself for re-election at the next forthcoming annual general meeting.

The Nomination Committee recommended the re-appointment of the directors standing for re-election at the next forthcoming annual general meeting of the Company.

The Company's circular dated 13 April 2012 contains detailed information of the directors standing for re-election.

Remuneration Committee

The Remuneration Committee comprises three members, namely, Mr. Tsui King Fai (chairman of the Committee), Mr. Ma Kwai Yuen and Mr. Cheung Kwok Keung, all of which are independent non-executive directors.

The primary functions of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the executive directors and the senior management for the year under review.

The Remuneration Committee held 3 meetings during the year ended 31 December 2011 and all the members attended the meetings.

Audit Committee

The Audit Committee comprises four independent non-executive directors, namely, Mr. Ma Kwai Yuen (chairman of the Committee), Mr. Song Xian Zhong, Mr. Tsui King Fai and Mr. Cheung Kwok Keung, none of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the internal auditor or external auditors before submission to the Board.

- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors.

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee oversees the internal control system of the Group, reports to the Board on any material issues, and makes recommendations to the Board.

During the year under review, the Audit Committee reviewed the Group's annual results and annual report for the year ended 31 December 2011, the financial reporting and compliance procedures, the report of the internal auditor on the Company's internal control and risk management systems and processes, and the re-appointment of the external auditors.

The Audit Committee held 2 meetings during the year ended 31 December 2011 and all the members attended the meetings.

Accountability and Audit

Directors' Responsibilities for Financial Reporting

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2011.

The directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and that relevant statutory and regulatory requirements and applicable accounting standards are complied with.

The Board has received from the senior management the management accounts and such accompanying explanation and information as are necessary to enable the Board to make an informed assessment for approving the financial statements.

External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on page 73.

During the year under review, the remuneration paid to the Company's external auditors, Messrs Deloitte Touche Tohmatsu, amounted to RMB2,800,000 for audit services, RMB420,000 related to a proposed acquisition of subsidiaries and RMB800,000 for interim review of the Group's condensed consolidated financial statements.

Internal Controls

The Board conducted a review of the effectiveness of the internal control system of the Group for the year ended 31 December 2011. The review covered the financial, operational, compliance and risk management aspects of the Group including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets and reviewing the effectiveness of such system on an annual basis.

An internal audit department has been established to perform regular financial and operational reviews and conduct audits of the Company and its subsidiaries. The work carried out by the internal audit department will ensure the internal controls are in place and functioning as intended.

During the course of audit performed by the external auditors, they reported on the weakness in the Group's internal control and accounting procedures which had come to their attention. The internal audit department reviewed, evaluated and monitored the follow-up actions in response to their recommendations and reported to the Audit Committee.

Communication with Shareholders and Investors/Investor Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions. To achieve this, the Company maintains a website at http://www.aoyuan.com.cn, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted.

The general meetings of the Company also provide good opportunity for exchange of views between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available to answer questions at shareholder meetings.

The 2012 Annual General Meeting ("2012 AGM") will be held on 15 May 2012. The notice of 2012 AGM will be sent to shareholders at least 20 clear business days before the 2012 AGM.

The Board believes effective investor relations can contribute towards lowering cost of capital, improving market liquidity for the Company's stock and building a more stable shareholder base. Therefore, the Company is committed to maintaining a high level of corporate transparency and following a policy of disclosing relevant information to shareholders, investors, analysts and bankers. Keeping the shareholders aware of our corporate strategies and business operations is one of the key missions of our investor relations team.

Shareholder Rights

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

Report of the Directors

The Directors are pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2011.

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2004 Second Revision) of the Cayman Islands on 6 March 2007.

The shares of the Company were listed on the Stock Exchange on 9 October 2007.

Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in property development and property investment.

An analysis of the Group's turnover and operating profit for the year ended 31 December 2011 by principal activities is set out in note 6 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2011 and the state of affairs of the Group as at 31 December 2011 are set out in the consolidated financial statements on pages 75 to 145.

The Directors recommended the payment of a final dividend of RMB5.15 cents per ordinary share to the shareholders on the register of members on 23 May 2012, amounting to approximately RMB134.7 million. (2010: final dividend of RMB3.3 cents per share).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

Share Capital

Details of movements during the year in the share capital of the Company are set out in note 31 to the consolidated financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's memorandum and articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

Major Customers and Suppliers

Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year and purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

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

For the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Closure of Register of Members

The register of members of the Company will be closed during the following periods:

(i) from 11 May 2012 to 15 May 2012, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2012 AGM which is scheduled on 15 May 2012, the register of members of the Company will be closed. In order to be eligible to attend and vote at the 2012 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 10 May 2012; and

(ii) from 21 May 2012 to 23 May 2012, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 18 May 2012.

During the periods mentioned in sub-paragraphs (i) and (ii) above, no transfers of shares will be registered.

Reserves

Details of the movement in reserves during the year are set out in the section "Consolidated Statement of Changes in Equity" of the consolidated financial statements. The Company's reserves available for distribution to shareholders as at 31 December 2011 were RMB2,283,897,000 (2010: RMB1,814,132,000).

Financial Summary

A five-year financial summary of the Group is set out on page 146.

Directors

The Directors of the Company during the year and up to the date of this report, were as follows:

Executive Directors

Mr. Guo Zi Wen *(chairman)*
Mr. Guo Zi Ning *(vice chairman and chief executive officer)*
Mr. Yang Zhong (appointed on 20 January 2011)
Mr. Lam Kam Tong
Ms. Xin Zhu
Mr. Hu Da Wei

Non-executive Directors

Mr. Wu Jie Si *(vice chairman)*
Mr. Paul Steven Wolansky (resigned on 20 January 2011 and re-appointed on 24 February 2011)
Mr. Leung Ping Chung, Hermann (resigned on 21 February 2011)

Independent non-executive Directors

Mr. Ma Kwai Yuen
Mr. Song Xian Zhong
Mr. Tsui King Fai
Mr. Cheung Kwok Keung (appointed on 20 January 2011)

In accordance with the Articles of Association, Mr. Guo Zi Ning, Ms. Xin Zhu, Mr. Ma Kwai Yuen and Mr. Song Xian Zhong will retire from office by rotation and, being eligible, offer themselves for re-election as Directors at the forthcoming AGM.

The Company has received, from each of the independent non-executive Directors namely Mr. Ma Kwai Yuen, Mr. Song Xian Zhong, Mr. Tsui King Fai and Mr. Cheung Kwok Keung, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

Directors' Service Contracts

Each of Mr. Guo Zi Wen and Mr. Guo Zi Ning has entered into a service contract with the Company for a term of three years commencing from 3 April 2007, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing. Mr. Hu Da Wei has entered into a service contract with the Company for an appointed term from 8 April 2008 to 2 April 2010, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing. Each of Mr. Lam Kam Tong and Ms. Xin Zhu has entered into a service contract with the Company for a term of three years with effect from 25 September 2009, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing. Mr. Yang Zhong has entered into a service contract with the Company for a term of three years with effect from 20 January 2011, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing.

Mr. Wu Jie Si, a non-executive Director of the Company, has entered into a letter of appointment with the Company for a term of one year with effect from 24 December 2009, and which may be extended thereafter for such period as the Company and Mr. Wu may agree in writing. Mr. Paul Steven Wolansky who resigned on 20 January 2011 was re-appointed as non-executive director under a letter of appointment for a term of one year with effect from 24 February 2011, and which may be extended thereafter for such period as the Company and Mr. Wolansky may agree in writing.

Each of the independent non-executive Directors of the Company (except Mr. Cheung Kwok Keung) has entered into a letter of appointment with the Company and is appointed for a specific term commencing from 13 September 2007 which may be extended for such period as the Company and the Director may agree in writing. Mr. Cheung has entered into a letter of appointment with the Company for a term of one year with effect from 20 January 2011, and which may be extended thereafter for such period as the Company and Mr. Cheung may agree in writing.

All the Directors are subject to retirement by rotation and re-election at AGM of the Company pursuant to its Articles of Association. Apart from the foregoing, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

Other than as disclosed in note 11 to the consolidated financial statements, no contract of significance to which the Company, its holding company or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

In order to eliminate competing business with the Group, on 20 September 2007, Mr. Guo Zi Wen, Mr. Guo Zi Ning and Ms. Jiang Miner, spouse of Mr. Guo Zi Wen, entered into a deed of non-competition with the Company.

As at the date of this report, none of the Directors are considered to have any interest, either direct or indirect, in businesses which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules.

In compliance with the deed of non-competition signed on 20 September 2007, Mr. Guo Zi Wen, Mr. Guo Zi Ning and Ms. Jiang Miner hereby make an annual declaration on his/her compliance with the non-competition undertaking.

Disclosure pursuant to Rules 13.18 and 13.21 of the Listing Rules

The following information is disclosed pursuant to rules 13.18 and 13.21 of Chapter 13 of the Listing Rules.

On 8 August 2011, the Company as borrower, and Nanyang Commercial Bank, Limited and Bank of China Limited, Macau branch ("Lenders") as lenders entered into a supplemental agreement to a loan agreement dated 25 June 2010 in relation to a term loan facility of HK$500,000,000 pursuant to which the Lenders agreed to grant an additional term loan facility of HK$490,000,000 ("New Loan") and as long as any part of the loan under the loan agreement and the supplemental agreement remains outstanding, the Company shall procure that:

(a) Mr. Guo Zi Wen and his spouse ("Guo Family") will beneficially own the Company as single majority shareholder and the Company shall remain at all times under the control of Guo Family;

(b) Mr. Guo Zi Wen will continue to act as the chairman of the board of directors of the Company; and

(c) Ace Rise Profits Limited, a company incorporated in the British Virgin Islands, will not charge or mortgage any of its shareholdings in the Company in favour of any person, firm or company (except for charges or mortgages in existence over the shareholdings prior to the date of the loan agreement).

The maturity date of all outstanding amounts and interest accrued under the supplemental agreement will be the date falling three and a half years from the first drawdown date under the New Loan and in no event later than 28th June 2015.

A breach of any of the above specific performance obligations will constitute an event of default under the loan agreement. As such, the Lenders will declare the commitments under the abovementioned agreements to be cancelled and/or declare all outstanding amounts together with interest accrued and all other sums payable by the Company to be forthwith due and payable.

Group's Emolument Policy

The Company's policy on determining the emolument payable to Directors are based on the skill, knowledge, involvement in the Company's affairs and the performance of each Director, together with reference to the profitability of the Company, remuneration benchmarks in the industry, and prevailing market conditions. To enable the Remuneration Committee to give better advice on the Group's future remuneration policy and related strategies, the Remuneration Committee has been advised of the Group's existing remuneration policy and succession plan, such as guidelines on designing employees' remuneration packages and related market trends and information.

Directors' and Chief Executives' Interests in Securities

As at 31 December 2011, the interests of Directors and chief executives of the Company and their associates in the equity or debt securities of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:

Long position in Shares and Underlying Shares under Equity Derivatives of the Company:

	Number of shares				
	Ordinary shares				
Name of Director/ Chief Executive	**interests held under personal name**	**interests held by controlled corporations**	**Underlying shares (under equity derivatives of the Company) (Note 3)**	**Aggregate interest**	**Approximate percentage of the issued share capital**
Director					
Mr. Guo Zi Wen	–	1,154,325,000 *(Note 1)*	–	1,154,325,000	44.13%
Mr. Paul Steven Wolansky	–	293,175,000 *(Note 2)*	–	293,175,000	11.21%
Mr. Lam Kam Tong	3,000,000	–	4,000,000	7,000,000	0.27%
Mr. Yang Zhong	200,000	–	4,000,000	4,200,000	0.16%
Mr. Hu Da Wei	–	–	4,000,000	4,000,000	0.15%
Ms. Xin Zhu	–	–	4,000,000	4,000,000	0.15%
Mr. Ma Kwai Yuen	–	–	300,000	300,000	0.01%
Mr. Song Xian Zhong	–	–	300,000	300,000	0.01%
Mr. Tsui King Fai	–	–	300,000	300,000	0.01%
Mr. Cheung Kwok Keung	–	–	300,000	300,000	0.01%

Notes:

(1) These 1,154,325,000 ordinary shares are registered in the name of Ace Rise Profits Limited. Ace Rise Profits Limited is held by Sturgeon Limited, which is owned as to 50% by Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited as the trustee holding such interests on trust for the beneficiaries of The Golden Jade Trust. The Golden Jade Trust is a discretionary family trust established under the laws and regulations of Singapore. As at the date of this report, the beneficiaries of The Golden Jade Trust are Mr. Guo Zi Wen and Ms. Jiang Miner.

(2) These 293,175,000 ordinary shares are registered in the name of Cathay Sino Property Ltd., which is wholly-owned by Cathay Capital Holdings, L.P. Cathay Capital Holdings, L.P. is managed by its general partner, Cathay Master GP, Ltd. which in turn is owned as to 45% by Mr. Paul Steven Wolansky as trustee.

(3) Details of share options held by the Directors are shown in the section of "Share Options".

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares of the Company, underlying shares or debentures of the Company or any of its associated corporation as recorded in the register which were required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. None of the Directors of the Company or their spouses or children under the age of 18, had been granted any right to subscribe for the equity or debt securities of the Company or any of its associated corporations, or had exercised any such right for the year ended 31 December 2011.

