首創置業股份有限公司
BEIJING CAPITAL LAND LTD.
Stock Code: 2868

Annual Report 2012

10th Anniversary of Listing

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. Feng Chunqin
Ms. Cao Guijie
Mr. Zhang Shengli

Independent Non-Executive Directors

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

AUDIT COMMITTEE

Mr. Ng Yuk Keung *(Chairman)*
Mr. Li Zhaojie
Mr. Wang Hong

REMUNERATION COMMITTEE

Mr. Li Zhaojie *(Chairman)*
Ms. Cao Guijie
Mr. Ng Yuk Keung

NOMINATION COMMITTEE

Mr. Liu Xiaoguang *(Chairman)*
Mr. Li Zhaojie
Mr. Ng Yuk Keung

STRATEGIC COMMITTEE

Mr. Feng Chunqin *(Chairman)*
Mr. Tang Jun
Mr. Wang Hong

SUPERVISORS

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

SECRETARY OF THE BOARD OF DIRECTORS

Mr. Hu Weimin

COMPANY SECRETARY

Mr. Lee Sing Yeung, Simon

AUTHORISED REPRESENTATIVES

Mr. Tang Jun
Mr. Lee Sing Yeung, Simon

REGISTERED OFFICE

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

BEIJING HEADQUARTERS

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No. 2, Guang Ning Bo Street,
Beijing, PRC

HONG KONG OFFICE

Suites 2906-08, AIA Central,
1 Connaught Road Central, Hong Kong

WEBSITE

http://www.bjcapitalland.com

AUDITORS

PricewaterhouseCoopers Zhong Tian CPAs
Limited Company

LEGAL ADVISERS

As to Hong Kong law:
Iu, Lai & Li

As to PRC law:
Jingtian & Gongcheng

PRINCIPAL BANKERS

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

LISTING INFORMATION

STOCK CODE FOR H SHARE

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

BOARD LOT SIZE

H Share	2,000

H SHARE REGISTRAR

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

INVESTOR RELATIONS CONTACT

Email address: ir@bjcapitalland.com.cn

H SHARE INFORMATION

	Year 2012			Year 2011		
	Price		**Total Trading Volume**	Price		Total Trading Volume
	High (HK$)	**Low (HK$)**	**(No. of Shares)**	High (HK$)	Low (HK$)	(No. of Shares)
First Quarter	**2.46**	**1.42**	**413,758,870**	2.92	2.21	99,933,024
Second Quarter	**2.46**	**1.71**	**221,154,508**	3.15	2.06	146,378,676
Third Quarter	**2.57**	**1.90**	**152,380,670**	2.70	1.35	87,559,488
Fourth Quarter	**3.28**	**2.15**	**225,604,311**	2.02	1.26	122,431,211

Closing share price as at 31 December 2008: HK$1.24.
Closing share price as at 31 December 2009: HK$3.50.
Closing share price as at 31 December 2010: HK$2.60.
Closing share price as at 30 December 2011: HK$1.53.
Closing share price as at 31 December 2012: HK$3.22.

FINANCIAL HIGHLIGHTS

FIVE YEAR FINANCIAL SUMMARY Note 1

(in RMB'000 unless otherwise stated)

Year ended 31 December	2012 Note 2	2011 Note 2 (Restated)	2010 Note 2	2009 Note 3	2008 Note 3
Revenue	**9,134,054**	7,523,321	6,493,795	5,393,150	5,167,098
Total profit	**1,898,986**	1,679,407	1,463,156	1,510,295	1,266,520
Income tax expenses	**(565,323)**	(455,852)	(375,231)	(622,005)	(504,258)
Net profit	**1,333,663**	1,223,555	1,060,925	888,290	762,262
Attributable to:					
Equity holders of the Company	**1,110,925**	998,578	918,155	538,435	382,890
Non-controlling interests	**222,738**	224,977	142,770	349,855	379,372
	1,333,663	1,223,555	1,060,925	888,290	762,262
As at 31 December	**2012**	2011	2010	2009	2008
Total assets	**47,536,488**	37,794,202	30,513,787	22,421,735	19,067,502
Total liabilities	**37,533,477**	29,482,884	22,883,841	15,744,990	12,908,182
Net assets	**10,003,011**	8,311,318	7,629,946	6,676,745	6,159,320

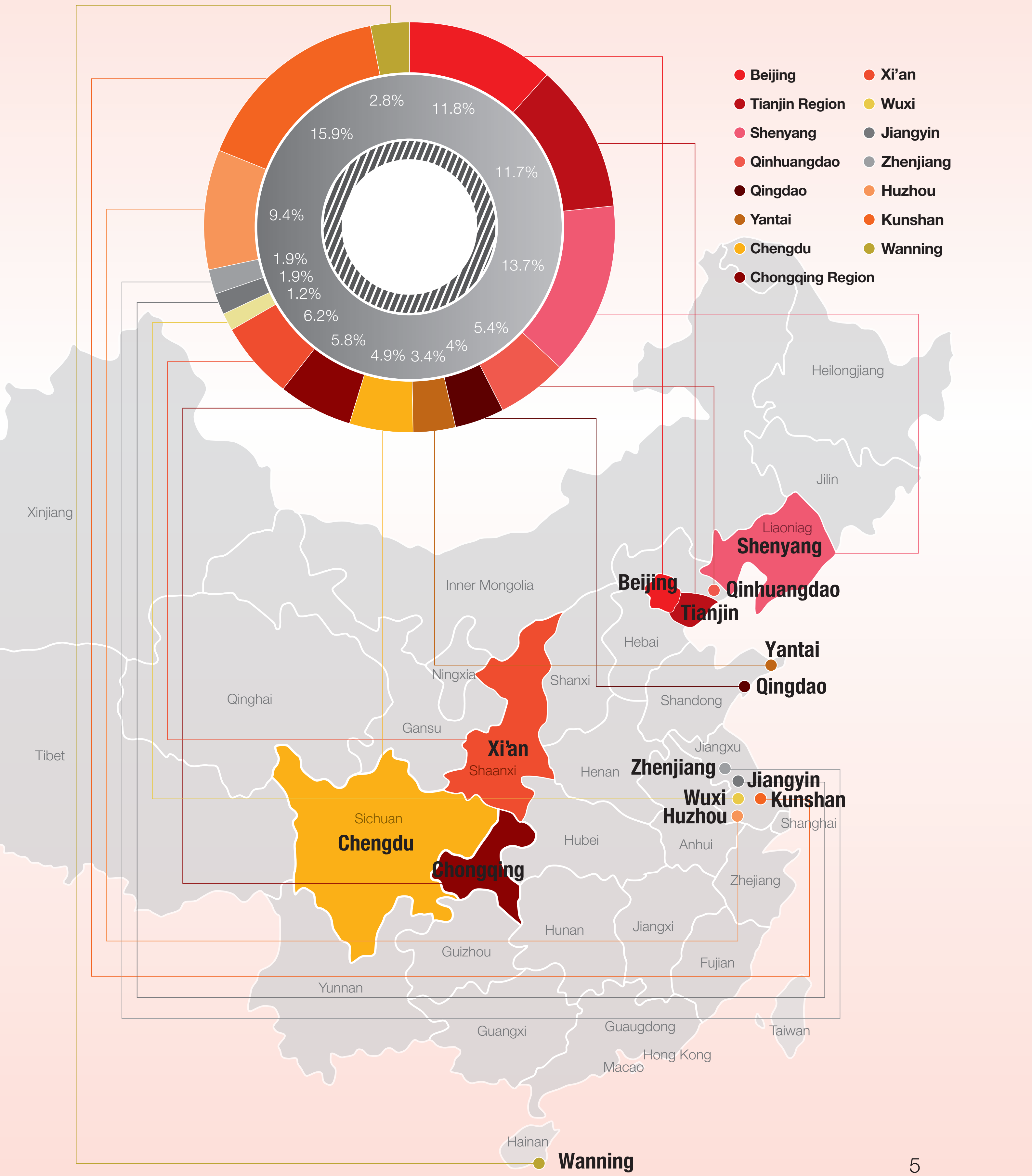
Note:

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

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

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

PROPERTY PORTFOLIO



Property Portfolio

PROPERTY PORTFOLIO

HOTEL PROPERTIES

No.	Project	Location	Type	Attributable Interest	Approximate Site Area (sq. m.)	Approximate GFA (sq. m.)	Approximate Above-The-Ground GFA (sq. m.)	Expected/ Achieved Completion (Year)
1	**Holiday Inn Central Plaza**	Xuanwu District, Beijing	Hotel	100%	7,177	50,712	50,712	Completed
2	**Inter Continental Financial Street Beijing**	Xicheng District, Beijing	Hotel	34%	10,658	58,161	42,900	Completed

INVESTMENT PROPERTIES

No.	Project	Location	Type	Attributable Interest	Approximate Site Area (sq. m.)	Approximate GFA (sq. m.)	Approximate Above-The-Ground GFA (sq. m.)	Expected/ Achieved Completion (Year)
3	**BeijingHujialou Commercial**	Chaoyang District, Beijing	Residential/ Commercial	100%	86,300	69,298	55,566	2013
3.1	Beijing World Center					37,777	24,045	2013
3.2	Block 4 of Xanadu					31,521	31,521	Completed
4	**Beijing Integrated Outlets Project**	Chaoyang District, Beijing	Residential/ Commercial	100%	95,652	170,651	130,751	2015
4.1	First phase					108,036	68,136	Completed
4.2	Second phase					62,615	62,615	2015
5	**Huzhou Outlets Integrated Project**	Taihu Tourist Resort, Huzhou, Jiangsu Province	Commercial	100%	302,713	195,000	185,000	2015
5.1						97,500	97,500	2013
5.2						61,100	57,400	2014
5.3						36,400	30,100	2015
6	**Hainan Outlets Integrated Project**	Liji Town, Wanning, Hainan Province	Commercial	55%	199,807	103,180	100,879	2013
7	**Beijing Sunshine Building**	Xicheng District, Beijing	Commercial/ Office	35%	8,840	52,095	34,163	Completed