Share Options

On 13 September 2007, the Company adopted a share option scheme (the "Scheme"). Details of the options granted by the Company pursuant to the Scheme and the options lapsed and outstanding for the year ended 31 December 2011 were as follows:

	Number of share options								
	As at 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2011	Date of grant	Exercise period	Exercise price per share *HK$*	Closing price of share immdediate before date of grant *HK$*
Director									
Mr. Wu Jie Si	10,000,000	–	–	10,000,000	–	18/7/2008	18/7/2008-14/7/2011	5.20	1.73
	10,000,000	–	–	10,000,000	–	18/7/2008	18/7/2008-14/7/2011	1.79	1.73
Mr. Lam Kam Tong	3,000,000	–	–	3,000,000	–	1/12/2008	1/12/2008-30/11/2011	2.00	0.66
	3,000,000	–	3,000,000 *(Note 4)*	–	–	1/12/2008	1/12/2008-30/11/2011	0.638	0.66
	2,000,000 *(Note 1)*	–	–	–	2,000,000	18/1/2010	2010AR-31/12/2013	1.38	1.35
	2,000,000 *(Note 1)*	–	–	–	2,000,000	18/1/2010	2011AR-31/12/2013	1.38	1.35
Mr. Yang Zhong *(Note 3)*	–	2,000,000 *(Note 2)*	–	–	2,000,000	4/4/2011	1/4/2012-31/12/2014	1.4	1.38
	–	2,000,000 *(Note 2)*	–	–	2,000,000	4/4/2011	1/4/2013-31/12/2014	1.4	1.38
Mr. Hu Da Wei	2,000,000 *(Note 1)*	–	–	–	2,000,000	18/1/2010	2010AR-31/12/2013	1.38	1.35
	2,000,000 *(Note 1)*	–	–	–	2,000,000	18/1/2010	2011AR-31/12/2013	1.38	1.35

	Number of share options								
	As at 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2011	Date of grant	Exercise period	Exercise price per share *HK$*	Closing price of share immdediate before date of grant *HK$*
Ms. Xin Zhu	2,000,000 *(Note 1)*	–	–	–	2,000,000	18/1/2010	2010AR-31/12/2013	1.38	1.35
	2,000,000 *(Note 1)*	–	–	–	2,000,000	18/1/2010	2011AR-31/12/2013	1.38	1.35
Mr. Ma Kwai Yuen	300,000	–	–	–	300,000	25/9/2009	25/9/2009-24/9/2012	1.40	1.35
Mr. Song Xian Zhong	300,000	–	–	–	300,000	25/9/2009	25/9/2009-24/9/2012	1.40	1.35
Mr. Tsui King Fai	300,000	–	–	–	300,000	25/9/2009	25/9/2009-24/9/2012	1.40	1.35
Mr. Cheung Kwok Keung *(Note 3)*	–	300,000 *(Note 2)*	–	–	300,000	4/4/2011	4/4/2011-3/4/2014	1.4	1.38
Chief Executive									
Mr. Wu Chen	10,000,000	–	–	10,000,000	–	25/9/2008	25/9/2008 to end of his service contract with the Company	0.90	0.85
	48,900,000	4,300,000	3,000,000	33,000,000	17,200,000				

Notes:

(1) Each of Mr. Lam Kam Tong, Mr. Hu Da Wei and Ms. Xin Zhu was granted share options to subscribe for a total of 4,000,000 shares of the Company on 18 January 2010. Options representing 2,000,000 shares are exercisable from the date of 2010 annual result announcement to 31 December 2013; options representing the remaining 2,000,000 shares are exercisable from the date of 2011 annual result announcement to 31 December 2013.

(2) Mr. Yang Zhong was granted share options to subscribe for a total of 4,000,000 shares of the Company on 4 April 2011. Options representing 2,000,000 shares are exercisable from 1 April 2012 to 31 December 2014; options representing the remaining 2,000,000 shares are exercisable from 1 April 2013 to 31 December 2014.

Mr. Cheung Kwok Keung was also granted share options to subscribe for a total of 300,000 shares of the Company on 4 April 2011. The exercise period for the Options granted to Mr. Cheung Kwok Keung is 36 months commencing from the date of grant.

(3) Mr. Yang Zhong was offered share options to subscribe for a total of 4,000,000 shares of the Company at an exercise price of HK$1.55 on 20 January 2011. Options representing 2,000,000 shares are exercisable from the date of 2011 annual result announcement to 31 December 2014; options representing the remaining 2,000,000 shares are exercisable from the date of 2012 annual result announcement to 31 December 2014.

Mr. Cheung Kwok Keung was also offered share options to subscribe for a total of 300,000 shares of the Company at an exercise price of HK$1.55 on 20 January 2011. His options are exercisable from the date of grant to 36 months commencing from the date of grant.

The closing price of shares immediately before the date of grant is HK$1.54.

All options offered on 20 January 2011 mentioned above were cancelled on 27 January 2011 and neither Mr. Yang nor Mr. Cheung had accepted the offer. Details of which was disclosed in the Company's announcement dated 27 January 2011.

(4) The weighted average closing price of the shares immediately before the date on which the options were exercised was HK$0.84.

Directors' rights to acquire shares

Save as disclosed in the section "Share Options" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial Shareholders' Interests

So far as the Directors or the chief executives of the Company are aware of, as at 31 December 2011, the shareholders, other than the Directors or the chief executives of the Company, who had interests or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name	Capacity	Number of shares	Voting power (%) (approximate)
Ace Rise Profits Limited[(1)]	Beneficial owner	1,154,325,000	44.13%
Credit Suisse Trust Limited[(1)]	Trustee	1,154,325,000	44.13%
Mr. Guo Zi Wen[(1)]	Settlor/Beneficiary of The Golden Jade Trust	1,154,325,000	44.13%
Ms. Jiang Miner[(1)]	Settlor/Beneficiary of The Golden Jade Trust	1,154,325,000	44.13%
Seletar Limited[(1)]	Controlled corporation	1,154,325,000	44.13%
Serangoon Limited[(1)]	Controlled corporation	1,154,325,000	44.13%
Sturgeon Limited[(1)]	Controlled corporation	1,154,325,000	44.13%
Mr. Selwyn Donald Sussman[(2) and (3)]	Controlled corporation/ Beneficial owner	316,495,000	12.10%
Capital Asset Management, Inc.[(3)]	Controlled corporation	293,175,000	11.21%
Trust Asset Management LLP[(2) and (3)]	Controlled corporation	293,175,000	11.21%
Mr. Paul Steven Wolansky[(2)]	Trustee	293,175,000	11.21%
Cathay Capital Holdings, L.P.[(2)]	Controlled corporation	293,175,000	11.21%
Cathay Master GP, Ltd.[(2)]	Controlled corporation	293,175,000	11.21%
Cathay Sino Property Ltd.[(2)]	Beneficial owner	293,175,000	11.21%

Notes:

(1) The 1,154,325,000 shares are registered in the name of Ace Rise Profits Limited. Ace Rise Profits Limited is held by Sturgeon Limited, which is owned as to 50% by Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited as the trustee holding such interests on trust for the beneficiaries of The Golden Jade Trust. The Golden Jade Trust is a discretionary family trust established under the laws and regulations of Singapore. As at the date of this report, the beneficiaries of The Golden Jade Trust are Mr. Guo Zi Wen and Ms. Jiang Miner.

(2) The 293,175,000 shares are registered in the name of Cathay Sino Property Ltd. which is wholly-owned by Cathay Capital Holdings, L.P. Cathay Capital Holdings, L.P. is managed by its general partner, Cathay Master GP, Ltd. which in turn is owned as to 45% by Mr. Paul Steven Wolansky as trustee, 45% by Trust Asset Management LLP. Cathay Capital Holdings, L.P., Cathay Master GP Ltd., Mr. Paul Steven Wolansky, Trust Asset Management LLP are all deemed to be interested in the 293,175,000 shares under the SFO.

(3) Capital Asset Management, Inc is the general partner of Trust Asset Management LLP, which has 45% interest in Cathay Master GP, Ltd., the general partner of Cathay Capital Holdings, L.P. As Mr. Selwyn Donald Sussman ("Mr. Sussman") is holding 100% interest in Capital Asset Management, Inc, Mr. Sussman, Capital Asset Management, Inc. and Trust Asset Management LLP are all deemed to be interested in the 293,175,000 shares held by Cathay Sino Property Ltd. The remaining 23,320,000 shares are held by Mr. Sussman as his personal interests.

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained in this annual report.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the public float as required by the Listing Rules as at the latest practicable date prior to the issue of this annual report.

Changes to Directors Under Rule 13.51B(1) of Listing Rules

1. Mr. Wu Jie Si, a non-executive Director and a vice chairman of the Company has resigned from his position as an independent non-executive director of China Merchants Bank Co., Ltd (招商銀行股份有限公司) in July 2011, a company listed on the Main Board of the Stock Exchange.

2. Mr. Song Xiang Zhong, an independent non-executive Director of the Company has resigned from his position as an independent director of Guangdong Guanhao High-Tech Co., Ltd. (廣東冠豪高新技術股份有限公司) in March 2011 and has been appointed as an independent director of Guangdong Electric Power Development Co., Ltd. (廣東電力發展股份有限公司) in March 2011, a company listed on the Shenzhen Stock Exchange.

3. Dr. Ma Kwai Yuen, an independent non-executive Director of the Company has been appointed as an independent non-executive director of PacMOS Technologies Holdings Limited (弘茂科技控股有限公司) in June 2005, a company listed on the Main Board of the Stock Exchange.

4. Mr. Tsui King Fai, an independent non-executive Director of the Company has been appointed as an independent non-executive director of Newton Resources Limited (新礦資源有限公司) in December 2010, a company listed on the Main Board of the Stock Exchange.

Auditors

The financial statements for the year ended 31 December 2011 have been audited by Deloitte Touche Tohmatsu. A resolution for the re-appointment of Deloitte Touche Tohmatsu as the Company's auditors for the ensuring year will be proposed at the forthcoming AGM.

There has been no change of the auditors of the Company since its listing on the Stock Exchange.

On behalf of the Board
GUO Zi Wen
Chairman

Hong Kong, 21 March 2012

Deloitte.
德勤

TO THE SHAREHOLDERS OF CHINA AOYUAN PROPERTY GROUP LIMITED
中國奧園地產集團股份有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Aoyuan Property Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 75 to 145, which comprise the consolidated statement of financial position as at December 31, 2011, and 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 International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, 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 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 controls relevant to the entity's preparation of the 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 controls. 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 Group as at December 31, 2011 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 21, 2012

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2011

	Notes	2011 RMB'000	2010 RMB'000
Revenue	5	**3,022,154**	2,442,172
Cost of sales		**(2,204,571)**	(1,786,326)
Gross profit		**817,583**	655,846
Other income	7	**270,638**	245,234
Change in fair value of investment properties	16	**151,864**	182,474
Fair value gain in respect of investment properties transferred from completed properties for sale	23	**–**	24,806
Selling and distribution expenses		**(159,988)**	(114,762)
Administrative expenses		**(252,831)**	(158,774)
Loss on convertible notes		**–**	(100,278)
Finance costs	8	**(26,037)**	(15,502)
Share of result of a jointly controlled entity	17	**(27,658)**	(13,307)
Profit before taxation	9	**773,571**	705,737
Income tax expense	10	**(315,502)**	(359,137)
Profit and total comprehensive income for the year		**458,069**	346,600
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**448,457**	321,269
Non-controlling interests		**9,612**	25,331
		458,069	346,600
Earnings per share (cents)			
Basic	13	**17.17**	12.30
Diluted	13	**17.15**	12.28

Consolidated Statement of Financial Position

At December 31, 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**491,730**	448,417
Prepaid lease payments	*15*	**3,115**	6,102
Investment properties	*16*	**1,382,701**	1,099,339
Interest in a jointly controlled entity	*17*	**602,251**	699,875
Available-for-sale investment	*18*	**22,370**	–
Amount due from a jointly controlled entity	*20*	**1,413,872**	666,524
Deposits to acquire equity interest in a company	*21*	**86,000**	–
Other property interests	*22*	**–**	86,952
Restricted bank deposits	*25*	**–**	140,000
Deferred taxation assets	*30*	**85,381**	44,373
		4,087,420	3,191,582
CURRENT ASSETS			
Properties for sale	*23*	**8,335,980**	5,523,986
Trade and other receivables	*24*	**611,425**	622,190
Amount due from a venturer of a jointly controlled entity	*19*	**–**	29,599
Income tax recoverable		**148,802**	92,828
Prepaid lease payments	*15*	**2,987**	6,275
Restricted bank deposits	*25*	**2,945,946**	1,495,978
Bank balances and cash	*25*	**877,228**	2,203,128
		12,922,368	9,973,984
Assets held for sale	*14*	**–**	85,840
		12,922,368	10,059,824
CURRENT LIABILITIES			
Trade and other payables	*26*	**1,408,652**	1,075,403
Sales deposits	*28*	**3,288,802**	1,614,396
Amount due to a non-controlling shareholder	*27*	**89,320**	21,620
Taxation payable		**1,116,644**	997,538
Secured bank loans	*29*	**2,615,832**	1,359,629
		8,519,250	5,068,586
NET CURRENT ASSETS		**4,403,118**	4,991,238
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,490,538**	8,182,820

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT LIABILITES			
Secured bank loans	29	**2,015,714**	2,114,302
Deferred taxation liabilities	30	**111,898**	91,390
		2,127,612	2,205,692
NET ASSETS		**6,362,926**	5,977,128
CAPITAL AND RESERVES			
Share capital	31	**25,015**	24,990
Reserves		**6,268,316**	5,901,155
Equity attributable to owners of the Company		**6,293,331**	5,926,145
Non-controlling interests		**69,595**	50,983
TOTAL EQUITY		**6,362,926**	5,977,128

The consolidated financial statements on pages 75 to 145 were approved and authorised for issue by the Board of Directors on March 21, 2012 and are signed on its behalf by:

Guo Zi Wen
DIRECTOR

Guo Zi Ning
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 2011

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	PRC statutory reserve RMB'000 *(Note 1)*	Special reserve RMB'000 *(Note 2)*	Other reserves RMB'000 *(Note 3)*	Property revaluation reserve RMB'000 *(Note 4)*	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2010	24,990	4,121,441	25,218	357,341	4,500	37,735	11,809	1,144,274	5,727,308	25,652	5,752,960
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	321,269	321,269	25,331	346,600
Appropriation of statutory reserve	–	–	37,185	–	–	–	–	(37,185)	–	–	–
Recognition of equity-settled share based payment	–	–	–	–	–	–	8,193	–	8,193	–	8,193
Transfer of share option reserve upon expiry of share options	–	–	–	–	–	–	(6,694)	6,694	–	–	–
Dividend recognised as distribution	–	–	–	–	–	–	–	(130,625)	(130,625)	–	(130,625)
At December 31, 2010	**24,990**	**4,121,441**	**62,403**	**357,341**	**4,500**	**37,735**	**13,308**	**1,304,427**	**5,926,145**	**50,983**	**5,977,128**
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	448,457	448,457	9,612	458,069
Appropriation of statutory reserve	–	–	23,785	–	–	–	–	(23,785)	–	–	–
Recognition of equity-settled share based payment	–	–	–	–	–	–	3,378	–	3,378	–	3,378
Transfer of share option reserve upon expiry of share options	–	–	–	–	–	–	(8,245)	8,245	–	–	–
Exercise of share options	25	1,750	–	–	–	–	(211)	–	1,564	–	1,564
Contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	–	9,000	9,000
Dividend recognised as distribution	–	–	–	–	–	–	–	(86,213)	(86,213)	–	(86,213)
At December 31, 2011	**25,015**	**4,123,191**	**86,188**	**357,341**	**4,500**	**37,735**	**8,230**	**1,651,131**	**6,293,331**	**69,595**	**6,362,926**

Notes:

1. *The Articles of Association of certain subsidiaries require the appropriation of 5% to 10% of their profit after taxation each year to the PRC statutory reserve as determined by their board of directors. The PRC statutory reserve should only be used for making up losses, capitalisation into capital and expansion of the production and operation.*

2. *Special reserve includes (i) revaluation difference of RMB21,210,400 arising from the acquisition of additional interests in a subsidiary and (ii) the difference of RMB378,551,028 between the aggregate of the nominal value of share capital and share premium of the subsidiaries acquired pursuant to the Group reorganisation and the nominal value of the share capital issued by the Company as consideration for the acquisition.*

3. *Other reserves represent the discount arising from acquisition of additional interest in subsidiaries from a related company in which Mr. Guo Zi Ning is a director.*

4. *During the year ended December 31, 2007, revaluation surplus arising from transfer of owner-occupied property to investment properties at the date of change in use amounted to RMB50,313,000 net of related deferred taxation liability of RMB12,578,000.*

Consolidated Statement of Cash Flows

For the year ended December 31, 2011

	Notes	2011 RMB'000	2010 RMB'000
OPERATING ACTIVITIES			
Profit before taxation		773,571	705,737
Adjustments for:			
Fair value gain in respect of investment properties transferred from completed properties for sale		–	(24,806)
Change in fair value of investment properties		(151,864)	(182,474)
Loss on convertible notes		–	100,278
Finance costs		26,037	15,502
Share of result of a jointly controlled entity		27,658	13,307
Share-based payments		3,378	8,193
Depreciation of property, plant and equipment		30,850	13,987
Amortisation of prepaid lease payments		6,275	6,275
Interest income		(139,905)	(109,484)
Loss on disposal of property, plant and equipment		1,098	1,200
Unrealised foreign exchange gain		(108,829)	(53,068)
Operating cash flows before movements in working capital		468,269	494,647
(Increase) decrease in properties for sale		(2,377,914)	574,274
Decrease in trade and other receivables		43,457	124,676
Increase (decrease) in trade and other payables		577,218	(644,045)
Increase in sales deposits		1,674,406	1,062,281
Cash generated from operations		385,436	1,611,833
Enterprise income tax paid		(272,870)	(130,531)
Interest paid		(373,165)	(224,013)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(260,599)	1,257,289
INVESTING ACTIVITIES			
Increase in restricted bank deposits		(1,309,968)	(890,559)
Acquisition of loan to a jointly controlled entity	*17*	(578,378)	–
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	*33*	(243,969)	–
Payments for investment property		(176,850)	(167,546)
Payments for deposits to acquire equity interest in a company	*21*	(86,000)	–
Purchases of property, plant and equipment		(75,261)	(181,681)
Advance to a jointly controlled entity		(33,177)	(403,359)
Investment in available-for-sale investment		(22,370)	–
Proceeds on disposal of assets held for sale		85,840	–
Proceeds on disposal of investment properties		45,352	85,660
Interest received		39,448	75,980
Repayment from a venturer of a jointly controlled entity	*19*	31,484	130,000
Repayment from a jointly controlled entity		53	649,547
Proceeds on disposal of property, plant and equipment		–	42
NET CASH USED IN INVESTING ACTIVITIES		(2,323,796)	(701,916)

For the year ended December 31, 2011

	2011 RMB'000	2010 RMB'000
FINANCING ACTIVITIES		
New bank loans raised	**3,558,670**	1,956,693
Repayment (advance from) to a non-controlling shareholder	**67,700**	(5,068)
Contributions from a non-controlling shareholder	**9,000**	–
Proceeds from new share placement, net of issued expenses	**1,564**	–
Repayment of bank loans	**(2,288,272)**	(1,004,376)
Dividends paid to owners of the Company	**(86,213)**	(130,625)
Redemption of convertible notes	**–**	(440,767)
NET CASH FROM FINANCING ACTIVITIES	**1,262,449**	375,857
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(1,321,946)**	931,230
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(3,954)**	(12,032)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**2,203,128**	1,283,930
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**877,228**	2,203,128

1. General

The Company was incorporated on March 6, 2007 as an exempted company with limited liability in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") since October 9, 2007. The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-111, Cayman Islands and Aoyuan Mansion, Huangpu Avenue West, Guangzhou, the People's Republic of China (the "PRC"), respectively.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 40.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. Adoption of New and Revised International Financial Reporting Standards ("IFRS")

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board ("IASB").

IFRSs (Amendments)	Improvements to IFRSs 2010
IAS 24 (Revised)	Related Party Disclosures
IAS 32 (Amendments)	Classification of Rights Issues
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised IFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

2. Adoption of New and Revised International Financial Reporting Standards ("IFRS") (continued)

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

IFRS 1 (Amendments)	Government Loans[2]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
IAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets[4]
IAS 19 (as revised in 2011)	Employee Benefits[2]
IAS 27 (as revised in 2011)	Separate Financial Statements[2]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] *Effective for annual periods beginning on or after July 1, 2011*
[2] *Effective for annual periods beginning on or after January 1, 2013*
[3] *Effective for annual periods beginning on or after January 1, 2015*
[4] *Effective for annual periods beginning on or after January 1, 2012*
[5] *Effective for annual periods beginning on or after July 1, 2012*
[6] *Effective for annual periods beginning on or after January 1, 2014*

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

2. Adoption of New and Revised International Financial Reporting Standards ("IFRS") (continued)

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-Int 12 *Consolidation – Special Purpose Entities*. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 *Interests in Joint Venture*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint contrast, under IAS 31, there are three types of joint arrangements: jointly operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements when the new standards are applied in the future accounting periods.

The amendments to IAS 12 titled *Deferred Tax: Recovery of Underlying Assets* mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with IAS 40 *Investment Property*. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to IAS 12 may have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model. However, it is not practicable to provide a reasonable estimate of that effect until a detail review has been completed.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with IFRS issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from to the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from January 1, 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost (including acquisition related-cost) and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition (including cost incurred for acquisition and consideration paid) over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

3. Significant Accounting Policies (continued)

Jointly controlled entities (continued)

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance lease) and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is charged so as to write off the cost of items of property, plant and equipment, over their estimated useful lives and after taking into accounts of their residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, or supply of goods or services, or for administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment is transferred to an investment property because its use has changed as evidenced by end of owner-occupation. Any excess of fair value over the carrying amount of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

Buildings under development for future owner occupied purpose

When buildings are in the course of development for production, or supply of goods or services, or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

Investment properties are properties and/or land held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction. Investment properties under construction are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under construction and their carrying amounts is recognised in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

3. Significant Accounting Policies (continued)

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Properties for sale

Completed properties and properties under development for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses. Where property for sale is transferred to investment property when there is a change of intention to hold the property to earn rentals or/and for capital appreciation, which is evidenced by the commencement of an operating lease to another party, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in profit or loss for the period. For a property for sale transferred to property, plant and equipment as evidenced by commencement of owner-occupation, the carrying amount of that item is transferred to property, plant and equipment at the date of transfer.

Other property interests

Other property interests are stated at the lower of cost and net realisable value. Cost comprises both the prepaid lease payments for the land and development cost for the property.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into (i) available-for-sales ("AFS") financial assets and (ii) loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

AFS financial assets

AFS financial assets are non-derivatives that are either designated or not classified as (a) loans and receivables or (b) held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments, they are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amounts due from a jointly controlled entity, amount due from venturer of a jointly controlled entity, restricted bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment loss on financial assets below).

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Trade receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

When an available-for-sale financial asset is considered to be impaired, cumulative gains and losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Other financial liabilities

Other financial liabilities (including secured bank loans, trade and other payables and amount due to a non-controlling shareholder) are subsequently measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period.

Embedded derivative

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group not designated at fair value through profit or loss is recognised initially at fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. At the end of the reporting period, the Group measures the financial guarantee contract at the higher of: (i) the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 *Revenue*.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services rendered in the normal course of business, net of discounts and sales related taxes.

Sales of properties

Revenue from sales 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 possession of the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured.

Deposits received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as sales deposits from customers under current liabilities.

Property rentals

Rentals receivable under operating leases are recognised and credited to the consolidated statement of comprehensive income on a straight-line basis over the relevant lease term.

3. Significant Accounting Policies (continued)

Revenue recognition (continued)

Hotel revenue, management and consulting income

Hotel revenue, management and consulting income is recognised when services are rendered.

Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Borrowing costs

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.

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. Significant Accounting Policies (continued)

Leasing (continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Sale and leaseback

A sale and leaseback transaction involves the sale of properties and the leasing back of the same assets.

When a sale and leaseback transaction results in an operating lease and is established at fair value, any profit or loss is recognised immediately. When the sale price of properties is below fair value, any profit or loss is recognised immediately except that, when the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the properties are expected to be leased. When the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the properties is expected to be leased.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred taxation.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes profit or loss items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the end of the reporting period.

3. Significant Accounting Policies (continued)

Taxation (continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred taxation assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax asset and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

3. Significant Accounting Policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share option reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

4. Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Determination of net realisable value of properties under development for sale and completed properties for sale

Properties under development for sale and completed properties for sale are stated at the lower of the cost and net realisable value with carrying amount of approximately RMB8,335,980,000 (2010: RMB5,523,986,000). Cost of each unit in each phase of development is determined using the weighted average cost method. The net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are estimated based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be written down on the properties under development for sale and completed properties for sale.

Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their land appreciation tax calculations and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

Income taxes

As at December 31, 2011, a deferred tax asset of RMB61,545,000 (2010: RMB7,320,000) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB38,097,000 (2010: RMB36,795,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

5. Revenue

The Group is principally engaged in the property development and property investment in the PRC. An analysis of the Group's revenue for the year is as follows:

	2011 RMB'000	2010 RMB'000
Sales of properties	**3,004,272**	2,431,006
Rental income	**5,966**	7,802
Hotel revenue, management and consulting income	**11,916**	3,364
	3,022,154	2,442,172

Note: Majority of the properties sold by the Group are represented by residential properties.

6. Segment Information

Information regularly reported to the Group's chief executive officer (the chief operating decision maker) for the purposes of resource allocation and assessment of performance focuses on the type of operation, which is also the basis of organisation in the Group. The Group's reportable and operating segments are as follows:

Property development – developing and selling of properties in the PRC

Property investment – leasing of investment properties in the PRC

Others – hotel operation, provision of consulting services and management services

6. Segment Information (continued)

The following is an analysis of the Group's revenue and results by reportable and operating segments.