PROPERTY PORTFOLIO

PROPERTIES UNDER DEVELOPMENT

No.	Project	Project name	Location	Type	Attributable Interest	Approximate Site Area (sq. m.)	Approximate GFA to be sold (sq. m.)	Approximate Above-The-Ground GFA to be Sold (sq. m.)	Expected/ Achieved Completion (Year)
8	**Beijing Yuyuantan Project**	The Reflections	Haidian District, Beijing	Residential	100%	17,900	8,917	8,917	Completed
9	**Beijing Hujialou Project**	Xanadu	Chaoyang District, Beijing	Residential/ Commercial	100%	86,300	12,016	3,077	Completed
10	**Beijing Heping Lane Project**	Urban Town	Chaoyang District, Beijing	Residential	100%	116,000	5,640	0	Completed
11	**Beijing Huang Xin Zhuang Project**	Ealing	Fangshan District, Beijing	Residential	95%	175,489	271,623	264,093	2015
11.1							107,260	104,060	2014
11.2							164,363	160,033	2015
12	**Beijing Miyun Feng Zhuang Yuan Project**	Beijing Landscape Villa	Miyun District, Beijing	Residential	100%	393,664	213,505	202,061	2014
12.1							40,796	40,796	2013
12.2							172,709	161,265	2014
13	**Beijing Changyang Town Project**	Ballet Town	Fangshan District, Beijing	Residential	100%	137,684	51,517	35,498	Completed
14	**Beijing Changyang Land No.4 Project**	Novocity	Fangshan District, Beijing	Residential	100%	90,389	162,249	160,206	2014
15	**Tianjin Banshan Project**	Tianjin First City	Tanggu District, Tianjin	Residential/ Commercial	55%	233,336	29,834	7,200	Completed
16	**Tianjin Huaming Project**	Noble City	Dongli District, Tianjin	Residential/ Commercial	40%	271,800	149,388	149,388	2015
16.1							12,181	12,181	Completed
16.2							66,407	66,407	2014
16.3							70,800	70,800	2015
17	**Tianjin Xiqing Project**	Landing House	Xiqing District, Tianjin	Residential/ Commercial	40%	151,600	52,542	35,442	2013
17.1							27,042	27,042	Completed
17.2							25,500	8,400	2013
18	**Tianjin Shuangang 121 Project**	Fortune Class	Jinnan District, Tianjin	Residential/ Commercial	55%	255,000	123,019	123,019	2015
18.1							10,719	10,719	2013
18.2							35,014	35,014	2014
18.3							77,286	77,286	2015

PROPERTY PORTFOLIO

No.	Project	Project name	Location	Type	Attributable Interest	Approximate Site Area (sq. m.)	Approximate GFA to be sold (sq. m.)	Approximate Above-The-Ground GFA to be Sold (sq. m.)	Expected/ Achieved Completion (Year)
19	**Tianjin Shuangang 122 Project**	Tianjin– A-Z Town	Jinnan District, Tianjin	Residential/ Commercial	55%	183,500	110,008	89,408	2014
19.1							56,688	36,088	2013
19.2							53,320	53,320	2014
20	**Tianjin Wuqing Project**	International Peninsula	Wuqing District, Tianjin	Residential/ Commercial/ School	100%	586,270	604,131	604,131	–
20.1							14,462	14,462	2013
20.2							65,234	65,234	2014
20.3							282,372	282,372	2015
20.4							242,063	242,063	–
21	**Tianjin Mangrove Bay**	Mangrove Bay	Binhai New District, Tianjin Province	Residential	100%	53,845	43,613	43,613	2013
21.1							1,844	1,844	Completed
21.2							41,769	41,769	2013
22	**Qinhuangdao Gold Coast Project**		Changli County, Qinhuangdao, Hebei Province	Residential/ Commercial	60%	717,957	502,570	502,570	–
22.1							203,600	203,600	2014
22.2							152,400	152,400	2015
22.3							146,570	146,570	–
23	**Shenyang Shenying Road Project**	Shenyang First City	Hunnan New District, Shenyang, Liaoning Province	Residential/ Commercial	30%	145,800	172,679	129,546	2014
23.1							9,845	9,845	Completed
23.2							162,834	119,701	2014
24	**Shenyang Yinhe Wan Project**	Qipan Hills First Villa	Qi Pan Shan District, Shenyang, Liaoning Province	Residential/ Commercial	50%	471,400	471,218	427,497	–
24.1							49,924	49,924	Completed
24.2							79,844	79,844	2013
24.3							113,137	97,137	2015
24.4							228,313	200,592	–

PROPERTY PORTFOLIO

No.	Project	Project name	Location	Type	Attributable Interest	Approximate Site Area (sq. m.)	Approximate GFA to be sold (sq. m.)	Approximate Above-The-Ground GFA to be Sold (sq. m.)	Expected/ Achieved Completion (Year)
25	**Shenyang Shenzhong Street Project**		Hunnan New District, Shenyang, Liaoning Province	Residential	100%	194,248	658,068	576,747	–
26	**Chengdu Shengli Village Project**	Chengdu First City	Chenghua District, Cheundu, Sichuan Province	Residential/ Commercial	100%	78,200	72,662	60,045	2013
26.1							24,483	18,875	Completed
26.2							48,179	41,170	2013
27	**Chengdu Beiquan Road Project**	Cittá Villa	Longquanyi District, Chengdu, Sichuan Province	Residential/ Commercial	55%	75,000	121,427	52,697	2013
27.1							51,185	22,594	Completed
27.2							70,242	30,103	2013
28	**Chengdu SCE Project**	Wanjuanshan	Longquanyi District, Chengdu, Sichuan Province	Residential/ Commercial	55%	106,800	274,379	171,788	2014
28.1							19,571	16,561	Completed
28.2							65,440	39,659	2013
28.3							189,368	115,568	2014
29	**Xi'an Fengcheng Road Project**	Xi'an First City	Xi'an Economic and Technology Development Zone, Shannxi Province	Residential/ Commercial/ Office/Hotel	40%	355,400	594,628	442,605	2015
29.1							5,651	4,500	Completed
29.2							31,856	0	2013
29.3							271,847	173,576	2014
29.4							285,274	264,529	2015
30	**Chongqing Hongensi Project**	Hong'en International Living District	Jiangbei District, Chongqing	Residential/ Commercial	50%	229,300	552,068	400,617	2015
30.1							32,279	2,305	Completed
30.2							99,770	55,124	2013
30.3							286,823	234,776	2014
30.4							133,196	108,412	2015

PROPERTY PORTFOLIO

No.	Project	Project name	Location	Type	Attributable Interest	Approximate Site Area (sq. m.)	Approximate GFA to be sold (sq. m.)	Approximate Above-The-Ground GFA to be Sold (sq. m.)	Expected/ Achieved Completion (Year)
31	**Wuxi Dongting Town Project**	Gentle House	Xishan District, Wuxi, Jiangsu Province	Residential	100%	163,000	35,372	13,974	Completed
32	**Wuxi Jichang Road Project**	Joyous House	Wuxi New District, Jiangsu Province	Residential	100%	96,600	82,695	61,185	2013
32.1							34,362	16,816	Completed
32.2							48,333	44,369	2013
33	**Zhejiang Huzhou Taihu Project**	Outlets Integrated Project	Taihu Tourist Resort, Huzhou, Jiangsu Province	Residential/Hotel	100%	228,387	600,126	553,986	–
33.1							151,325	144,360	2014
33.2							448,801	409,626	–
34	**Huzhou Ren Huang Shan Project**	Joyous House	Ren Huang Shan District, Huzhou, Jiangsu Province	Residential	55%	53,864	100,452	79,837	2015
35	**Zhenjiang National University Science Park Project**	Joyous House	Zhenjiang Technological Development Zone, Jiangsu Province	Residential	100%	114,493	181,389	152,835	–
35.1							47,297	37,943	2013
35.2							134,092	114,892	–
36	**Jiangsu Jiangyin Yuyue Project**	Auspicious House	Yushan Bay, Jiangyin, Jiangsu Province	Residential/ Commercial	100%	78,258	178,681	163,671	–
36.1							59,666	50,706	2013
36.2							119,015	112,965	–
37	**Kunshan Jinxi Project**		Jinxi Town, Kunshan City, Jiangsu Province	Residential/ Commercial/ Hotel/Office	51%	550,037	369,928	369,928	–
37.1							78,296	78,296	2014
37.2							291,632	291,632	–
38	**Kunshan Outlets Integrated Project**		Eastern part of New Town, Kunshan District, Jiangsu Province	Residential/ Commercial	100%	447,938	1,141,226	1,018,802	–
38.1							185,900	185,900	2014
38.2							80,250	73,670	2015
38.3							875,076	759,232	–

PROPERTY PORTFOLIO

No.	Project	Project name	Location	Type	Attributable Interest	Approximate Site Area (sq. m.)	Approximate GFA to be sold (sq. m.)	Approximate Above-The-Ground GFA to be Sold (sq. m.)	Expected/ Achieved Completion (Year)
39	**Hainan Wanning Project**	Ballet Town	Liji Town, Wanning, Hainan Province	Residential/Hotel	55%	251,526	160,479	160,479	–
39.1							36,742	36,742	2013
39.2							50,537	50,537	2015
39.3							73,200	73,200	–
40	**Qingdao Central Park No. 1 Project**	Qingdao Central Park No. 1	Chengyang District, Qingdao, Shandong Province	Residential	100%	81,016	58,109	58,109	Completed
41	**Qingdao Qianqianshu Project**	Sunny Xiangmi Lake	Licang District, Qingdao, Shandong Province	Residential	100%	96,695	87,604	87,604	2015
41.1							8,620	8,620	Completed
41.2							78,984	78,984	2015
42	**Qingdao Yangbuzhai Project**		Chengyang District, Qingdao Shandong Province	Residential	100%	41,450	76,635	76,635	2014
43	**Yantai Sunny Chief Yard Project**	Sunny Chief Yard	Fushan District, Yantai, Shandong Province	Residential	100%	195,609	328,250	328,250	2015
43.1							16,248	16,248	Completed
43.2							34,303	34,303	2014
43.3							277,699	277,699	2015
44	**Qingdao Xinli Project**	Airport International Centre	Qingdao, Shandong Province	Commercial	100%	92,455	160,792	160,792	2015
44.1							50,831	50,831	2013
44.2							109,961	109,961	2015
	Total						**9,518,536**	**8,376,219**	

Note：

1. Information stated in this table was updated as at 31 December 2012.
2. Approximate site area is based on the newly obtained land use right certificates or land transfer agreements for all projects.
3. Approximate GFA is based on actual measurement upon completion of construction of the completed properties
4. Approximate GFA for properties under development is based on the latest obtained documents or the Company's latest planning.
5. Approximate Above-The-Ground GFA to be sold for properties under development refers to the saleable area on the ground floor where contract has yet to be signed, is based on the latest obtained documents or the Company's latest planning.
6. The equity transfer agreements of Foshan Outlets Integrated Project had already been signed, and the transfer is in progress. For details, please refer to notes 9 to the financial statements.