	Year ended December 31, 2011			
	Property development RMB'000	Property investment RMB'000	Others RMB'000	Total RMB'000
External segment revenue	3,004,272	5,966	11,916	3,022,154
Segment results	583,652	145,972	(24,834)	704,790
Other income				270,638
Unallocated corporate expenses				(148,162)
Finance costs				(26,037)
Share of result of a jointly controlled entity				(27,658)
Profit before taxation				773,571

	Year ended December 31, 2010			
	Property development RMB'000	Property investment RMB'000	Others RMB'000	Total RMB'000
External segment revenue	2,431,006	7,802	3,364	2,442,172
Segment results	516,867	182,815	(4,225)	695,457
Other income				243,880
Unallocated corporate expenses				(104,513)
Fair value loss on convertible notes				(100,278)
Finance costs				(15,502)
Share of result of a jointly controlled entity				(13,307)
Profit before taxation				705,737

Note: There is no inter-segment revenue in both years.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned or loss incurred by each segment without allocation of central administration costs including directors' salaries, head office operating expenses, bank interest and other income, fair value loss on convertible notes, finance costs and share of result of a jointly controlled entity. This is the measure reported to Group's chief executive officer for the purposes of resource allocation and performance assessment.

6. Segment Information (continued)

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

	2011 RMB'000	2010 RMB'000
Property development	**8,952,998**	6,078,934
Property investment	**1,391,025**	1,101,849
Others	**266,029**	89,861
Total segment assets	**10,610,052**	7,270,644
Interests in a jointly controlled entity	**602,251**	699,875
Unallocated assets:		
Amount due from a venturer of a jointly controlled entity	**–**	29,599
Available-for-sales investment	**22,370**	–
Amount due from a jointly controlled entity	**1,413,872**	666,524
Restricted bank deposits	**2,945,946**	1,635,978
Other property interests	**–**	86,952
Deferred taxation assets	**85,381**	44,373
Income tax recoverable	**148,802**	92,828
Bank balances and cash	**877,228**	2,203,128
Unallocated assets	**303,886**	521,505
Consolidated assets	**17,009,788**	13,251,406

6. Segment Information (continued)

Segment liabilities

	2011 RMB'000	2010 RMB'000
Property development	4,777,357	2,677,214
Property investment	2,539	11,080
Others	1,602	1,373
Total segment liabilities	4,781,498	2,689,667
Unallocated liabilities:		
Secured bank loans	4,631,546	3,473,931
Taxation payable	1,116,644	997,538
Deferred taxation liabilities	111,898	91,390
Unallocated liabilities	5,276	21,752
Consolidated liabilities	10,646,862	7,274,278

For the purposes monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable and operating segments other than interest in a jointly controlled entity, available-for-sale investments, amount due from a venturer of a jointly controlled entity, amount due from a jointly controlled entity, other property interests, deferred taxation assets, income tax recoverable, restricted bank deposits, bank balances and cash and other assets not attributable to respective segment.

- all liabilities are allocated to reportable and operating segments other than taxation payable, secured bank loans, deferred taxation liabilities and other liabilities not attributable to respective segment.

Other information

	Year ended December 31, 2011				
	Property development RMB'000	Property investment RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:					
Addition of property, plant and equipment	6,372	–	43,278	25,611	75,261
Addition of investment properties	–	176,850	–	–	176,850
Depreciation of property, plant and equipment	5,726	–	7,828	17,296	30,850
Amortisation of prepaid lease payments	6,275	–	–	–	6,275
Loss on disposal of property, plant and equipment	68	–	870	160	1,098
Increase in fair value of investment properties	–	151,864	–	–	151,864

6. Segment Information (continued)

Other information (continued)

	Year ended December 31, 2010				
	Property development RMB'000	Property investment RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:					
Addition of property, plant and equipment *(note a)*	168,345	10	3,892	232,793	405,040
Addition of investment properties *(note b)*	–	211,447	–	–	211,447
Depreciation of property, plant and equipment	7,880	20	198	5,889	13,987
Amortisation of prepaid lease payments	6,275	–	–	–	6,275
Loss on disposal of property, plant and equipment	1,178	–	22	–	1,200
Recognition of increase in fair value of completed properties upon transfer to investment properties	24,806	–	–	–	24,806
Increase in fair value of investment properties	–	182,474	–	–	182,474

(a) The addition includes transfer from properties for sale amounting to approximately RMB223,359,000, details of which have been disclosed in note 14.

(b) The addition includes transfer from properties for sale amounting to approximately RMB43,901,000, details of which have been disclosed in notes 16 and 23.

Geographical information

The Group's operation and location of non-current assets are in PRC only.

Information about major customers

There is no individual customer who contributed over 10% of the total sales of the Group during the years ended December 31, 2011 and 2010.

7. Other Income

	2011 RMB'000	2010 RMB'000
Other income comprises of:		
Bank interest income	72,140	13,174
Imputed interest income on trade receivables	–	1,354
Interest income on amount due from a jointly controlled entity	65,880	65,357
Interest income on amount due from a venturer of a jointly controlled entity and Hong Da Convertible Note *(see notes 17 and 19)*	1,885	29,599
Gain from land reclaimed by the government *(note a)*	–	79,968
Exchange gain	108,829	53,068
Deposit forfeited *(note b)*	16,617	–
Others	5,287	2,714
	270,638	245,234

Notes:

(a) *On September 8, 2010, the Group entered into an agreement with the People's Government of Dongling District (Hunnan New District), Shenyang, the PRC (the "Authority"), pursuant to which the Authority repurchased a piece of land located in Shenyang from the Group due to changes to the city development plan. This piece of land was previously recognised as properties for sale before repurchased by the Authority. The consideration for repurchase of the land was approximately RMB687,064,000, resulting in a gain of approximately RMB79,968,000.*

(b) *In June 2011, a venturer of a jointly controlled entity and its associated company placed a deposit of RMB16,617,000 for potential acquisition of the Group's 52.69% equity interest in this jointly controlled entity. This transaction has not been proceeded and this deposit has been forfeited.*

8. Finance Costs

	2011 RMB'000	2010 RMB'000
Interest on bank loans wholly repayable within five years	333,706	205,059
Interest on bank loans not wholly repayable within five years	39,459	11,087
Interest on convertible notes	–	16,887
	373,165	233,033
Less: Amount capitalised to properties under development for sale	(347,128)	(217,531)
	26,037	15,502

Interest capitalised arose on the general borrowing pool of the Group was calculated by applying a capitalisation rate of approximately 8.89% (2010: 6.6%) per annum to expenditure on the qualifying assets.

9. Profit before Taxation

	2011 RMB'000	2010 RMB'000
Profit before taxation has been arrived at after charging (crediting):		
Staff salaries including directors' emoluments and share-based payment expenses	154,759	115,076
Retirement benefit scheme contributions	5,556	2,756
Total staff costs	160,315	117,832
Less: Amount capitalised to properties under development for sales	(19,874)	(36,304)
	140,441	81,528
Release of prepaid lease payments	6,275	6,275
Auditor's remuneration	2,800	2,600
Depreciation of property, plant and equipment	30,850	13,987
Loss on disposal of property, plant and equipment	1,098	1,200
Rental expenses in respect of rented premises under operating leases	3,573	4,809
Rental income in respect of investment properties under operating leases, less direct operating expenses from investment properties that generated rental income during the year of approximately RMB1,544,000 (2010: RMB1,187,000)	(4,422)	(6,615)
Share of income tax of a jointly controlled entity	(9,774)	16,347

10. Income Tax Expense

	2011 RMB'000	2010 RMB'000
Income tax expense (credit) recognised comprises of:		
Enterprise Income Tax in the PRC	181,741	224,836
Hong Kong Profits Tax	6,604	7,019
Deferred taxation *(note 30)*	(20,500)	64
Land appreciation tax	147,657	127,218
Income tax expense for the year	315,502	359,137

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from January 1, 2008 onwards.

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

Under the EIT Law, withholding income tax is imposed on dividends relating to profits earned in year ended December 31, 2008 onwards to foreign investors for the companies established in the PRC. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB798,366,000 (2010: RMB716,038,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The Group has provided deferred taxation amounting to approximately RMB10,000,000 (2010: RMB6,000,000) related to the undistributed profit of PRC subsidiaries based on the Group's dividend plan.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

10. Income Tax Expense (continued)

The income tax expense for the year can be reconciled to the profit before taxation per consolidated statement of comprehensive income as follows:

	2011 RMB'000	2010 RMB'000
Profit before taxation	773,571	705,737
Tax charge at PRC Enterprise Income Tax rate of 25% (2010: 25%)	193,393	176,434
Tax effect of share of result of a jointly controlled entity	6,915	3,327
Tax effect of expenses not deductible in determining taxable profit	25,445	84,346
Tax effect of income that are not taxable in determining taxable profit	(22,197)	(13,372)
Tax effect of tax losses not recognised	1,190	5,712
Land appreciation tax	147,657	127,218
Tax effect of reversal of tax losses previously recognised	1,300	6,068
Effect of different tax rates of subsidiaries operating in other jurisdiction	(5,287)	(3,616)
Tax effect of land appreciation tax	(36,914)	(31,804)
Withholding tax on undistributed profit of PRC subsidiaries	4,000	3,500
Others	–	1,324
Tax expenses for the year	315,502	359,137

11. Directors' and Employees' Remuneration

Directors' emoluments

	2011 RMB'000	2010 RMB'000
Fees	802	621
Salaries and allowances	12,782	14,912
Share-based payments	2,357	8,193
	15,941	23,726

11. Directors' and Employees' Remuneration (continued)

Directors' emoluments (continued)

	Fees RMB'000	Salaries and allowances RMB'000	Incentive bonus RMB'000	Share based payments RMB'000	Total RMB'000
Year ended December 31, 2011					
Executive director:					
Guo Zi Wen (郭梓文)	–	2,409	–	–	2,409
Guo Zi Ning (郭梓寧)	–	2,243	–	–	2,243
Hu Da Wei (胡大為)	–	2,077	–	747	2,824
Tony Lam (林錦堂)	–	2,747	345	747	3,839
Xin Zhu (辛珠)	–	2,077	–	747	2,824
Non-executive director:					
Wu Jie Si (武捷思)	–	831	–	–	831
Leung Ping Chung, Hermann (梁秉聰)	–	8	–	–	8
Paul S. Wolansky	–	45	–	–	45
Independent non-executive director:					
Song Xian Zhong (宋獻中)	166	–	–	–	166
Ma Kwai Yuen (馬桂園)	228	–	–	–	228
Tsui King Fai (徐景輝)	211	–	–	–	211
Cheung Kwok Keung (張國强)	197	–	–	116	313
	802	12,437	345	2,357	15,941

11. Directors' and Employees' Remuneration (continued)

Directors' emoluments (continued)

	Fees RMB'000	Salaries and allowances RMB'000	Incentive bonus RMB'000	Share based payments RMB'000	Total RMB'000
Year ended December 31, 2010					
Executive director:					
Guo Zi Wen (郭梓文)	–	2,511	617	–	3,128
Guo Zi Ning (郭梓寧)	–	2,337	86	1,932	4,355
Hu Da Wei (胡大為)	–	2,164	–	1,443	3,607
Tony Lam (林錦堂)	–	2,764	866	1,443	5,073
Xin Zhu (辛珠)	–	2,164	–	1,443	3,607
Non-executive director:					
Wu Jie Si (武捷思)	–	1,299	–	–	1,299
Leung Ping Chung, Hermann (梁秉聰)	–	52	–	1,932	1,984
Paul S. Wolansky	–	52	–	–	52
Independent non-executive director:					
Song Xian Zhong (宋獻中)	190	–	–	–	190
Ma Kwai Yuen (馬桂園)	230	–	–	–	230
Tsui King Fai (徐景輝)	201	–	–	–	201
	621	13,343	1,569	8,193	23,726

Employees' emoluments

The emoluments for the five individuals with the highest emoluments in the Group included 5 (2010: 5) executive directors whose emoluments are set out above.

During the years ended December 31, 2011 and 2010, no remuneration was paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any remuneration for the years ended December 31, 2011 and 2010.

12. Dividend

During the year ended December 31, 2011, a final dividend of RMB3.3 cents per share amounting to RMB86,213,000 for the year ended December 31, 2010 (2010: a final dividend of RMB3.3 cents per share amounting to RMB86,213,000 and a special dividend of RMB1.7 cents per share amounting to RMB44,412,000 for the year ended December 31, 2009) was approved by shareholders in annual general meeting and these amounts were paid in June 2011.

The final dividend of RMB5.15 cents in respect of the year ended 31 December 2011 (2010: final dividend of RMB3.3 cents in respect of the year ended 31 December 2010) per share has been proposed by the directors and is subject to approval by the shareholders in annual general meeting

13. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

Earnings

	2011 RMB'000	2010 RMB'000
Earnings for the purpose of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	448,457	321,269

Number of shares

	2011 '000	2010 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,612,771	2,612,500
Effect of dilutive potential ordinary shares:		
– Share options	2,438	4,664
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,615,209	2,617,164

Note: The computation of diluted earnings per share for the year ended December 31, 2011 and 2010 has not accounted for the effect of certain share options granted because the exercise price of those options was higher than the average market price of the Company's shares.