CORPORATE MILESTONES DURING THE YEAR

2012

APRIL

The Group partnered with China CYTS Tours Holding Co, Ltd. and acquired the Kunshan Jinxi Project, marking BCL's inroads into a new product line of "Residence + Tourism".

MAY

The Group acquired the Kunshan Outlets Integrated projects through a tender. The Group's nationwide expansion strategy for the Outlets Residential Integrated projects has advanced further.

JULY

The Group entered into a collaboration agreement with the French Chateauroux Government, and will invest in Sino-French Economic and Trade Cooperation Zone in Chateauroux, marking the beginning of a new product line of "Park + Real Estate".

CORPORATE MILESTONES DURING THE YEAR

SEPTEMBER

The Beijing International Triathlon, one of Beijing's top ten sports events, was successfully held and BCL was the prime sponsor of the event.

Successfully launched a RMB2 billion three-year 7.60% guaranteed bond issue in Hong Kong, which was over 10 times subscribed and was named by "Bloomberg Business Week" a benchmark transaction for dim sum bonds in 2012.

NOVEMBER

The Group's Beijing International Peninsula Project entered into a strategic alliance with Australia's renowned private school, Haileybury College, creating a new product line of "Residential + Education".

BCL Tianjin Company achieved contracted sales of RMB3.2 billion, and ranked a top-five developer in terms of real estate sales revenue in Tianjin.

DECEMBER

Chongqing Hong'en International Living District and Xi'an International City ranked a Top-10 real estate projects in the respective cities where they were located in terms Contracted Sales.

When Beijing Fangshan Xinyuedu project was debut launched, 80% of the 480 small scale residential units available for sale were sold out on the first day, achieving contracted sales of RMB460 million.

MAJOR AWARDS RECEIVED DURING THE YEAR AT A GLANCE

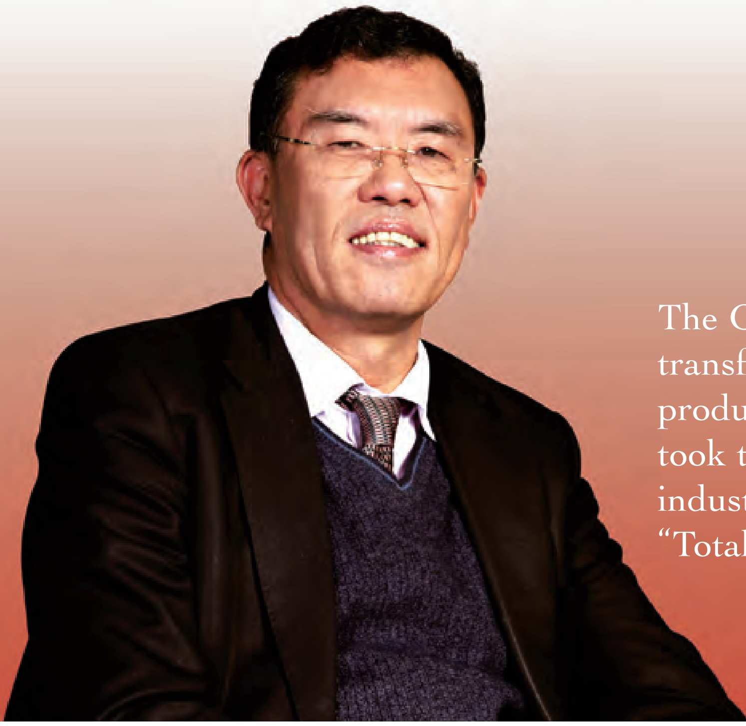
Date	Award	Award Granting Institution
January 2012	2012 Most Influential Real Estate Brand in China	www.house.focus.cn
March 2012	Vice President of CCREA	China Commercial Real Estate Association (CCREA)
June 2012	Golden Brick Award For Real Estate of China 2012	BOAO 21st Century Real Estate Forum, 21st Century Business Herald
September 2012	Top 10 Real Estate Enterprises for Brand Equity in the PRC 2012 (RMB5.745 billion)	China Index Research Institute, Real Estate Research Institute of Tsing Hua University, Corporate Research Institute of the Development Research Institute of the State Council
September 2012	2012 China Blue Chip Real Estate	The Economic Observer

MAJOR AWARDS RECEIVED DURING THE YEAR AT A GLANCE

Date	Award	Award Granting Institution
December 2012	2012 Most Innovative Developer of the City	China Internet Network Information Center, house.china.com.cn
December 2012	Enterprise with the Highest Brand Value	Sina Leju Elite Club
December 2012	2012 China Top Ten Leading Real Estate Brands	www.todayloushi.com
December 2012	2012 Beijing Real Estate Benchmark Brand Enterprise	The Beijing News
December 2012	CIHAF Special Award for Outstanding Customer Services in the China Real Estate Industry	Organizing Committee of China International Real Estate & Architect Fairs (CIHAF) and the League of Mainstream Media for China Real Estate Sector

Chairman's Statement

CHAIRMAN'S STATEMENT



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

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Beijing Capital Land Ltd. ("BCL" or the "Company"; together with its subsidiaries, the "Group"), I am pleased to present to you the Group's annual results for the year ended 31 December 2012.

In 2012, China remained on track for steady economic development despite the persisting European sovereign debt crisis and slowdown in the global economy. The country's economy was undergoing a structural transformation, as evidenced by the growing momentum in services and new industries. The fundamental change was also reflected in the increasing contribution from domestic consumption activities to the country's economic growth, and the accelerating developments in the central and western regions. Plans on regional developments were revised to optimize results.

During the year, the Central and local governments at all levels implemented a series of measures to foster both the owner-occupier demand for basic housing and the desire for improving living conditions. These measures included differentiating credit policies and "Regulations on Management of Housing Provident Fund". As a result, the country's property market recovered with rebounds in transaction volumes in major cities and the property prices were stabilizing. In December 2012, the Politburo of the Communist Party of China resolved that the country will intensify urbanization efforts. This will create opportunities for the property development sector. In the future, home purchases will increasingly become an integral part of domestic consumption, and the housing market will be driven by owner-occupier demand for basic housing and the desire for improved living conditions.

While the country was restructuring its economy and regulating the property sector with determined efforts in 2012, the Group set a trend in the property sector under its principle of "Total Value, Total Life" as it carried out a strategic transformation. It optimized the structure of its property development business. It continued its strategy of "integrated operation and value-focused business operation" by rendering assistance in promoting the country's urbanization and economic development in emerging regions. The Group had 32

CHAIRMAN'S STATEMENT

property projects on sale in 12 major cities in the three key areas of the Pan Bohai Rim Economic Zone, the Yangtze River Delta and the mid-southwestern China. For the year ended 31 December 2012, the Group's accumulated contracted sales in terms of gross floor area ("GFA") totaled approximately 1.73 million square metres (sq. m.), up 46% from 2011. Its contracted sales value grew by 20% to about RMB13.3 billion.

The Group's recognized contracted sales for the year rose by 21% to about RMB9,134,054,000 in 2012. Net profit attributable to the equity holders of the Company increased by 11% to RMB1,110,925,000. The Board of Directors of the Company (The "Board") proposed payment of a final dividend for the year ended 31 December 2012 of RMB0.16 per share (before tax).

During the year, the property sector's upgrade became more pronounced as integrated property projects emerged as mainstream offerings. Property projects that satisfy the owner-occupier demand for basic housing and the desire for improving living conditions became the mainstream and best-selling offerings in the market. The Group promptly optimized its product structure to tap the latest developments in both the property market and industry to drive business growth and this move accelerated turnover of its projects. Its major projects including Beijing Fangshan Xinyuedu, Tianjin A-Z Town, Tianjin International Peninsula, Zhenjiang Joyous House, Qingdao Airport International Center, Qingdao Central Park No. 1 and Yantai Sunny Chief Yard achieved satisfactory sales results. Other major projects for sale including Beijing Ballet Town, Tianjin First City, Chengdu Cittá Villa, Wuxi Joyous House, Chongqing Hong'en International Living District, Xi'an First City and Shenyang First City all maintained stable sales performances.

In its four lines of businesses including residential property development, integrated residential and commercial projects, high-end integrated urban projects and primary land development, the Group fully leveraged its advantages of integrated operations and innovative models of development, and acquired high-quality land plots for future development. During the year under review, the Group adopted a strategy of "focusing on property development in clusters of the major cities" when acquiring land plots to replenish its land bank. It built up land reserves in the Pan Bohai Rim Economic Zone and Yangtze River Delta, increasing its combined land reserves in Beijing, Tianjin, Shenyang, Kunshan, Huzhou and Qinhuangdao by 2.86 million sq. m. The Group made consistent progresses in integrated residential and commercial projects as it acquired its fourth "Outlets Integrated Project" in Kunshan, following the same model implemented in existing projects in Beijing, Kunshan, Huzhou and Wanning of Hainan province. The integrated outlet projects in Fangshan of Beijing, Huzhou of Zhejiang and Wanning of Hainan were marketing shop spaces in their commercial properties for rental, and signed up with a number of tenants who will start operation in 2013. Moreover,

CHAIRMAN'S STATEMENT

the Group successfully developed an integrated residential and tourism project in the historic Jinxi town in Kunshan, making inroads into the property market for this kind of projects for the first time. It also made a progress in primary land development by exploiting synergies with infrastructure businesses of its parent company, the Capital Group. It finished resettlement and demolition works in the Beijing Shunyi Zhaoquanying Project, and made steady progresses in Beijing Pinggu Jinhaihu Project and Tianjin Wuqing Project.

To cope with the credit tightening policies targeting the property sector during the year under review, the Group actively explored new ways of financing and exploring diverse financing channels, with an objective of migrating to an "asset-light" business model from the previous "asset-heavy" one. The Company and China Railway Trust Co., Ltd. jointly established Beijing Capital Land – China Railway United Real Estate Investment Trust with an initial capital of RMB1 billion, of which RMB800 million was raised from the public. The Group was rated Ba2 by Moody's and BB+ by Fitch Ratings, reflecting its premium corporate creditworthiness. The credit ratings facilitated the Group's fund-raisings from the international capital markets. In November 2012, the Company launched a RMB2 billion three-year guaranteed bond issue at a coupon rate of 7.60% per annum. The issue drew enthusiastic market responses and was more than ten times subscribed.