14. Property, Plant and Equipment

	Buildings RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At January 1, 2010	125,694	27,066	25,449	11,102	–	189,311
Transfer from properties for sale *(note a)*	–	–	–	–	223,359	223,359
Additions	163,549	4,173	2,306	11,653	–	181,681
Transfer to assets held for sale *(note b)*	(91,840)	–	–	–	–	(91,840)
Disposals	–	(594)	(1,668)	–	–	(2,262)
At December 31, 2010	197,403	30,645	26,087	22,755	223,359	500,249
Additions	6,908	24,578	3,171	17,488	23,089	75,234
Acquired on acquisition of a subsidiary *(note 33)*	–	27	–	–	–	27
Transfer	246,448	–	–	–	(246,448)	–
Disposals	–	(1,035)	(529)	(160)	–	(1,724)
At December 31, 2011	450,759	54,215	28,729	40,083	–	573,786
DEPRECIATION						
At January 1, 2010	6,509	18,872	16,447	3,037	–	44,865
Provided for the year	4,528	2,861	2,519	4,079	–	13,987
Eliminated on transfer to assets held for sale *(note b)*	(6,000)	–	–	–	–	(6,000)
Disposals	–	(306)	(714)	–	–	(1,020)
At December 31, 2010	5,037	21,427	18,252	7,116	–	51,832
Provided for the year	9,624	7,017	3,053	11,156	–	30,850
Disposals	–	(165)	(461)	–	–	(626)
At December 31, 2011	14,661	28,279	20,844	18,272	–	82,056
CARRYING VALUES						
At December 31, 2011	436,098	25,936	7,885	21,811	–	491,730
At December 31, 2010	192,366	9,218	7,835	15,639	223,359	448,417

Notes:

(a) *During the year ended December 31, 2010, the Group transferred the carrying value of properties from sale to construction in progress in relating to a building which is developed as a hotel under the Group's operation.*

(b) *During the year ended December 31, 2010, the Group entered into sales and purchase agreements with buyers related to certain portion of a building which was delivered to the buyers in 2011. The carrying value of the properties of approximately RMB85,840,000 were transferred to assets held for sale accordingly.*

14. Property, Plant and Equipment (continued)

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	over the lease term
Office equipment	3 to 5 years
Motor vehicles	3 to 5 years
Leasehold improvements	3 to 5 years

As at December 31, 2011, buildings of approximately RMB179,295,000 (2010: RMB163,549,000) were pledged for certain banking facilities granted to the Group. All the buildings and construction in progress of the Group are situated on leasehold land in the PRC under medium lease term.

15. Prepaid Lease Payments

The carrying amount of prepaid lease payments represents land use rights held under medium-term lease in the PRC and prepayment for sale and leaseback transaction, and is analysed as follows:

	2011 RMB'000	2010 RMB'000
Current asset	2,987	6,275
Non-current asset	3,115	6,102
	6,102	12,377

16. Investment Properties

	Completed investment properties (at fair value) RMB'000	Investment properties under construction (at fair value) RMB'000	Investment properties under construction (at cost) RMB'000	Total RMB'000
At January 1, 2010	445,478	345,600	–	791,078
Transfer from properties for sales	43,901	–	–	43,901
Additions	–	167,546	–	167,546
Disposals	(85,660)	–	–	(85,660)
Net change in fair value recognised in the consolidated statement of comprehensive income	(19,740)	202,214	–	182,474
At December 31, 2010	383,979	715,360	–	1,099,339
Additions	–	79,888	96,962	176,850
Disposals	(45,352)	–	–	(45,352)
Net change in fair value recognised in the consolidated statement of comprehensive income	(4,248)	156,112	–	151,864
At December 31, 2011	334,379	951,360	96,962	1,382,701

The fair values of the Group's investment properties at the date of transfer and at the end of the reporting periods have been arrived at on the basis of valuation carried out by American Appraisal China Limited, an independent firm of professional valuers not connected with the Group, who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. As at December 31, 2011, the valuation amounting to approximately RMB134,979,000 (2010: RMB135,078,000) of completed investment properties was valued at by reference to net rental income allowing for reversionary income potential and valuation amounting to approximately RMB199,400,000 (2010: RMB248,901,000) of completed investment properties was arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions, where appropriate. The valuation of investment properties under development has been arrived at by reference to market evidence of transaction prices derived from the properties located nearby, taking into account the construction costs that would be expended to complete the development, the developer's profit margin and percentage of completion of the properties.

16. Investment Properties (continued)

At December 31, 2011, the Group has concluded the fair value of certain investment properties under development with carrying amounts of approximately RMB96,962,000 (2010: Nil) are not reliably determinable on a continuing basis, therefore, these investment properties under development continued to be measured at cost until either its fair value becomes reliably determinable or construction is completed.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

At December 31, 2011, investment properties of RMB128,115,000 (2010: RMB80,636,000) were pledged to secure certain banking facilities granted to the Group.

The carrying value of investment properties shown above comprises:

	2011 RMB'000	2010 RMB'000
Properties situated on land with land use rights in the PRC		
– under long lease	308,840	216,178
– under medium lease	1,073,861	883,161

17. Interest in a jointly controlled entity

	2011 RMB'000	2010 RMB'000
Cost of investment, unlisted	672,519	672,519
Share of post-acquisition results	58,909	86,567
Unrealised profits *(note)*	(129,177)	(59,211)
	602,251	699,875

Note: The unrealised profits relates to interest income received from the jointly controlled entity.

17. Interest in a jointly controlled entity (continued)

As at December 31, 2011 and 2010, the Group had interest in the following jointly controlled entity:

Name of entity	Place of incorporation	Proportion of issued share capital held by the Group 2011	2010	Principal activities
Century Profit Zone Investments Limited	Hong Kong	**52.69%**	52.69%	Investment holding

During the year ended December 31, 2009, the Group entered into a sale and purchase agreement with Hong Da Development & Investment Holding Company Limited (泓達投資有限公司) ("Hong Da"), an independent party, for the acquisition of 41.33% issued share capital of Century Profit Zone Investments Limited ("Century Profit") at a consideration of RMB370,000,000 plus related cost of acquisition of approximately RMB6,519,000 and the acquisition was completed in July 2010. Century Profit has 96.8% equity interest in Beijing Yaohui Real Estate Company Limited (北京耀輝置業有限公司) ("Yaohui"), which is engaged in property development in the PRC.

Pursuant to certain terms and conditions of the shareholders agreement signed between Hong Da and the Group, the financial and operating policies and profit distribution arrangement of Century Profit require unanimous approval of the Group and Hong Da, Century Profit was therefore accounted for as a jointly controlled entity.

In July 2009, the Group entered into an agreement with Hong Da whereby Hong Da issued a convertible note ("Hong Da Convertible Note") to the Group with a principal amount of RMB296,000,000. The Hong Da Convertible Note was interest-bearing at 11% per annum and the Group must convert it into shares of Century Profit Zone Investment Company Limited ("Century Profit"), a jointly controlled entity of the Group, in September 2010. On September 27, 2010, the Group exercised its right under the Hong Da Convertible Note to convert into 1,136 shares of Century Profit. Following the exercise of the conversion rights under the Hong Da Convertible Note, the Group held 52.69% equity interest of Century Profit and Century Profit remains a jointly controlled entity of the Group pursuant to the shareholder agreement signed with Hong Da mentioned above.

In December 2009, Century Profit as borrower and the Company and Hong Da as guarantors entered into a syndicated credit facility agreement with, inter alia, Industrial and Commercial Bank of China (Asia) Limited as facility agent and security agent and ICBC International Finance Limited and certain independent third party individuals as lenders pursuant to which the lenders agreed to make available to Century Profit a term loan facility in an aggregate amount equal to HK$670,000,000 (the "ICBC Loan") which would be matured in December 2011 with interest bearing at 12% per annum.

17. Interest in a jointly controlled entity (continued)

During the year ended December 31, 2011, Zhen Fu Limited, a wholly-owned subsidiary of the Company, acquired from the lenders the ICBC Loan together with all rights, interests and obligations in the financial documents under the ICBC Loan, including the share mortgages on the shares of Century Profit executed by Hong Da and the Group respectively, at a total consideration of HK$713,430,000 (equivalent to RMB578,378,000) which is included in "Amount due from a jointly controlled entity" disclosed in note 20. According to the terms of the ICBC Loan, Hong Da has been in default of its obligations relating to its share mortgages arrangement under the financial documents which constituted event of defaults thereunder. On July 29, 2011, due to Hong Da's defaults, the security agent of the ICBC Loan appointed receivers and managers (the "Receivers") to enforce the disposal of Hong Da's shares in Century Profit pursuant to the share mortgage executed by Hong Da. In August 2011, the Group received a Writ of Summons and an Inter Parte Summons issued by Hong Da as plaintiff against the Group and the Receivers in respect of an application for restraint against the Group and the Receivers from dealing with Hong Da's shares in Century Profit. Hong Da's application and its respective applications for leave to appeal in the High Court and the Court of Appeal were all dismissed. Both the High Court and the Court of Appeal also ordered that the costs of Hong Da's application and its applications for leave to appeal should be paid by Hong Da to the Group and the Receivers. On January 18, 2012, Hong Da paid a sum of HK$351,906,000 (equivalent to RMB285,291,000) to Zhen Fu Limited to discharge its obligations. Accordingly, the obligations of Hong Da under the ICBC Loan and the financial documents contemplated thereunder were discharged. Details of this are set out in the Company's announcements dated July 31, 2011, August 5, 2011, August 24, 2011, December 20, 2011, December 31, 2011, and January 19, 2012.

As at December 31, 2011, an impairment assessment was performed on the interest in jointly controlled entity by comparing its recoverable amount with its carrying amount. The recoverable amount is determined using fair value less costs to sale. The underlying assets held by the jointly controlled entity which mainly includes the investment properties under construction and properties for sales under development. As at December 31, 2011, the fair values of the jointly controlled entity's investment properties have been arrived at on the basis of a valuation carried out by American Appraisal China Limited, an independent firm of professional valuers not connected with the Group, who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation of investment properties under construction has been arrived by reference to market evidence of transaction prices derived from the properties located nearby, taking into account the construction costs that would be expended to complete the development, the developer's profit margin and percentage of completion of the properties. The recoverable amount of properties for sales under development has been assessed by the directors of the Company and arrived at by reference to market evidence of transaction prices derived from the properties located nearby, taking into account the construction costs that would be expended to complete the development, the developer's profit margin and percentage of completion of the properties. As at December 31, 2011, no impairment is considered as necessary as the recoverable amount of the interests in a jointly control entity exceeds its carrying amount.

17. Interest in a jointly controlled entity (continued)

The summarised financial information in respect of the Group's interest in jointly controlled entities, which is prepared using uniform accounting policies in conformity with the accounting policies of the Group, is accounted for by the Group using the equity method, is set out below:

	2011 RMB'000	2010 RMB'000
Current assets	**1,961,770**	1,985,949
Non-current assets	**549,245**	555,680
Current liabilities	**(1,533,845)**	(1,465,012)
Non-current liabilities	**(374,919)**	(376,742)
Income	**14,192**	59,037
Expense	**(41,850)**	(72,344)
Result of the year	**(27,658)**	(13,307)

18. Available-for-Sale Investment

During the year ended December 31, 2011, the Group acquired 5% equity interests in a private company 山水盛典文化產業有限公司 ("Shanshui") with a consideration of RMB22,370,000. The business of Shanshui is the provision of design, planning and production of culture and tourism activities. The Group classified the equity interests into available-for-sale investment which is stated at cost less impairment at the end of the reporting period because the range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

19. Amount due from a venturer of a jointly controlled entity

The amount due from a venturer of a jointly controlled entity as at December 31, 2010 represented interest on Hong Da Convertible Note and was fully repaid during the year of 2011.

20. Amount due from a jointly controlled entity

The amount due from a jointly controlled entity includes accrued interest of approximately RMB257,102,000 (2010: RMB86,047,000) and is not expected to be repaid within one year from the end of the reporting period. As at December 31, 2011, the Group advanced approximately RMB1,156,770,000 (2010: RMB580,477,000) to Century Profit, which are unsecured, repayable on demand and interest-bearing at a fixed rate of 12% to 18% (2010: 15%) per annum. The amount outstanding as at December 31, 2011 includes the ICBC Loan acquired by Zhen Fu Limited mentioned in note 17. Before the acquisition by the Group, the ICBC Loan was secured by the Group and Hong Da share mortgage on their shares of Century Profit and interest bearing at a fixed rate of 12%.

21. Deposits to acquire equity interest in a company

On December 31, 2011, the Group entered into an agreement (the "Agreement") with Panyu Information Technology Limited ("PIT"), by auction. According to the Agreement, the Group needs to inject cash RMB154,700,000 and PIT needs to inject a piece of land located in Panyu District of Guangzhou, the PRC, respectively, as the registered capital of 廣州市萬貝投資管理有限公司 (the "Guangzhou Wan Pui") which is established in the PRC and will develop the land for commercial use. The Group has 65% registered capital of the Guangzhou Wan Pui after the completion of capital injection. As at December 31, 2011, the Group paid RMB86,000,000 to PIT as deposit for this arrangement and this amount has been injected into Guangzhou Wan Pui subsequently. Details of this transaction are set out in the Company's announcements on January 13, 2012. In January 2012, the Group has injected a total of RMB154,700,000 as the registered capital of Guangzhou Wan Pui.