Looking ahead in 2013, the Group will adhere to its core development strategy of "integrated operation, value-focused business operation, and accelerating turnover". On top of its success in developing a new business of integrated residential and commercial projects in 2012, the Group will accelerate turnover of its projects by stepping up investment and sales efforts in its key markets of the three economically vibrant areas and by adopting a new business model in 2013. These moves will help the Group cope with challenges in the market which is becoming more competitive and increasingly concentrating on major industry players. The Group will work diligently to achieve a contracted sales target of RMB20 billion earmarked for 2013 through well-planned and coordinated expansion. In terms of geographical coverage, the Group will increase investments in its key target markets where it enjoys competitive advantages and has strong influences. Moreover, it will develop more integrate residential and commercial projects in order to better exploit the

CHAIRMAN'S STATEMENT

potential of this business model which combines land development with property development. It will promote development of new business projects which integrate residential properties, promoting "Residential + Outlets" "Residential + Tourism", "Residential + Education", and "Residential + Elderly Care". This business model features realization of the full potential of land and can satisfy the diversified needs of home buyers. In financing, the Group has leveraged its premium credit ratings from international rating agencies and actively seek low-cost funding in substantial sizes for longer tenures.

On behalf of the Board, I would like to express our gratitude to our clients, business partners and shareholders, for their care, support and assistance rendered to the Group. The entire staff of Beijing Capital Land will work diligently for a better future with dedication and team spirit. With our strategy of "integrated operation, value-focused business operation, and accelerated turnover", the Group will spearhead the upgrading transformation in the property sector, and aspires to become the country's best integrated property developer.

Liu Xiaoguang
Chairman

Hong Kong, 28 February 2013

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS ON THE BUSINESS ENVIRONMENT

An Overview of China's Property Market

Looking back in 2012, the global economy continued to suffer from the impact of the European sovereign debt crisis. China experienced a significant slowdown in its economic growth, as reflected in lower growth rates in both investments and exports. However, the economy in China still exhibited huge growth potential. With inflation effectively under control and the country's monetary policy appropriately relaxed, the main themes of China's macroeconomic policies remained maintaining stable growth, promoting domestic consumption and fine-tuning of policies.

In 2012, China's gross domestic product amounted to RMB51,932.2 billion, up 7.8% in fixed price terms. Fixed asset investment for the year continued to maintain steady growth, reaching RMB36,483.5 billion, up 20.6% year on year. The per-capita disposable income of urban and rural residents amounted to RMB26,959, of which, the per-capita disposable income of urban residents amounted to RMB24,564, up 12.6% in nominal terms and 9.6% after stripping out impact from adjustments in prices.

During the year under review, investments in property development in China reached RMB7,180.4 billion, representing a year-on-year increase of 16.2%, or 14.9% in real terms net of impact from adjustments in prices. Of which, investments in residential properties reached RMB4,937.4 billion, up 11.4% and accounted for 68.8% of the total investments in property development. A total of 1,113.04 million sq. m. of commodity housing was sold in China, representing an increase of 1.8% from the previous year while the growth rate was down 2.6 percentage points from the previous year. Among the commodity housing sold, total gross floor area of residential properties and office properties increased by 2% and 12.4% respectively, while that of retail commercial properties decreased by 1.4%. Sales revenue of commodity housing reached RMB6,445.6 billion, up 10% though the growth rate was down 1.1 percentage points from the previous year. Of which, the

MANAGEMENT DISCUSSION AND ANALYSIS

sales revenues of residential, office and retail commercial properties recorded growth rates of 10.9%, 12.2% and 4.8%, respectively. During the year, funding from real estate developers reached RMB9,653.8 billion, up 12.7% year on year, while the growth rate was down 4.8 percentage points.

Looking at the overall situation countrywide, with the declines in interest rates, the pent-up purchasing power was released and many buyers decided to buy their own flats, contributing to stabilization of property prices and recovery of the real estate market. In addition, the home purchase restriction policy also restrained speculative demand, while owner-occupier demand and the desires for improving living condition became the mainstream offerings in the market were targeting at. Sales in first-tier cities were significantly stronger than in second and third-tier cities. Meanwhile, the commercial real estate investments and demand continued to maintain a steady growth momentum, and had evolved into an important growth driver for the real estate market.

In terms of geographical presence, the focus of market was shifting to eastern China and first-tier cities. In 2012, the gross floor area and sales revenue of commodity housing from eastern China reached 5,320 million sq. m. and RMB3,841.3 billion, up 5.7% and 12.9%, respectively. In central China, 3,010 million sq. m. of commodity housing was sold, up 2% from the previous year, while sales revenue amounted to RMB1,302 billion, up 8.5%. In western China, 2,790 million sq. m. of commodity housing was sold, down 5.3% from the previous year, whereas sales revenue rose 3.7% to reach RMB1,302.3 billion.

In 2012, the Group was able to tap market demand by launching products targeting at owner-occupier buyers by placing more emphasis on promoting projects in the cities that were not subject to the policy and progressively adjusted its product structure. As most residents saw steep increases in their incomes, combined with the drivers of strong owner-occupier demand and desires for improving living conditions, the Group's overall operation saw significant improvement. In addition, the shift of population to eastern China led to an increase in demand for residential properties, resulting in better sales performances and higher property prices in that area.

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

MANAGEMENT DISCUSSION AND ANALYSIS

An Overview of the Property Market in the Pan Bohai Rim Region

The Pan Bohai Rim Economic Zone consists of the Beijing-centric Beijing-Tianjin-Hebei Metropolis Circle, combined with Liaodong Peninsula and Shandong Peninsula in the Bohai economic region. It now includes two cities and five provinces, i.e. Beijing and Tianjin; Liaoning Province, Hebei Province, Shanxi Province, Shandong Province and eastern Inner Mongolia.

With economic integration between Beijing and Tianjin, along with inclusion of development of the Capital City Economic zone in the country's 12th Five-year Plan, and development of coastal areas of Hebei having been listed as part of the national strategy, the Pan Bohai Rim Economic Zone is embracing opportunities for accelerating development. It had been mentioned in the 2012 Blue Book of Beijing-Tianjin-Hebei that the strategic target is to groom the Beijing-Tianjin-Hebei Metropolis Circle into a world-class metropolitan city in terms of scale, and into a hub of high-end tertiary and manufacturing services. In addition, with the Pan Bohai Rim Economic Zone, as the main port serving the northeast, north and northwest regions, is in possession of favorable fundamentals, natural resources and human resources. It is also the largest hub connecting "marine economy" and "mainland economy" in northern China. With its strong innovative capability and a well-developed financial sector attracting foreign investments to the densely populated areas of the northern part of the country, the Pan Bohai Rim Economic Zone has become a key economic zone and a driver of the country's overall economic growth.

Underpinned by rapid and stable development of the economy in China, Beijing and Tianjin have become increasingly vital to the Pan Bohai Rim Economic Zone. Despite the current limited supply of land in Beijing, the owner-occupier demand for commodity housing remains strong, and while Tianjin has ample land reserves, and is well equipped with facilities and convenient transportation connectivity. It has eventually evolved into a key growth driver of the real estate industry in recent years. Qingdao, Yantai, Jinan, Qinhuangdao, Tangshan, Dalian, Shenyang and other areas in the Pan Bohai Rim Economic Zone are well-developed in their economies and therefore, the real estate markets in these areas are relatively matured. As the economic environment continues to flourish at an accelerating pace, it is expected that more advanced cities in the area, especially the ones with higher potential, will become key drivers of growth the real estate industry in the Pan Bohai Rim Economic Zone and its neighboring regions. It is also anticipated that successes in these areas will push the real estate industry to hit a new peak.

MANAGEMENT DISCUSSION AND ANALYSIS

An Overview of the Property Market in the Yangtze River Delta Region

Covering an area of 210,700 sq. km., the Yangtze River Delta Region includes Shanghai, Jiangsu Province and Zhejiang Province. In 2012, the gross domestic product of the Yangtze River Delta Region surpassed RMB11 trillion, of which, the gross domestic products of 20 out of 25 prefecture-level cities in the region surpassed the RMB200 billion. On the other hand, the gross domestic product of Shanghai and Suzhou was above RMB1 trillion, while Hangzhou, Wuxi, Nanjing, Ningbo and four other cities in aggregate recorded a gross domestic product of over RMB600 billion. Investment and development in real estate in this region reached RMB1.3 trillion, accounting for 18% of the country's total.

In May 2010, the National development and Improvement Commission officially approved implementation of a regional plan for the Yangtze River Delta Region. The region will soon be positioned as a globally-significant modern service center. Assuming that the economy in the Yangtze River Delta Region will grow at 10% per annum and mainstream industries will account for more than 51% of the total, by 2020 the tertiary industries in the region should surpass the RMB7 trillion mark. In addition, in 2012 the regional plans targeted to grow the Yangtze River Delta Region, surpassing the paces of other regions in achieving the objective of developing a reasonably affluent society. Therefore, in the next few years, preferential policies at different levels will be developed and launched to encourage and attract entry of high value-add industries to promote accelerated development of the local economy in the region. Thus, in the subsequent days, it is evident that the Yangtze River Delta region will lead the rapid development of the economy in China.

In 2012, natural demand for investments as well as the highly leveraged operation model of the property developers in the Yangtze River Delta region propelled rapid increases in transaction volumes in the region. Since the region has been reaping benefits from a constant influx of population and wealth, the owner-occupier demand has always been strong. In addition, relaxation of monetary policies attracted inflow of private capital into the region's property market and resulted in more investment demand. However, the highly leveraged operation model of some property developers in the region became more vulnerable to possible economic downturn. Property developers affected by the negative operating environment, featuring escalating funding costs were forced to speed up sale of properties at lower prices. Favorable interest rates and lower property prices had therefore boosted transaction volumes in the region.

MANAGEMENT DISCUSSION AND ANALYSIS

An Overview of the Property Market in Western China

Western China is the region with the greatest development potential in country. In the future economic transition of China, the ability of western China to align itself with industries in eastern China will be crucial to the country's economic growth. Currently, the most developed areas in western China include the Chengdu-Chongqing Economic Zone and the Guanzhong-Tianshui Economic Zone with major cities such as Chengdu, Chongqing, and Xi'an.

Chengdu is among one of the privileged cities that have been designated to spearhead the overall development in western China. Nearly half of the world's top 500 enterprises have established footholds in Chengdu as the city's influence continues to spread to the surrounding regions. In addition to having developed comprehensive services as a metropolis, Chengdu has also become a conduit of high technology industries and high end services. It plans to accelerate the development of new energy, new materials, energy conservation and environmental protection, biotechnology, information technology, high-end equipment manufacturing, and other emerging industries. In terms of living environment, it was given titles including "The Most Environmentally Friendly City" and "A City of Beautiful Gardens"; an international metropolis and a tourist hot spot suitable for living and businesses. The city also plans to establish itself as "China's Fourth Aviation City" in order to develop into a hub of air travels to promote international trade. As the core urban area of the city continues to expand, coupled with its pleasant living environment, these factors will become the key drivers of growth in the real estate industry in Chengdu.

Chongqing fully leverages its advantages as one of the few municipalities in the country assigned to promote and test the national policy of integrating urban and rural reforms. The municipality has started building of a new zone between Yangtze River and Jialing River (「兩江新區」) to strengthen transportation, finance, commerce, logistics and other urban services capabilities, and to further enhance development of the three pillar industries, including automobile and motorcycle, chemical pharmaceutical and metallurgy, to enhance industries which enjoy competitive advantages in the world. It also plans to develop its economy vigorously, with an aim to groom itself into an international metropolis with a hospitable and beautiful environment. Urban development in the core area of the municipality will be further promoted in the future to attract more talents and such development will generate strong demand for housing.

Xi'an is a central city in China's western development as well as the core city of the Guangzhong-Tianshui Economic Zone and a reputable historic city. It is also an important base for high technology research and development and production. The city fosters development of science and technology with emphases on tertiary education, aerospace and aviation industries. Currently, more than 200 of Fortune 500 companies have set up research and development or manufacturing facilities in Xi'an. As the "Guanzhong – Tianshui Economic Zone Development Plan" progresses, Xi'an will receive more support for its development. Moreover, inclusion of the city in the strategic collaboration with the West Triangle Economic Zone in the "Western Development 12th Five-year Plan" will broaden the horizon for Xi'an to further expand its capabilities. It is expected that urban expansion, population growth, and investments from foreign companies will generate more opportunities for development in Xi'an, contributing to development of the city's real estate market that cater to industrial, commercial and residential demand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2012, the Group's revenue reached RMB9,134,054,000, representing an increase of 21% when compared with that of the previous year. Operating profit amounted to RMB1,892,280,000, up 13% year on year. Net profit attributable to equity holders reached RMB1,110,925,000, representing an increase of 11% when compared with that of the previous year. Basic earnings per share amounted to RMB0.55, representing an increase of 12% when compared with that of the previous year. The Board has resolved to recommend payment of a final dividend for the year ended 31 December 2012 of RMB0.16 per share (before tax) (2011: RMB0.19 per share).

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

1. Innovative "Residential +" development model delivers solid results

- The Group joined forces with China CYTS Tours Holding Co., Limited (CYTS) to acquire a tourism development project in Jinxi of Kunshan. Capitalising on the resources and experiences of both enterprises which complemented each other, the project has seen its value on the rise progressively, and representing an important step forward in evolving into a new business model for the Group.

- The Group's overseas expansion strategy began to take shape following signing of an agreement to reserve a land plot for acquisition with the local government of Châteauroux of France, making inroads into a new business model of "Park + Property". Development of the project and engagement for other business partners all progressed smoothly.

- With regards to elderly-care property development, the Group teamed up with ECON Medicare Centre, a service provider of nursing home in Singapore, to develop an elderly-care property development project in Xiangmi Lake of Qingdao.

- As for integrated property development and education projects, the Group achieved substantial results with signing of a strategic cooperation agreement with Haileybury, an international school from Australia.

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2. Upgrades in full-service value chain; three key management platforms increasingly improved

- Gradually established a "Comprehensive and professional standardised platform" for project development, thus facilitating the Group's efforts in developing its own signature products. In 2012, the Group completed planning and adaptation of a product series for luxury houses and villas.

- An "Open-style customer relationship management (CRM)" was basically completed. Adhering to the "total value, total life" principle, VIP centres were established in Beijing, Shenyang, Qingdao, Chengdu, Chongqing, Xi'an and Tianjin in 2012. Together with the 400 call centres and over 30 showrooms across the country, the Group had established an extensive network to reach its customers.

- An "Information management platform", or an enterprise resource planning (EPR) system, was being developed to streamline Company-wide operations and cost control. Built on existing information systems, the system had been completed and composed of integrated functions including finance, portfolio, inventory and sales.

3. Restructuring and optimization of property portfolio to speed up the development of commercial properties

- In 2012, the Group strategically acquired equity interests from participating in co-development of the Beijing and Huzhou Outlets projects, and disposed of its equity interest in the Foshan Outlets project. Optimising restructuring in ownerships enabled the Group to concentrate its resources on traditional markets where it enjoys competitive advantages, thus speeding up the development of commercial properties.

- The rental spaces at Beijing Outlets, scheduled to open in May 2013 for trial run, were taken up smoothly. Meanwhile, Huzhou and Hainan Outlets have started up for rental comprehensively.

MANAGEMENT DISCUSSION AND ANALYSIS

- In order to speed up development of the outlet business model and gain most out of mixed-use developments, the Group acquired the Kunshan Outlets project, which comprises approximately 1.02 million sq. m. in gross floor area. This acquisition has strengthened the Group's countrywide development strategy for the Outlets Residential integrated projects.

- The Group had begun works on a new branding strategy, corporate identity design, standardization of marketing and promotion plans for its projects. By working with internationally renowned investors, business operators and property developers, the Group achieved effectiveness in deployment of resources, so as to establish an international image for BCL's Outlets brand.

4. Breakthroughs in securing international credit ratings; embracing innovative financing channels

- After being rated Ba2 by Moody's and BB+ by Fitch, the Group successfully completed a RMB2 billion three-year 7.60% guaranteed offshore bond issue, which was well received by investors and was over 10 times subscribed. The deal was named by Bloomberg Businessweek a benchmark transaction for dim sum bonds in 2012.

- The establishment of BCL's first property fund, "BCL-CRE Joint Property Investment Fund", marked a breakthrough in the Group's co-operations with investment houses in managing property funds. The scale of assets under management (AUM) of the fund in the first phase reached approximately RMB1 billion, of which RMB800 million was raised from the public. The capital raised from this property fund helped finance the further expansion of BCL, accelerating its migration into an "asset-light model".

- Co-operation with large-scale domestic and foreign financial institutions, such as China Development Bank and HSBC, was enhanced. The Group obtained loans of RMB2.1 billion and RMB500 million for primary development of the Zhaoquanying Project in Shuanyi and Jinhaihu Project in Pinggu in Beijing respectively. The Group also collaborated with HSBC twice on overseas bond issuances and obtained loans from local banks, thus further enhancing its relationship with financial partners.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Risk management strengthened through establishing an internal control system

- To cope with changes in the operational strategies and management models, the Group established an internal control system that consists of 20 items under five major categories – internal operation management, risk management, control of business activities, information exchange and internal supervision. The Group compiled a "Corporate Risk Control System" based on requirement of its risk management and internal audit function and incorporating with the industry's best practices in order to develop risk control points.

- Based on principles of prevention, control and monitoring, a series of risk management measures and inspection tailored to the Group's strategies and operations was enacted. The measures included: strengthening legal risk prevention, strengthening the authorisation management and authorisation systems, strengthening the management of the newly formed top-tier enterprise system, continuously optimising business processes and implement examination, and strengthening the cost control.

PROPERTY DEVELOPMENT

The Group, together with its joint ventures and associated companies, has completed construction of gross floor area aggregating approximately 1,571,759 sq. m., representing an increase of 17.6% when compared with that of the previous year.

Projects Completed in 2012

Project	Approximate GFA (sq. m.)	Type	Attributable Interest
Beijing Urban Town	66,894	Commercial/Office	100%
Beijing Ballet Town	224,310	Residential/ Commercial	100%
Beijing Landscape Villa	62,257	Residential	100%
Tianjin First City	203,980	Residential	55%
Tianjin Landing House	131,634	Residential	40%
Tianjin Noble City	59,017	Residential	40%
Chengdu First City	126,865	Residential	100%
Chengdu Cittá Villa	172,686	Residential	55%
Wuxi Gentle House	99,926	Residential	100%
Wuxi Joyous House	107,058	Residential	100%
Chongqing Hong'en International Living District	183,703	Residential	50%
Qingdao Central Park No. 1	38,354	Residential	100%
Qingdao Sunny Xiangmi Lake	46,445	Residential	100%
Yantai Sunny Chief Yard	48,630	Residential	100%
Total	1,571,759		

SALES PERFORMANCE

Project	Approximate Contracted Sales Area (sq. m.)	Approximate Contracted Average Selling Price (RMB/sq. m.)	Approximate Contracted Sales Revenue (RMB'000)
Residential (Beijing and Tianjin)	**475,650**	**10,436**	**4,964,040**
The Reflections, Beijing	2,630	53,167	139,828
Beijing Xanadu	4,260	61,690	262,799
Urban Town, Beijing	1,993	36,777	73,296
Beijing Ballet Town	35,459	14,743	522,767
Beijing Novocity	27,838	15,454	430,218
Beijing Landscape Villa	38,210	9,561	365,324
Tianjin First City	69,659	8,155	568,101
Tianjin Noble City	31,909	9,079	289,695
Tianjin Fortune City	38,014	11,234	427,064
Tianjin A-Z Town	121,017	7,870	952,357
Tianjin Landing House	50,580	8,686	439,345
Tianjin International Peninsula	39,114	8,958	350,376
Tianjin Mangrove Bay	14,967	9,546	142,870
Residential (Outside Beijing and Tianjin)	**1,068,127**	**6,071**	**6,484,726**
Chengdu A-Z Town	157	10,834	1,701
Chengdu First City	15,203	6,964	105,868
Chengdu Cittá Villa	91,201	4,997	455,724
Chengdu Wanjuanshan	189,703	4,976	943,930
Shenyang First City	152,355	6,373	970,968
Shenyang Qipan Hills First Villa	3,316	13,176	43,692
Wuxi Gentle House	5,113	7,413	37,901
Wuxi Joyous House	68,444	7,232	494,973
Jiangyin Auspicious House	1,109	8,677	9,623
Zhenjiang Joyous House	90,638	5,288	479,312
Xi'an First City	108,113	5,907	638,622
Hong'en International Living District	181,180	6,698	1,213,607
Qingdao Central Park No.1	44,319	6,703	297,082
Qingdao Sunny Xiangmi Lake	39,123	6,873	268,879
Yantai Sunny Chief Yard	61,756	6,107	377,115
Hainan Ballet Town	16,397	8,888	145,729
Commercial	**164,520**	**10,588**	**1,741,996**
Beijing Urban Town	12,677	34,209	433,664
Wuxi Gentle House	770	7,090	5,459
Xi'an First City	111,673	8,392	937,116
Qingdao Sunny Xiangmi Lake	638	11,732	7,485
Yantai Sunny Chief Yard	1,773	10,998	19,500
Qingdao Airport International Centre	33,237	8,935	296,976
Beijing A-Z TOWN	1,351	13,990	18,900
Tianjin Butchart Garden	2,401	9,536	22,896
Car Parking Space	**17,145**	**3,749**	**64,280**
Total	**1,725,442**	**7,682**	**13,255,042**

MANAGEMENT DISCUSSION AND ANALYSIS

In 2012, austerity measures for the property market remained tight. Yet, with stable economic growth brought about by the moderate monetary policies, the country's property market sustained steady growth. Sales of major property developers increased substantially and market concentration became more pronounced. In terms of transaction volume in major cities, backed by the stable economy, moderate monetary policies and the positive market outlook for 2012, sales in first and second-tier cities improved significantly, as the pent-up demand suppressed by cooling measures mainly targeted at large cities was released. While the austerity policies had a moderate impact in third and fourth-tier cities, demand was relatively stable in 2012. Following a rapid expansion phase in the past few years, demand in those cities was experiencing a down cycle. Throughout the year, due to purchase restriction policy, demand was mainly driven by owner-occupier demand from first-time buyers. In the second half of the year, demand from buyers looking at improvements in living conditions emerged, driving steady growth in transaction prices.