22. Other Property Interests

Other property interests relate to leasehold land in Guangzhou, the PRC and related development cost which is held under long lease. Pursuant to the decision Regarding the Reclamation of the Use Right of State-Owned land (Sui Guo Fang Zi [2007] No.1196) (廣州市國土資源和房屋管理局總國房地[2007]1196號收回國有土地使用權決定書) issued by the Bureau of Land Resources and Housing Management of Guangzhou Municipality ("the Bureau of Land Resources") on December 15, 2006, the subject property will be reverted to the Guangzhou municipal government.

On March 21, 2007, the Group submitted the dispute of this decision to the Guangzhou municipal government. On April 2, 2007, the Guangzhou municipal government issued its determination in Administrative Review Decision (Sui Fu Fu Zi (2008) No.67) (穗府復字(2008) 67號文一行政復議決定書), which upheld the decision of the Bureau of Land Resources to reclaim the subject property on public interest grounds. The Bureau of Land Resources has confirmed that the Group can apply for refund of the land premium and other ancillary expenses the Group paid when the Group first acquired the land use right and the compensation for the expenses the Group incurred during the reclamation process.

During the year ended December 31, 2008, the Bureau of Land Resources issued a notice to the Group (穗府房函(2008) 1751號) requesting the Group to submit a compensation proposal. According to the Group's compensation proposal submitted in November 2008, the Group requested the Bureau of Land Resources to withdraw the reclaim decision, otherwise, grant another piece of land to the Group with same value and in same location and area.

22. Other Property Interests (continued)

During the year ended December 31, 2010, an agreement was signed between the Group and the Bureau of Land Resources and Housing Management Luogang Branch ("Luogang Bureau") where Luogang Bureau agreed to grant another piece of land in Luogang, the PRC (the "Land") to the Group without additional compensation. The Group obtained the Land Use Right Certificate of the Land in December 2011 and the amount is transferred to properties for sales accordingly. The executive directors of the Company are of the opinion that the recoverable amount of the Land would not be less than the carrying amount of other property interest.

23. Properties for Sale

	2011 RMB'000	2010 RMB'000
Properties for sale comprise of:		
Completed properties	1,296,847	822,594
Properties under development	7,039,133	4,701,392
	8,335,980	5,523,986

Properties for sale of approximately RMB2,886,000,000 (2010: RMB2,596,000,000) are expected to be realised within twelve months.

During the year ended December 31, 2010, completed properties with aggregate carrying amount of approximately RMB19,095,000 were transferred to investment properties upon commencement of operating leases. The excess of the fair value (as disclosed in note 16) of these properties at the date of transfer over their carrying amount, amounting to approximately RMB24,806,000, was recognised in the consolidated statement of comprehensive income.

At December 31, 2011, certain of the Group's properties for sale with carrying value of approximately RMB1,112,967,000 (2010: RMB1,839,915,000) were pledged for certain banking facilities granted to the Group.

24. Trade and Other Receivables

	2011 RMB'000	2010 RMB'000
Trade receivables	84,514	276,050
Other receivables	117,259	136,092
Advances to suppliers	182,437	111,256
Deposits paid to respective local governments for purchase of land use rights	108,670	10,000
Other tax prepayments	118,545	88,792
	611,425	622,190

The following is aged analysis of trade receivables determined based on the date of the properties delivered and sales are recognised:

	2011 RMB'000	2010 RMB'000
Age		
0 to 60 days	33,009	250,143
61 to 180 days	6,470	17,621
181 to 365 days	24,866	4,424
1 to 2 years	17,844	1,612
2 to 3 years	115	630
over 3 years	2,210	1,620
	84,514	276,050

24. Trade and Other Receivables (continued)

Trade receivables mainly represent receivable from properties buyers for mortgage sale of properties amounting to approximately RMB82,822,000 (2010: RMB232,560,000). The average credit period on sale of properties is 60 days. Impairment on trade receivables are provided for based on estimated irrecoverable amounts from the sale of properties, determined by reference to past default experience. Considerations under pre-sale contracts will be fully received prior to the delivery of the ownership certificate of the properties to the purchasers.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Other receivables mainly represent advance payment to construction companies for the Group's further property development in which no impairment is considered necessary.

As at December 31, 2011, there were approximately RMB17,844,000 (2010: RMB1,612,000) receivable aged 1 to 2 years and approximately RMB2,325,000 (2010: RMB2,250,000) receivables aged over 2 years that were past due but not impaired. The management of the Company are of the opinion that no provision for impairment is necessary in respect of these receivables as the Group has no history of default for customer with balance past due or balance not past due. There is no buyer who represents more than 5% of the total balance of trade receivables as at December 31, 2011. The concentration of credit risk in the remaining trade receivables is limited due to the customer base being large and unrelated.

25. Restricted Bank Deposits/Bank Balances and Cash

Restricted bank deposits

The deposits amounting to approximately RMB2,035,200,000 as at December 31, 2011 (2010: RMB939,000,000) are pledged for loan facility granted by banks and carry variable interest rate of 3.0% to 3.5% (2010: 0.36% to 2.79%) per annum, among which approximately RMB Nil (2010: RMB140,000,000) is pledged for a loan over 1 year. The other deposits are restricted for the payment to the construction contractors, which carry variable interest rate of 0.5% (2010: 0.36%) per annum, and will be released upon the completion of the development of properties in 2012.

Bank balances and cash

The bank balances carrying variable interest rate with an average interest rate of 0.50% (2010:0.36%) per annum.

26. Trade and Other Payables

	2011 RMB'000	2010 RMB'000
Trade payables	1,031,398	794,702
Other payables	331,799	147,043
Other taxes payable	45,455	133,658
	1,408,652	1,075,403

Trade payables principally comprise amounts outstanding for trade purchases and ongoing cash expenses. The average credit period for trade purchases is from 6 months to 1 year. No interest is charged by the suppliers on the trade payables. The management closely monitors the payments of the payable to ensure that all payables are paid within the credit timeframe. Details of the financial risk management policies by the Group are set out in note 32.

The following is an aged analysis of trade payables determined based on the invoice date:

	2011 RMB'000	2010 RMB'000
Age:		
0 to 60 days	374,939	254,207
61 to 180 days	345,646	249,598
181 to 365 days	165,337	56,795
1 to 2 years	115,436	93,282
2 to 3 years	1,086	94,766
Over 3 years	28,954	46,054
	1,031,398	794,702

At December 31, 2011, the balance of trade payables with age over 1 year include retention money of approximately RMB91,953,000 (2010: RMB138,092,000) which relates to 5% to 10% of the contract prices.

According to the construction contracts, the retention money is interest free, and would be paid to constructors after 1 to 3 years from the completion of construction.

Included in other payable is an interest free balance of approximately RMB138,546,000 (2010: RMB Nil) payable to the former shareholder of a subsidiary acquired in 2011 (note 33) and is due for payment in 2012. The remaining balances of other payable mainly represent payable for staff payroll, staff welfare and operating expenses.

27. Amount due to a Non-Controlling Shareholder

The amount is interest-free, unsecured and has no fixed terms of repayment.

28. Sales Deposits

Sales deposits of approximately RMB71,588,000 (2010: RMB32,666,000) are expected to be realised after twelve months from the end of the reporting period.

29. Secured Bank Loans

	2011 RMB'000	2010 RMB'000
The secured bank loans are repayable as follows:		
Within one year	2,615,832	1,359,629
More than one year, but not exceeding two years	1,077,453	1,045,226
More than two years, but not exceeding five years	516,008	855,040
More than five years	422,253	214,036
	4,631,546	3,473,931
Less: Amount due within one year shown under current liabilities	(2,615,832)	(1,359,629)
	2,015,714	2,114,302

	2011 RMB'000	2010 RMB'000
The secured bank loans comprise:		
RMB bank loans	2,087,133	1,552,476
HKD bank loans	1,655,479	1,742,642
USD bank loans	888,934	178,813
	4,631,546	3,473,931

29. Secured Bank Loans (continued)

As at December 31, 2011, bank borrowings amounting to approximately RMB1,694,474,000 (2010: RMB978,659,000) bear interest at a range from Hong Kong Interbank Offering Rate ("HIBOR") or London Interbank offering Rate ("LIBOR") plus 2.2% per annum to HIBOR or LIBOR plus 4.9% per annum (2010: HIBOR plus 1.0% to 3.5% per annum), bank borrowing amounting to approximately RMB1,446,839,000 (2010: RMB942,796,000) bear fixed interest rate at a range from 3.8% to 13% (2010: 4.5% to 6.5%) per annum and bank borrowing amounting to approximately RMB1,490,233,000 (2010: RMB1,552,476,000) bear interest at rates at a range from 5.4% to 7.04% (2010: 4.86% to 6.4%) per annum as agreed with the banks at the inception date and subject to negotiation on annual basis with reference to lending rate of the People's Bank of China.

The weighted average effective interest rates on bank borrowings for the year are 9.7% (2010: 6.65%) per annum.

Other than the assets pledged as disclosed in notes 14, 16, 23 and 25, all the shares of certain subsidiaries of the Company were pledged for certain bank facilities granted to the Group.

30. Deferred Taxation

The deferred taxation (assets) liabilities recognised by the Group and movements thereon during the year are as follows:

	Change in fair value of investment properties RMB'000	Revaluation of properties RMB'000	Tax losses RMB'000	Other temporary differences RMB'000 *(Note)*	Total RMB'000
At January 1, 2010	6,175	56,830	(16,588)	536	46,953
Charge (credit) to consolidated statement of comprehensive income *(note 10)*	51,216	(15,709)	9,268	(44,711)	64
At December 31, 2010	57,391	41,121	(7,320)	(44,175)	47,017
Charge (credit) to consolidated statement of comprehensive income *(note 10)*	37,967	(7,450)	(54,225)	3,208	(20,500)
At December 31, 2011	95,358	33,671	(61,545)	(40,967)	26,517

Note: Other temporary differences mainly include the withholding tax on undistributed earnings of PRC subsidiaries amounted to approximately RMB10,000,000 (2010: RMB6,000,000), and the deductible temporary difference amounted to approximately RMB26,507,000 (2010: RMB31,804,000) arising from land appreciation tax provision.

30. Deferred Taxation (continued)

For the purpose of financial statement presentation, certain deferred taxation assets and liabilities have been offset. The following is the analysis of the deferred taxation balances for financial reporting purposes:

	2011 RMB'000	2010 RMB'000
Deferred taxation assets	(85,381)	(44,373)
Deferred taxation liabilities	111,898	91,390
	26,517	47,017

As at December 31, 2011, the Group had unused tax losses of approximately RMB279,079,000 (2010: RMB68,754,000) available to offset against future profits. A deferred taxation asset has been recognised in respect of approximately RMB240,982,000 (2010: RMB31,959,000) of such tax losses. No deferred taxation asset has been recognised in respect of the remaining tax losses of approximately RMB38,097,000 (2010: RMB36,795,000) due to the unpredictability of future profits streams. The unrecognised tax losses will expire in the following years:

	2011 RMB'000	2010 RMB'000
2011	–	3,457
2012	5,718	5,718
2013	2,329	2,329
2014	2,444	2,444
2015	22,847	22,847
2016	4,759	–
	38,097	36,795

31. Share Capital

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At January 1, 2010 and December 31, 2010 and December 31, 2011	100,000,000,000	1,000,000
Issued and fully paid:		
At January 1, 2010, December 31, 2010 and January 1, 2011	2,612,500,000	26,125
Issue of shares *(note)*	3,000,000	30
At December 31, 2011	2,615,500,000	26,155

	2011 RMB'000	2010 RMB'000
Shown in the consolidated financial statements	25,015	24,990

Note: During the year ended December 31, 2011, share options of 3,000,000 (2010: Nil) are exercised.

32. Financial Instruments

Financial risk management objectives and policies

The main risks associated with the Group's financial instruments are market risk (interest rate risk, price risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

There has been no change to the Group's exposure to these kinds of risks or the manner in which it manages and measures.

i) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability, derivative financial instrument and equity instrument are disclosed in note 3.

ii) Categories of financial instruments

	2011 RMB'000	2010 RMB'000
Financial		
Available-for-sale investment	22,370	–
Loans and receivables (including cash and cash equivalents)	5,438,819	4,947,371
Financial liabilities		
Amortised cost	6,084,063	4,437,296

iii) Market risk

Interest rate risk

The Group's cash flow interest rate risk relates primarily to its variable-rate bank borrowings (see note 29 for details of these borrowings), restricted bank deposits and bank balance and cash. The bank borrowings are for financing development of property projects. Increase in interest rates would increase interest expenses. The Group currently does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

32. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

iii) Market risk (continued)

Interest rate risk (continued)

The Group's fair value interest rate risk relates primarily to amount due from a jointly controlled entity, amount due from a venturer of a jointly controlled entity and fixed-rate bank borrowings. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for restricted bank deposits, bank balance and cash, and secured bank loans. The analysis is prepared based on the amount of secured bank loans at the end of the reporting period. A 50 (2010: 50) basis point fluctuation represents management's assessment of the possible change in interest rate is used.

If interest rates had been 50 (2010: 50) basis points higher/lower with all other variables were held constant and excluding the effect of capitalization of interest, the Group's post-tax profit for the year ended December 31, 2011 would decrease/increase by approximately RMB6,174,000 (2010: increase/decrease by RMB719,000).

The Group's sensitivity to interest rates has increased mainly due to the increase in variable-rate debt instruments which are exposed to cash flow interest rate risk.