In 2012, as the policy environment resumed normal, the Group looked closely at changes in the market and adhered to a strategy of "maximising scale, accelerating turnover, clearing inventory and optimising business structure". Satisfactory sales performance was achieved through launching successful marketing campaigns and continuously optimising the product structure by increasing the proportion of small and medium-sized homes targeting at owner-occupier buyers. During the year, the Group, together with its joint ventures and associates, recorded contracted sales area aggregating 1.73 million sq. m., up 46% from the previous year, of which contracted sales area of residential properties aggregated 1.54 million sq. m.. Contracted sales amounted to approximately RMB13.3 billion, up 20% from the previous year, of which approximately RMB11.4 billion was generated from sale of residential properties.

2013 marked the 10th anniversary of the Company's listing on The Stock Exchange of Hong Kong. The Group has achieved steady and healthy growth in the past decade. With rapid sales growth achieved by leading property enterprises, the industry gradually enters into an era of oligopolistic competition. A breakthrough in business scale is needed urgently as a response to the intensifying market competition. Thus, in 2013, achieving a breakthrough in business scale is the Group's prime target. With full support rendered in all aspects, including financing, land acquisition, construction, sales and customer services, the Group aspires to achieve an annual contracted sales target of over RMB20 billion. In 2013, all of the Group's projects in the 15 cities across the country will be launched for sale to the market. The number of new projects for sale will increase to more than 40 from 32, with gross floor area aggregated approximately 4 million sq. m.. More than 80% of these projects are located in first and second-tier cities where the property markets are recovering rapidly. An increase in supply of new projects in prime locations will assist the Group achieve its sales target.

MANAGEMENT DISCUSSION AND ANALYSIS

High-end Core Residential

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

Located 50 metres north from the CCTV tower, Xanadu, Beijing is in close proximity to Mandarin Hotel and Media Park. It is the Company's another landmark project of luxury residency in the CBD following the success of Beijing Yintai Centre and Golden Terrace.

The project recorded contracted sales of approximately RMB275 million in 2012, with contracted average selling price of RMB60,000/sq. m.

Urban Town, Beijing – A Unique Project in the Third Ring Connecting to the World

Urban Town is situated at core areas of Heping Lane of the North and East Third Ring Roads, enjoying easy access to the Airport North Route and Subway Route Nos. 13, 10 and 5. The project boasts a 30,000 sq. m atrium, an exclusive 50,000 sq. m riverside park and views of the western part of the city.

The project recorded contracted sales of approximately RMB520 million in 2012, with contracted average selling price of RMB34,000/sq. m.

A-Z Town Series

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

Tianjin A-Z Town is located in Dameijiang District in Tianjin, at the intersection of Li Shuang Highway and Weishan South Road. The project includes a variety of sections, such as Youke Loft, Langshi Gongguan, Zaijian Baihuo, commercial centres and Zao'an Park. It is expected the project will become a master-planned community including retail spaces, specialty business streets, serviced apartments and office spaces, allowing its residents and users to enjoy different lifestyles.

The project recorded contracted sales of approximately RMB950 million in 2012, with contracted average selling price of RMB7,800/sq. m.

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

Chengdu Citta Villa is located at the core living circle along the extension of East Main Street and is only 10-minute walking distance away from Subway Route No. 2. The project is set in a natural setting, surrounded by 4A national scenic spots, namely Sanshengxiang and Xingfu Meilin, which serve as a "natural oxygen bank" of the project.

The project recorded contracted sales of approximately RMB460 million in 2012, with contracted average selling price of RMB5,000/sq. m.

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A-Z Town Series

Chengdu Wanjuanshan

Chengdu Wanjuanshan is located on the extension line of Dongdajie in the Chengdong Financial Centre of Chengdu. It is adjacent to Yidu Road, Chenglong Road and the extension of Subway No. 2, which will operate in 2013. The project will have a view of the Chenglong Campus of Sichuan Normal University, and will be next to the university at its south. It will also bask in the natural setting which includes Sansheng Flower Garden and Swan Lake.

The project recorded contracted sales of approximately RMB940 million in 2012, with contracted average selling price of RMB5,000/sq. m.

First City Series

Tianjin First City – Marvelous Lifestyle at a World-class Residence

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

The project recorded contracted sales of approximately RMB570 million in 2012, with contracted average selling price of RMB8,200/sq. m.

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

Located at the core area of Hunnan and opposite to the CBD of Wulihe, Shenyang First City is linked to the prosperous area of the "Golden Corridor" by Hunhe Bridge. The project is adjacent to the Subway No.2 and the only central garden in Hunnan region of 110,000 sq. m. The project was designed by GENSLER, a design architect ranked six in the world. The buildings of the projects are spaciously separated with sufficient natural light and good ventilation.

The project recorded contracted sales of approximately RMB980 million in 2012, with contracted average selling price of RMB6,400/sq. m.

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First City Series

Xi'an First City – Marvelous Lifestyle at a World-class Residence

Situated in the core region of an economic and technological development zone, which is at the North Gate of Xi'an city and near the new administrative district, Xi'an First City is 10 km away from the city center. With a view of scenic zone along an 800 meter long axis from North to South, the project comprises different theme parks and utilizes cultural and scenic characteristics of the city to create a multi-layered visual effect.

The project recorded contracted sales of approximately RMB1.59 billion in 2012, with contracted average selling price of RMB6,000/sq. m.

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

The project is located at the core of Hong'ensi region in Jiangbei district, the main city of Chongqing. The region is next to Jiangbeizui CBD and in Hong'ensi Park, the largest central park in the city. The project comprises Inter-Continental serviced apartments and townhouses, with theme parks featuring different countries' styles.

The project recorded contracted sales of approximately RMB1.21 billion in 2012, with contracted average selling price of RMB6,700/sq. m.

County House Series

Beijing – Novotown – An Ideal Home

The project is located at the core district in Changyang, Fangshan District of Beijing, which benefits from an effective transportation system, and is just a stone's throw from the Changyang West Subway station of the Fangshan line. It will take less than 30 minutes to travel to the Finance Street area through the Jingshi freeway. The project has a GFA of 220,000 sq. m. It is also in the planning for this project to enter into a collaboration with "Yuedu Ballet Town", with an aim to develop Outlets projects into a large-scale project with an international flair in a core area.

The project recorded contracted sales of approximately RMB430 million in 2012, with contracted average selling price of RMB15,000/sq. m.

MANAGEMENT DISCUSSION AND ANALYSIS

County House Series

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

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

The project recorded contracted sales of approximately RMB490 million in 2012, with contracted average selling price of RMB7,000/sq. m.

Happiness Mansion – An Ideal Green Home

The project is located in Dingmao, the new district of Zhenjiang, with Nan Wei Si Lu running in the North and Jing Shi Er Lu running in the East. With historical and cultural heritage of the city, prime location, a picturesque natural landscape, the project is to be built into a comfortable residence in the CBD of the metropolis. The project is developed in three phases, with nearly 3,000 units in three product categories, including villas, garden houses and high-rise residential buildings.

The project recorded contracted sales of approximately RMB480 million in 2012, with contracted average selling price of RMB5,500/sq. m.

Low Density Residence

Lanyinshan, Beijing – Style of a Quiet Township in North America

The project is located at Xiwengzhuang Town, north of Miyun. It is the first villa project at the pathway to the Miyun Reservoir, and it is closest to the urban area of Miyun. The project consists of villas, garden houses and high-rise residential buildings.

The project recorded contracted sales of approximately RMB370 million in 2012, with contracted average selling price of RMB9,500/sq. m.

MANAGEMENT DISCUSSION AND ANALYSIS

Low Density Residence

Tianjin Noble City– An English-style Village in Urban Area

Noble City is next to Tianjin Free Trade Zone and Dongli Tourist Resort, and is approximately 13 km away from Tianjin Binhai International Airport. It enjoys both the peripheral facilities of the international airport and economic development of the free trade zone. With tens of thousands of mu of forestation, the landscape garden adopts a classic English style, with a theme of "romanticism", offering a feel of countryside environment.

The project recorded contracted sales of approximately RMB290 million in 2012, with contracted average selling price of RMB9,000/sq. m.

Tianjin Fortune Class – An Elegant and Extraordinary Residence

Adjacent to the Hongkan Lingshiqun Villa sector, Fortune Class is in close proximity to the Subway Route No.1 and the planned Route No. 6 in addition to a large station of public transportation. Adopting British style of gardening, the project emphasizes the perfect combination of buildings and natural setting.

The project recorded contracted sales of approximately RMB430 million in 2012, with contracted average selling price of RMB11,000/sq. m.

Tianjin Landing House – A Supreme Lakeside Mansion

Landing House is situated at Di Yi Ying Bin Road, along the extension of Youyi Road, Tianjin, The land plot of the project is divided into the Southern and Northern parts. A musical theme park is located in the middle of the project. The southern part of the project is built around the lakeside, and is set in a serene environment.

The project recorded contracted sales of approximately RMB440 million in 2012, with contracted average selling price of RMB8,500/sq. m.

MANAGEMENT DISCUSSION AND ANALYSIS

New Type of Integrated Residential Projects

Ballet Town, Beijing – International Lifestyle at CSD

The project is located in Changyang Town, Fangshan District, Beijing. It is in close proximity to Changyang West Station of Fangshan line of the intercity railway and is less than a 30-minute drive from Finance Street in Beijing via Beijing-Shijiazhuang Expressway. This is the first project of the Group's new business of integrated residential project series in Beijing, featuring the world renowned Outlets stores.

The project recorded contracted sales of approximately RMB520 million in 2012, with contracted average selling price of RMB15,000/sq. m.

Ballet Town, Hainan

Ballet Town is located in Wanning city in the eastern part of Hainan, an island province which is an international tourist spot. Wanning is a coastal city in Southern China, and is surrounded by the South China sea, Qiongzhong, Lingshui and Qionghai, enjoying rich natural resources. It is a unique international tourism and cultural district.

The project recorded contracted sales of approximately RMB150 million in 2012, with contracted average selling price of RMB9,000/sq. m.

Ballet Town, Huzhou

Situated at the center of the southern Taihu Lake tourist district, Ballet Town is surrounded by Taihu Lake, Changdougang, Meixi Road. Binhu Road runs through the whole project. One of the main special features is that it is equipped with The Outlets, luxurious five star hotels and high end villas. The project will be built in the style of a European small town, which includes private villas, townhouses, houses with gardens and apartments with a view of the lake. Tuscan style villas will be built in a natural setting which is rich in water resources.

Phase 1 of its residential section is expected to be launched in 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

New Type of Integrated Residential Projects

Tianjin International Peninsula

The International Peninsula is one of the most important strategically developed projects of the Company. A lot of work has been put into constructing this metropolitan residential community. Preliminary ideas were developed with the help of world-class construction company – Atkins Ltd., which contributed the idea of building a low density property project which contains private houses with gardens, small scale high-rise apartments, and properties for education, commerce, finance, medical, park and urban facilities. The project will have a total floor area of 298 hectares and GFA of 2 million sq. m.

The project recorded contracted sales of approximately RMB350 million in 2012, with contracted average selling price of RMB9,000/sq. m.

Qingdao Airport International Centre Project

Situated 50 meters east from the terminal of Qingdao Liuting International Airport, the project marked another breakthrough following BCL's products of urban luxury housing, high-end villas, international residential community, commercial complex and educational complex. It covers a total area of approximately 92,000 sq. m, with a GFA of approximately 239,000 sq. m. The project consists of 23 office buildings, 7 incubator office buildings, 3 commercial centers, a serviced-apartment hotel, and a complex of commercial buildings.

The project recorded contracted sales of approximately RMB300 million in 2012, with contracted average selling price of RMB9,000/sq. m.

Tuscany Series

Qingdao Central Park No. 1

Qingdao Central Park No. 1 is located at the free trade economic zone in Chengyang area of Qingdao – only a street away from Olympic Park, the biggest ecological park in the Shangdong Province. The project features a garden which is designed in Mediterranean style with flowers, shrubs, trees, lakes and lawns. Elements like water, flowers, forests, corridors and pillars are delicately featured in both the front and back yards of the Tuscan style.

The project recorded contracted sales of approximately RMB300 million in 2012, with contracted average selling price of RMB6,500/sq. m.

MANAGEMENT DISCUSSION AND ANALYSIS

Tuscany Series

Yantai Sunny Chief Yard

The project is located in the Fushan district of Yantai, at the intersection of Huifu Street and Songxia Road. The project contains green corridor with city views, a community centre park, a garden shared by neighbors, and lawns to create a community in the city. Half of it is open space and the other half is a closed section.

The project recorded contracted sales of approximately RMB400 million in 2012, with contracted average selling price of RMB6,500/sq. m.

Sunny Xiangmi Lake, Qingdao

The project is located in the inner circle of Licang ecological zone, which is contiguous with Minchang eco-residential area and Shimei'an eco-residential area. It is surrounded by Loushan Park, Hushan Forest Park and Cangkou Park. The area also features well-known sceneries such as Ximenchangge and Hanlinyuan. The project enjoys convenient transportation and is accessible by the M1 line of the metro at Xingguozhonglu station, and is only 2 km from the Chongqinglu Station on the M3 line. The project will be constructed as an eco-residential area in the Italian style.

The project recorded contracted sales of approximately RMB280 million in 2012, with contracted average selling price of RMB7,000/sq. m.

MANAGEMENT DISCUSSION AND ANALYSIS

HOTEL OPERATIONS

During the year, Holiday Inn Central Plaza continued improvements in service quality, explored customer sources and maintained stable operation and management. As at 31 December 2012, revenue from the hotel operation amounted to approximately RMB107,188,000, at about the same level as 2011. The average occupancy rate was approximately 74%, up 6 percentage points.

LAND BANK

In the second half of 2012, the country's pent-up demand for housing was gradually released. This enabled property developers to generate revenue from sales more quickly and accumulate adequate capital to reinvest in their future developments. Major property developers stepped up investments in land reserves, helping the land market recovered gradually. In particular, both the volume and prices of land transactions rebounded significantly in first and second-tier cities. The momentum of this development is expected to continue in 2013. Competition will be especially intense for land plots earmarked for property development to satisfy owner-occupier demand for basic housing in first and second-tier cities.

In 2012, the Company made use of its solid financial position and strength to grow its high quality land bank by 2.86 million sq. m. through tenders, acquisitions of project companies and joint development with an aim to satisfy its demand for land in its future development.

As at 31 December 2012, the Group's land bank had aggregate GFA of 9.52 million sq. m. (of which, GFA attributable to the Group's equity interests aggregated 7.48 million sq. m.) with above-the-ground GFA aggregated 8.38 million sq. m. (of which, above-the-ground GFA attributable to the Group's equity interests was 6.69 million sq. m.). Of the total GFA of the land bank, approximately 69% was for residential projects, 14% for commercial projects, 4% for office use, 2% for hotels and 11% for car parks and other uses. The existing land bank is of an optimum scale and is sufficient for the Group's development in the coming three to four years.

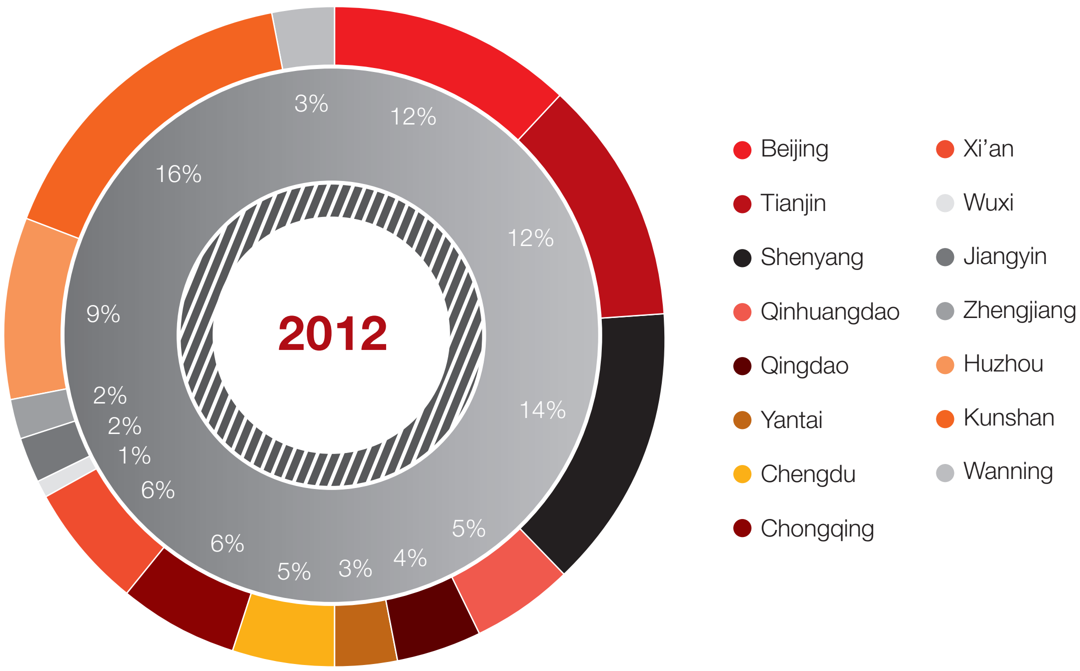
Moreover, the Group obtained primary land development rights over land plots of 7,000 mu in aggregate site area. The land plots has GFA aggregating more than 3 million sq. m., scattering in the Tianjin Wuqing Project, the Beijing Shunyi Zhaoquanying Project and the Beijing Pinggu Jinhaihu Project, etc. In 2012, the Group achieved a breakthrough in its primary land development business as it recruited Haileybury College of Australia as a tenant in its Tianjin Wuqing Project with steady progresses had been made for the transaction. Resettlement and demolition works in the Beijing Shunyi Zhaoquanying Project were completed, in which the project site is located at District C of Beijing Airport Economic Development Zone and close to Beijing-Chengde Expressway. The Group expected that sizeable high-quality land reserves would be obtained from the project.

MANAGEMENT DISCUSSION AND ANALYSIS

New projects acquired in 2012

Cities	Projects	Site Area of lands ('0000 sq. m.)	Above-the-ground GFA ('0000 sq. m.)	Equity interests in the projects
Huzhou	Ren Huang Shan Project	5.4	11.5	55%
Beijing	Fangshan Changyang Site No.4 Project	9.0	17.4	100%
Kunshan	Outlets Project	44.8	101.9	100%
Kunshan	Jinxi Township Project	55.0	37.0	51%
Qinhuangdao	Golden Coast Project in Changli	71.8	50.3	60%
Tianjin	Mangrove Bay	5.4	10.7	90%
Shenyang	Shenzhong Street Project	19.4	57.7	100%
Subtotal		**210.8**	**286.5**	

Geographical breakdown of the Company's land bank by the end of 2012



MANAGEMENT DISCUSSION AND ANALYSIS

In 2013, the Group will continue to grow its land bank through exploiting synergies with the infrastructure businesses of its parent company and with its first-mover advantage in primary land development. Meanwhile, it will focus on markets where it enjoys competitive advantages while reinforcing its position in matured markets in first and second-tier cities. In order to avoid scattered investment, it will increase its investments in cities including Beijing, Tianjin, Chengdu, Shenyang, Xi'an, Chongqing and the Yangtze River Delta Region. In order to achieve breakthroughs in sales volume, the Group will focus on projects targeting at owner-occupier demand which features short construction time, better affordability and rapid turnover.