Price risk

No price risk was exposed by the Group at December 31, 2011.

Foreign currency risk

The Group's transactions were mainly conducted in RMB, the functional currency of the Company and its subsidiaries, and its major receivables and payables are denominated in RMB. The Group is subject to foreign exchange rate risk arising from recognised assets and liabilities which are denominated in the currency other than the functional currency of the relevant group entity. The majority of the Group's foreign currency transactions and balances are denominated in Hong Kong dollars and United States dollars. The Group currently does not have a foreign currency hedging policy. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

32. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

iii) Market risk (continued)

Foreign currency risk management

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of respective reporting period are as follows:

	2011 RMB'000	2010 RMB'000
Assets		
Hong Kong dollars	37,538	281,314
United States dollars	30	–
Liabilities		
Hong Kong dollars	1,655,479	1,742,642
United States dollars	888,934	178,813

Foreign currency sensitivity

The Group is mainly exposed to fluctuation of United States dollars and Hong Kong dollars against RMB. The following table details the Group's sensitivity to a 5% (2010: 5%) increase and decrease in the RMB against the relevant foreign currencies. The sensitivity rates used represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes bank borrowings and bank balances denominated in foreign currencies. A positive number below indicates an increase in post-tax profit for the year where RMB strengthens 5% (2010: 5%) against the relevant currency. For a 5% (2010: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the post-tax profit for the year.

	2011 RMB'000	2010 RMB'000
United States dollars		
Profit or loss for the year	33,335	6,705
Hong Kong Dollars		
Profit or loss for the year	60,673	54,543

32. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

iv) Credit risk

As at December 31, 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 34.

The concentration of credit risk is minimal as no customers represents more than 5% of the total trade receivables as at December 31, 2011.

In order to minimise the credit risk of debts, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or state-owned banks in the PRC and Hong Kong.

The Group provides guarantees to banks in connection with certain customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the purchase price of the individual property (note 34). If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the sales deposit received and repossess the properties for resale. Therefore, the management considers it would likely recover any loss incurred arising from the guarantee provided by the Group. No such forfeiture and repossession of properties occurred during the years ended December 31, 2011 and 2010.

The Group also exposes to concentration of credit risk in respect of amount due from a jointly controlled entity, amount due from a venturer of a jointly controlled entity and guarantee given to a jointly controlled entity which has been released in 2011 (note 34). This jointly controlled entity borrowed certain bank loan which is jointly and severally guaranteed by the Company and the other venturer of the jointly controlled entity. The credit risk is considered not significant as the management estimates that the funds generated from the jointly controlled entity will exceed the investment cost and advances in this jointly controlled entity and venturer of the jointly controlled entity.

32. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

v) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity mix.

The capital structure of the Group consists of secured bank loans disclosed in notes 29, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital, reserves and retained profits.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company assess budgets of major projects taking into account of the provision of funding. Based on the operating budgets, the directors of the Company consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group's capital risk management strategy remains unchanged over the years.

vi) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings. The directors of the Company closely monitor the liquidity position and expect to have adequate sources of funding to finance the Group's projects and operations.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period. The amounts included below for variable interest rate instruments for non-derivative financial liabilities are subject to changes in variable interest rates different to those estimates of interest rates determined at the end of the reporting period.

32. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

vi) Liquidity risk management (continued)

	Weighted average interest rate	0-60 days RMB'000	61-180 days RMB'000	181-365 days RMB'000	1-2 years RMB'000	2-3 years RMB'000	Over 3 years RMB'000	Total undiscounted cash flow RMB'000	Total carrying amount RMB'000
At December 31, 2011									
Financial liabilities									
Non-interest bearing	–	475,544	412,109	428,994	95,109	40,761	–	1,452,517	1,452,517
Bank borrowings	6.28%	47,920	921,058	1,889,344	1,219,127	468,849	640,612	5,186,910	4,631,546
Financial guarantee	–	2,841,344	–	–	–	–	–	2,841,344	–
TOTAL		3,364,808	1,333,167	2,318,338	1,314,236	509,610	640,612	9,480,771	6,084,063

	Weighted average interest rate	0-60 days RMB'000	61-180 days RMB'000	181-365 days RMB'000	1-2 years RMB'000	2-3 years RMB'000	Over 3 years RMB'000	Total undiscounted cash flow RMB'000	Total carrying amount RMB'000
At December 31, 2010									
Financial liabilities									
Non-interest bearing	–	337,177	289,010	240,841	67,436	28,901	–	963,365	963,365
Bank borrowings	5.38%	176,674	410,330	896,522	1,222,803	448,241	862,955	4,017,525	3,473,931
Financial guarantee		2,943,570	–	570,103	–	–	–	3,513,673	–
TOTAL		3,457,421	699,340	1,707,466	1,290,239	477,142	862,955	8,494,563	4,437,296

The total undiscounted cash flows of financial guarantee at December 31, 2011 and 2010 disclosed above was the maximum amount the Group could be required to settle under the arrangement for the full guaranteed amount if that amount was claimed by the counterparties to the guarantee. Based on expectation as at December 31, 2011, the Group considered that it was not probable that the counterparties to the financial guarantee would claim under the contract. The financial guarantee granted to Century Profit has been released in July 2011 (see note 34).

32. Financial Instruments (continued)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

33. Acquisition of Subsidiaries

On March 22, 2011, the Group entered into a sale and purchase agreement with independent third parties ("Vendors"), in connection with the acquisition of the entire equity interest in 佑林泛太(昆山)置業有限公司 (Woolim Fanta (Kunshan) Development Company Limited or "Woolim Fanta") and 佑林(昆山)置業有限公司 (Woolim (Kunshan) Development Company Limited or "Woolim Kunshan") two property development companies, through the acquisition of their parent companies, Fully Rise Development Limited ("Fully Rise") and Million Wealthy Development Limited ("Million Wealthy") at total consideration of approximately RMB244,221,000. This transaction has been accounted for as acquisition of assets and liabilities as the subsidiaries acquired only have two pieces of land for future development.

Details of the net assets acquired in respect of acquisition of Woolim Fanta and Woolim Kunshan are summarised below:

	RMB'000
Consideration transferred:	
Cash	244,221

33. Acquisition of Subsidiaries (continued)

Assets acquired and liabilities recognised at date of acquisition are as follows:

	RMB'000
Property, plant and equipment	27
Properties for sale	383,369
Trade and other receivables	722
Bank balances and cash	252
Trade and other payables	(1,603)
Amount due to a subsidiary of the Vendors *(note)*	(138,546)
	244,221
Net cash outflow of cash and cash equivalents in respect of acquisition of subsidiaries:	
Consideration paid	(244,221)
Bank balances and cash of subsidiaries acquired	252
	(243,969)

Note: The balance is included in other payables at December 31, 2011. It is unsecured and non-interest bearing. The amount is repayable on or before March 2012.

34. Contingent Liabilities

At the end of respective reporting period, the contingent liabilities of the Group were as follows:

	2011 RMB'000	2010 RMB'000
Guarantees given to banks in connection with facilities granted to third parties	**2,841,344**	2,943,570

The Group acted as guarantor to the mortgage bank loans granted to certain purchasers of the Group's properties and agreed to repurchase the properties upon the purchasers' default the repayment of bank loans and repay the outstanding loan and interest accrual thereon. The fair value of the financial guarantee contracts is not significant as the default rate is low.

34. Contingent Liabilities (continued)

During the year ended December 31, 2007, the Group entered into an agreement with two independent third parties (the "Vendor") for a potential acquisition of a company (the "Target"). However, this acquisition agreement was subsequently terminated by the Group because of the uncertainty about the validity of the Vendor's shareholding in the Target. The Vendor then made claims against the Group for compensation of approximately RMB61,096,000. The legal case is in legal proceeding. However, no provision has been provided for this case because, in the opinion of the executive directors of the Company and the Company's legal counsel, the likelihood that the Group is required to pay the compensation is remote.

The Group provided a guarantee for a bank facility granted to Century Profit amounting to HK$670,000,000 equivalent to approximately RMB570,103,000 as at December 31, 2010. The fair value of the financial guarantee was not significant at initial recognition and no provision for such financial guarantee was provided at December 31, 2010 as the default risk was low. This financial guarantee was released in July 2011.

35 Other Commitments

	2011 RMB'000	2010 RMB'000
Construction cost commitment for investment properties contracted for but not provided in the consolidated financial statements	141,618	244,375
Construction cost commitment for properties for sales contracted for but not provided in the consolidated financial statements	3,293,177	2,528,804
Capital commitment in respect of construction in progress contracted for but not provided in the consolidated financial statements	–	26,724
Other commitment *(note 21)*	68,700	–

36. Operating Lease Commitments

As lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2011 RMB'000	2010 RMB'000
Within one year	7,034	6,341
In the second to fifth year inclusive	137,308	58,760
After five years	310,977	170,661
	455,319	235,762

36. Operating Lease Commitments (continued)

As lessor (continued)

The properties are expected to generate rental yields of average 1% to 8% per annum on an ongoing basis. All the properties held have committed tenants from 2 to 20 years.

As lessee

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2011 RMB'000	2010 RMB'000
Within one year	4,966	3,414
In the second to fifth year inclusive	1,383	4,012
	6,349	7,426

Operating lease payments mainly represent rentals payable by the Group for certain of its office premises. Leases are negotiated with range from 1 to 19 years and rentals are fixed for an average term of 1 to 19 years.

37. Share-Based Payment Transactions

Equity-settled share option scheme

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on October 23, 2007 for the primary purpose of providing incentives to directors and eligible employees.

At December 31, 2011, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 17,200,000 (2010: 48,900,000), representing 0.66% (2010: 1.87%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Consideration of HK$1 is payable on the grant of an option. Options may be exercised according to the schedule set out below. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

37. Share-Based Payment Transactions (continued)

Details of specific categories of options are as follows:

Option type	No. of options granted	Date of grant	Vesting period	Exercise period	Exercise Price HK$	Fair values at grant date HK$
2007B	2,539,500	October 23, 2007	October 23, 2007 to the day before 2009 result announcement date	2009 result announcement date until December 31, 2010 *(Note a)*	6.55	2.069
2008A	10,000,000	July 18, 2008	None	July 18, 2008 to July 14, 2011 *(Note b)*	5.2	0.16
2008A	10,000,000	July 18, 2008	None	July 18, 2008 to July 14, 2011 *(Note b)*	1.79	0.51
2008B	10,000,000	September 25, 2008	None	Anytime during the service period *(Note b)*	0.90	0.21
2008C	3,000,000	December 1, 2008	None	Anytime during the service period *(Note b)*	2.00	0.20
2008C	3,000,000	December 1, 2008	None	Anytime during the service period *(Note c)*	0.638	0.04
2009	900,000	September 25, 2009	None	September 25, 2009 to September 24, 2012	1.40	0.58
2010A	6,000,000	January 18, 2010	January 18, 2010 to the day before 2010 result announcement date	2010 result announcement date until December 31, 2013	1.38	0.58
2010B	6,000,000	January 18, 2010	January 18, 2010 to the day before 2011 result announcement date	2011 result announcement date until December 31, 2013	1.38	0.58
2010C	20,000,000	January 18, 2010	None	January 18, 2010 to 31 December, 2010 *(Note a)*	1.79	0.19
2011A	2,000,000	April 4, 2011	April 4, 2011 to March 31, 2012	April 1, 2012 to December 31, 2014	1.40	0.53
2011B	2,000,000	April 4, 2011	April 4, 2011 to March 31, 2013	April 1, 2013 to December 31, 2014	1.40	0.56
2011C	300,000	April 4, 2011	None	April 4, 2011 to April 3, 2014	1.40	0.46

Notes:

(a) These share options are expired as at December 31, 2010.

(b) These share options are expired as at December 31, 2011.

(c) These share options are exercised during the year of 2011.

37. Share-Based Payment Transactions (continued)

Option type	Outstanding at 1 January 2011 '000	Granted during the year '000	Exercised during the year '000	Expired during the year '000	Outstanding at 31 December 2011 '000
2008A	20,000	–	–	20,000	–
2008B	10,000	–	–	10,000	–
2008C	6,000	–	3,000	3,000	–
2009	900	–	–	–	900
2010A	6,000	–	–	–	6,000
2010B	6,000	–	–	–	6,000
2011A	–	2,000	–	–	2,000
2011B	–	2,000	–	–	2,000
2011C	–	300	–	–	300
	48,900	4,300	3,000	33,000	17,200
Exercisable at the end of the year					7,200
Weighted average exercise price	3.02	1.40	0.64	1.54	1.39

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$0.88.

Option type	Outstanding at 1 January 2010 '000	Granted during the year '000	Expired during the year '000	Outstanding at 31 December 2010 '000
2007B	1,295	–	1,295	–
2008A	20,000	–	–	20,000
2008B	10,000	–	–	10,000
2008C	6,000	–	–	6,000
2009	900	–	–	900
2010A	–	6,000	–	6,000
2010B	–	6,000	–	6,000
2010C	–	20,000	20,000	–
	38,195	32,000	21,295	48,900
Exercisable at the end of the year				36,900
Weighted average exercise price	2.31	1.64	2.08	3.02

37. Share-Based Payment Transactions (continued)

These fair values were calculated using the binominal model. The inputs into the model were as follows:

	2008A	2008B	2008C	2007B
Exercise price	HK$1.79 & HK$5.2	HK$0.9	HK$0.638 & HK$2	HK$6.55
Expected volatility	60%	60%	60%	45%
Expected life	Whole life of each share option	3 years	3 years	Whole life of each share option
Risk-free rate	1.9%-2.7%	2.7%	1.2%	3%-3.3%
Expected dividend yield	1.5%	1.5%	1.5%	1.5%

	2011A & B	2011C	2010A & B	2010C	2009
Exercise price	HK$1.40	HK$1.40	HK$1.38	HK$1.79	HK$1.40
Expected volatility	64%	62%	68%	75%	70%
Expected life	4 years	3 years	4 years	1 year	3 years
Risk-free rate	1.6%	1.2%	0.19%	1.46%	2.7%
Expected dividend yield	2.8%	2.8%	3%	3%	1.5%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of approximately RMB3,378,000 (2010: RMB8,193,000) for the year ended December 31, 2011 in relation to share options granted by the Company.

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the profit and loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

38. Retirement Benefit Plan

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

39. Related Party Transactions

(1) The Group had material transactions during the year with related parties as follows:

Related party	Nature of transaction	2011 RMB'000	2010 RMB'000
A jointly controlled entity	Interest income	**135,846**	115,006

Interest was charged at 12%-18% (2010: 7%-15%) per annum on the outstanding balance.

(2) The remuneration of key management during the year is as follows:

	2011 RMB'000	2010 RMB'000
Short-term benefits	**23,717**	19,513
Share-based payments	**3,378**	6,261
	27,095	25,774

The retirement benefit contributions of the key management during the years ended December 31, 2011 and 2010 were not material.

(3) Details of the balances with a jointly controlled entity are set out in note 20.

40. Major Subsidiaries

Details of the Group's principal subsidiaries at December 31, 2011 and 2010 as follows:

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
Add Hero holdings Limited ("Add Hero")	British Virgin Islands ("BVI")	100%	US$10,000	Investment holding
Add Gain Investments Limited	BVI	100%	US$100	Investment holding
Add Lion Profits Limited	BVI	100%	US$100	Investment holding
Add Power Investments Limited	BVI	100%	US$100	Investment holding
Add Right Investments Limited	BVI	100%	US$100	Investment holding
Bright Oriental Limited	Hong Kong	100%	HK$1	Investment holding
China Aoyuan International Development Limited (Formerly known as Chinaview Holdings Limited)	Hong Kong	100%	HK$1	Investment holding
重慶創冠房地產開發有限公司 (Chongqing Chuangguan Real Estate Development Company Limited)	PRC	100%	US$49,000,000	Property development
佛崗同力盛投資發展有限公司 (Fogang Tong Li Sheng Investment Development Company Limited)	PRC	100%	RMB80,000,000	Property development
奧園集團有限公司 (Aoyuan Group Company Limited)	PRC	100%	RMB400,000,000	Investment holding
廣州奧園海景城房地產開發有限公司 (Guangzhou Aoyuan Hai Jing Cheng Real Estate Development Company Limited)	PRC	100%	RMB380,000,000	Property development

40. Major Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
廣州市番禺金業園房地產開發有限公司 (Guangzhou Panyu Jin Ye Yuan Real Estate Development Company Limited)	PRC	100%	RMB170,000,000	Property development
廣州市番禺金業房地產開發有限公司 (Guangzhou Panyu Jin Ye Real Estate Development Company Limited)	PRC	100%	RMB180,000,000	Property development
廣州奧林匹克房地產開發有限公司 (Guangzhou Olympic Real Estate Development Company Limited)	PRC	100%	RMB60,000,000	Property development
廣州番禺奧林匹克房地產開發有限公司 (Guangzhou Panyu Olympic Real Estate Development Company Limited)	PRC	100%	RMB31,000,000	Property development
廣州奧園資產經營管理有限公司 (Guangzhou Aoyuan Assets of Management Company Limited)	PRC	100%	RMB10,000,000	Provision of consultancy services
廣州南沙國奧房地產開發有限公司 (Guangzhou Nansha Guo Ao Real Estate Development Company Limited)	PRC	100%	RMB120,494,000	Property development
龍南縣金城房地產開發有限公司 (Longnan Jin Cheng Real Estate Development Company Limited)	PRC	100%	RMB23,000,000	Property development
瀋陽奧園動漫城置業有限公司 (Shenyang Aoyuan Dong Man Cheng Properties Company Limited)	PRC	100%	US$45,000,000	Property development

40. Major Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
瀋陽南奥海景城置業有限公司 (Shenyang Nan Ao Hai Jing Cheng Properties Company Limited)	PRC	100%	US$25,000,000	Property development
瀋陽金業創意城置業有限公司 (Shenyang Jin Ye Chuang Yi Cheng Properties Company Limited)	PRC	100%	US$50,000,000	Property development
瀋陽都市華庭置業有限公司 (Shenyang Du Shi Hua Ting Properties Company Limited)	PRC	100%	US$50,000,000	Property development
玉林奧園房地產開發有限公司 (Yulin Aoyuan Real Estate Development Company Limited)	PRC	100%	RMB80,000,000	Property development
玉林奧園康城房地產開發有限公司 (Yulin Aoyuan Cannes Real Estate Development Company Limited)	PRC	100%	RMB200,000,000	Property development
重慶時尚置業有限公司 *(note 3)* (Chongqing Fashion Technology Company Limited ("Chongqing Fashion"))	PRC	100%	RMB30,000,000	Property development
江門江奥地產開發有限公司 (Jiangmen Jiangao Real Estate Development Company Limited)	PRC	51%	RMB20,000,000	Property development
清遠市奥園置業有限公司 (Qingyuan Aoyuan Property Company Limited)	PRC	80%	RMB50,000,000	Property development

40. Major Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
瀋陽奧園新城置業有限公司 (Shenyang Aoyuan New City Property Company Limited)	PRC	100%	RMB700,000,000	Property development
廣州奧譽房地產開發有限公司 (Guangzhou Aoyu Real Estate Exploitation Company Limited)	PRC	100%	HK$ 750,000,000	Property development
中山廣場開發建設有限公司 *(note 4)* (Zhongshan Plaza Development Company Limited)	PRC	100%	RMB735,384,082	Property development
佑林泛太(昆山)置業有限公司 *(note 5)* (Woolim Fanta (Kunshan) Development Company Limited)	PRC	100%	RMB44,937,832	Property development
佑林(昆山)有限公司(note 5) (Woolim (Kunshan) Development Company Limited)	PRC	100%	RMB25,074,970	Property development

Notes:

(1) Add Hero is directly held by the Company and the remaining subsidiaries comprising the Group are indirectly held by the Company.

(2) Except for BVI and Hong Kong incorporated companies which are operating in Hong Kong, other subsidiaries are operating in the PRC.

(3) Pursuant to a supplementary agreement entered into by the Group in October 2007, the Group is entitled to all the shareholders' rights and benefits derived from the operation of Chongqing Fashion and that Chongqing Fashion shall be managed and controlled by the Group. As the Group has the power to govern the financial and operating policies of Chongqing Fashion so as to obtain benefits from its activities under the agreement, accordingly, Chongqing Fashion is regarded as a subsidiary of the Company since October 2007 though the transfer of legal ownership has not completed.

(4) Zhongshan Plaza Development Company Limited, were acquired by the Group during the year ended December 31, 2009.

(5) Woolim Fanta (Kunshan) Development Company Limited and Woolim (Kunshan) Development Company Limited, were acquired by the Group during the year ended December 31, 2011. Details are set out in note 33.

(6) The above table lists the principal subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

41. Events after the Reporting Period

Other than the payment by Hong Da to Zhen Fu Limited as disclosed in note 17, the Group acquired a parcel of land situated in Chongqing, the PRC, at a cash consideration of approximately RMB218,340,000 through public auction in January 2012. The land in Chongqing is designated for commercial and residential uses and no construction on the land has started before acquisition.

42 Financial Summary of the Company

Assets and Liabilities

	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary	4,401,648	4,202,222
CURRENT ASSETS		
Amount due from a subsidiary	218,247	160,072
Bank balances	24,058	98,706
	242,305	258,778
CURRENT LIABILITIES		
Other payables	255	4,975
Secured bank loans	158,247	100,072
	158,502	105,047
NON-CURRENT LIABILITIES		
Secured bank loans	564,855	300,281
Net current assets	83,803	153,731
Net assets	3,920,596	4,055,672
OWNERS' EQUITY		
Share capital	25,015	24,990
Reserves	3,895,581	4,030,682
	3,920,596	4,055,672

Financial Summary

Consolidated results

	Year ended 31 December				
	2007	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	2,501,397	619,941	2,364,467	2,442,172	3,022,154
Profit (loss) before taxation	1,203,983	(89,322)	429,895	705,737	773,571
Income tax (expense) credit	(601,612)	31,857	(103,598)	(359,137)	(315,502)
Profit (loss) for the year	602,371	(57,465)	326,297	346,600	458,069

Consolidated assets, equity and liabilities

	As of 31 December				
	2007	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	448,585	1,090,163	3,160,832	3,191,582	4,087,420
Current assets	7,792,127	7,258,247	8,564,509	10,059,824	12,922,368
Total assets	8,240,712	8,348,410	11,725,341	13,251,406	17,009,788
Equity and liabilities					
Non-current liabilities	1,341,473	1,366,873	2,243,384	2,205,692	2,127,612
Current liabilities	1,855,133	2,092,152	3,728,997	5,068,586	8,519,250
Total liabilities	3,196,606	3,459,025	5,972,381	7,274,278	10,646,862
Equity attributable to owners of the Company	5,044,106	4,879,560	5,727,308	5,926,145	6,293,331
Non-controlling interests	–	9,825	25,652	50,983	69,595
Total equity and liabilities	8,240,712	8,348,410	11,725,341	13,251,406	17,009,788

The Company was incorporated on March 6, 2007 as an exempted company with limited liability in the Cayman Islands and became the holding company of the Group as a result of certain business combinations transactions on September 6, 2007. The financial summary has been presented on the basis that the Company had been the holding company of the Group from the beginning of the earliest period presented.

Major Properties Held for Sale

Properties for Sales

	Project	Location	Status	Existing use	GFA (thousand sq.m.)	Interest attributable to the Company
1	Shenyang Aoyuan • The Metropolis	Shenyang, Liaoning	Under construction	Integrated residential community	1,281.1	100%
2	Zhongshan Aoyuan	Zhongshan, Guangdong	Under construction	Villas, integrated residential community	639.7	100%
3	Aoyuan Health Plaza	Panyu, Guangzhou	Under construction	High-rise apartments, commercial properties	77.1	100%
4	Shenyang Aoyuan • Convention Plaza	Shenyang, Liaoning	Under construction	Integrated residential community	768.0	100%
5	Nansha Aoyuan	Nansha, Guangzhou	Under construction	Commercial properties, villas and integrated residential community	93.3	100%

Investment Properties

1. Completed properties held for investment

No.	Project Name	Location	Type	Lease term	Gross floor (thousand sq.m.)	Interest attributable to the Group
1	Nanguo Aoyuan	Panyu District, Guangzhou City, Guangdong	Golf course & commercial building	Long	84.1	100%
2	Panyu Aoyuan	Panyu District, Guangzhou City, Guangdong	Retail shop & commercial building	Long	7.5	100%
3	Guo Ao Investment Development Centre	Nansha District, Guangzhou City, Guangdong	Office	Medium	2.4	100%
4	Guangzhou Aoyuan	Panyu District, Guangzhou City, Guangdong	Retail shop	Medium	8.6	100%
5	Chongqing Aoyuan • City of Health	Jiulongpo District, Chongqing City	Retail shop & Clubhouse	Medium	7.2	100%

2. Investment properties under construction

No.		Property	Type	Lease term	Gross floor (thousand sq.m.)	Stage of Completion	Interest attributable to the Group
1	Aoyuan Plaza	Panyu District, Guangzhou City, Guangdong	Retail shop & commercial building	Medium	80.5	In progress	100%
2	Aoyuan Health Plaza	Panyu District, Guangzhou City, Guangdong	Retail shop & commercial building	Long	48.2	In progress	100%
3	Shenyang Aoyuan • The Metropolis	Sujiatun District, Shenyang City, Liaoning	Commercial building	Long	197.0	In progress	100%
4	Shenyang Aoyuan • Convention Plaza	Sujiatun District, Shenyang City, Liaoning	Commercial building	Long	123.3	In progress	100%

This 2011 annual report, in both English and Chinese versions (the "Annual Report") is available on the Company's website at **http://www.aoyuan.com.cn** (the "Company Website") and the website of Hong Kong Exchanges and Clearing Limited at **http://www.hkexnews.hk**.

Shareholders who have chosen to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to the Annual Report posted on the Company Website may request the Annual Report in printed form. Shareholders of the Company who have received either the English version or the Chinese version of the Annual Report may request for a copy in the other language. The Annual Report in printed form and/or in the requested language will be sent free of charge by the Company upon request.

Shareholders of the Company may at any time change their choice of the means of receipt (either in printed form or via the Company Website) and/or language (either English only or Chinese only or both languages) of Corporate Communications.

Shareholders of the Company may send their request to receive the Annual Report in printed form and/or in the requested language, and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East Hong Kong or by sending an email to at **aoyuan.hk@aoyuangroup.com**.

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