In January 2013, the Group won tenders for property development projects in the Li Ze Business District of Feng Tai Area of Beijing, Tianjin Eco-city and Chongqing Xiyong Business District. Beijing Li Ze Business District, which is located on the West Second Ring Road, will be developed into a financial hub, according to Beijing Municipal Government's plan. The Li Ze Business District Project, which will be a high-end integrated urban project above the metro station at Beijing's hub, will enhance the Group's influence in the Beijing market. The project have planned gross floor area aggregating 490,000 sq. m. and occupies an above-the-ground GFA of 380,000 sq. m.. The Tianjin Eco-city project is situated at the centre of the Qibu District of the Sino-Singapore Tianjin Eco-city and next to a branch of Tianjin Foreign Studies University and the National Animation Industry Park. The project have planned gross floor area aggregating 170,000 sq. m. and occupies an above-the-ground GFA of 130,000 sq. m.. The Chongqing Xiyong Business District Project is located at the core area of the Xiyong Business District and is between Chongqing University and Chongqing's main city area. The project have planned gross floor area aggregating 490,000 sq. m. and occupies an above-the-ground GFA of 390,000 sq. m..

As at 31 January 2013, the Group's land bank had gross floor area aggregating 10.67 million sq. m. (of which, GFA attributable to the Group's equity interests aggregated 8.63 million sq. m.) and a total above-the-ground GFA of 9.28 million sq. m. (of which, total above-the-ground GFA attributable to the Group's equity interests was 7.60 million sq. m.).

HUMAN RESOURCES

As at December 31, 2012, the Group's had a professional team of 1,345 staff aged 32.7 years on average. In terms of education, 79.3% of the employees were graduates with bachelors degrees or above, of which 12.4% had master's degrees or above. Of the total number of staff, employees at the middle to senior levels accounted for 27.5%.

In 2012, the Group enacted a reform of its organizational structure, improved its management style and revitalized itself in order to enhance its capability to implement the strategy of "value-focused business operation", reinforced its competitive advantages in the well-developed businesses and explored new businesses. As the businesses became more diverse and its staff headcount expanded, the Group strived to develop a coherent corporate culture to enhance solidarity of its staff in pursuing corporate goals. In order to serve the needs of the Group's development, programs were introduced to train members of the senior and middle managements in new businesses, enhance their leadership skills, and set role models of management. Training in different businesses and job rotations were provided for the junior management, core professional staff and young employees with high potential. Meanwhile, efforts were made to recruit talents for different lines of businesses with an aim to build a team with international visions, professionalism and diversities of capabilities. The Group actively reformed its incentive schemes with a view to giving and sharing rewards in a fair manner. This was in line with investors' drive to maximize returns on investments.

MANAGEMENT DISCUSSION AND ANALYSIS

Business model

The Group aspires to be the best integrated property developer in China. To achieve this goal, the Group will enhance its overall capabilities in operating its four business lines into mid-priced and high-end residential property developments, integrated residential and commercial complex, primary land development and possession of core investment properties for rental income. It will also exploit synergies among the four business lines, control the land costs effectively, develop more integrated property projects with high potential for appreciation, achieve breakthroughs in business scale, and raise the operating efficiency.

- **Development of mid-priced and high-end residential properties:** The Group will mainly focus on developing quality residential projects along the lines of the metro railway. It will keep speeding up the turnover of the projects and increasing the sales volume through standardization and optimization of product mix.

- **Exploring integrated projects of newly residential and commercial complex:** The Group will continue to develop integrated residential projects with distinctive industry, especially the representative model of "Residential plus Outlets" in order to satisfy the diversified demands and the needs for upgraded housing. This will also enable appreciation of the lands and properties.

- **Primary land development:** The Group will take advantage of its synergy with the infrastructure business of its parent company by actively engaged in development and management of urban lands, enabling the appreciation of the land value and acquisition of quality land bank at a lower cost.

- **Possession of core investment properties for rental income:** The Group will select investment properties and integrated commercial projects in the core area of cities in order to enjoy the appreciation of the investment properties as well as to gradually build up an investment property portfolio for stable rental income.

Strategy and Prospects

Looking ahead, the owner-occupier demand will continue to drive property sales in major cities. There will be inflationary pressure in home prices in first-tier cities and some of the second-tier cities. In addition, the policies on a new type of urbanization are expected to create both new opportunities and challenges for the property sector. In order to benefit from the government's campaign to promote this new type of urbanization, property developers have to build infrastructural facilities in residential projects to cater to the needs of the service sectors, retail commerce and industries, etc. The property developers have to enhance their capabilities in project planning and professional standards. In addition, the Central Government's unrelenting policy to regulate the property sector and the expanding geographical coverage of the pilot scheme on property taxes will speed up the property sector's upgrade and innovative developments. As a result, more integrated property projects and more diverse types of housing will emerge in the market.

MANAGEMENT DISCUSSION AND ANALYSIS

In view of these developments, the Group will implement the following development strategies in 2013:

- Continue to optimize the product mix by raising the proportion of housing that satisfies the owner-occupier demand. The Group strived to speed up the turnover from pre-sales in the year when acquiring land plots for property development, ensuring that the Group achieves its sales target of RMB20 billion in the year.

- Focus on the economically vibrant areas where the Group enjoys a competitive advantage. The Group will reinforce its market leadership and grow its market shares in Beijing, Tianjin, Chengdu and Chongqing, and grow its land bank for property projects that target at owner-occupier demand. It will also exploit synergies with its parent company Capital Group and acquire land at lower costs by various means such as pre-application, linking the primary and secondary land developments, integrated project development, merger and acquisition and joint development.

- Expand new lines of business through partnerships. This will enhance the Group's competitive strengths and its capabilities for developing and operating integrated urban projects. The Group will pursue a new model of property development that integrate residential properties with commercial properties or properties for service sectors. These projects will take the form of "Residence + Outlets", "Residence + Tourism" and "Residence + Education", etc. The Group will also expand its investment properties business in order to establish a source of steady rental income from properties rentals. It will develop property projects which will derive income from both rental and sales.

- Continue to pursue the "asset-light" business model and strengthen its capabilities in raising funds from overseas capital markets. The Group will proactively work to maintain and enhance its premium credit ratings. It will also optimize its assets and liabilities structure to increase liquidity so that it will be able to expand its business scale.

- Pursue reforms in management and use economic value-add (EVA) to evaluate the shareholder value for the Group's operations in major cities and its top-tier projects, aiming at improvement on the extent to which earnings of the Group exceed the minimum rate of return for its shareholders. They are part of the Group's strategy of expanding its business scale and enhancing its capability of creating and adding value in its business operations.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS

1. Revenue and Operating Results

During the year 2012, the turnover of the Group was approximately RMB9,134,054,000 (2011: RMB7,523,321,000), representing an increase of 21% from the year 2011. Such increase in turnover was attributable to the increase in projects completed and occupied during the year, which included Urban Town, Ballet Town and Chongqing Hongensi Project.

During the year 2012, the Group achieved a gross margin after business tax of 27%, a decrease of 6 percentage point when comparing with 33% in 2011, being mainly attributable to a comparatively high gross margin generated by the projects like Xanadu and The Reflections and accounted for a large proportion of the turnover of the Group in year 2011.

During the year 2012, the operating profit of the Group was approximately RMB1,892,280,000 (2011: RMB1,669,950,000), representing an increase of approximately 13% from the year 2011.

2. Financial Resources, Liquidity and Liability Position

During the year under review, the Group maintained a healthy liquidity position and a reasonable appropriation of financial resources. As at 31 December 2012, the Group's total assets were RMB47,536,488,000 (2011: RMB37,794,202,000) and non-current assets were RMB9,717,909,000 (2011: RMB4,850,027,000) and the total liabilities were RMB37,533,477,000 (2011: RMB29,482,884,000) (of which, current liabilities were RMB21,822,841,000 (2011: RMB21,205,573,000) and non-current liabilities were RMB15,710,636,000 (2011: RMB8,277,311,000), and shareholder's equity reached RMB10,003,011,000 (2011: RMB8,311,318,000).

The Group is of sound liquidity and solvency. Current ratio of the Group as at 31 December 2012 was 1.73 (2011: 1.55).

As at 31 December 2012, the Group's cash and cash equivalents amounted to RMB8,616,773,000 (2011: RMB8,352,243,000), which represented sufficient cash flow for operations.

Bank and other borrowings and bonds of the Group as at 31 December 2012 amounted to RMB18,558,353,000 (2011: RMB12,975,783,000), of which the long-term borrowings and bonds amounted to RMB15,076,913,000 (2011: RMB8,134,261,000), which were mainly used to meet the capital requirements of the Group's property development projects.

As at 31 December 2012, US$46,600,000 (approximately RMB292,873,000) of the Group's bank borrowings came from Hong Kong and shall be repayable in U.S. Dollars.

As at 31 December 2012, the Group's net gearing ratio was 99% (2011: 56%). The net gearing ratio of the Group is calculated by the interest-bearing liabilities net of net cash and bank balances and then divided by total owners' equity.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Changes in major subsidiaries, joint ventures and associates

During the year, by acquiring shareholders' equity in Camellia Private Limited, the Group held 50% equity interests in Beijing Sunshine City Real Estate Development Co., Ltd. (北京陽光城房地產有限公司). Upon acquisition, the Group held 100% equity interests in Camellia Private Limited and Beijing Sunshine City Real Estate Development Co., Ltd. (北京陽光城房地產有限公司).

During the year, by acquiring shareholders' equity in Reco Hibiscus Private Limited, the Group held 45% equity interests in Beijing Anhua Shiji Real Estate Development Co., Ltd. (北京安華世紀房地產開發有限公司). Upon acquisition, the Group held 100% equity interests in Reco Hibiscus Private Limited and Beijing Anhua Shiji Real Estate Development Co., Ltd. (北京安華世紀房地產開發有限公司).

During the year, the Group signed an equity interests transfer agreement with Reco Ziyang Pte Ltd. (紫陽投資有限公司), pursuant to which the Group obtained 45% equity interests in Chengdu Capital Xinzi Real Estate Development Ltd. (成都首創新資置業有限公司). Upon acquisition, the Group held 100% equity interests in Chengdu Capital Xinzi Real Estate Development Ltd. (成都首創新資置業有限公司).

During the year, the Group signed an equity interests transfer agreement with Reco Ziyang Pte Ltd., pursuant to which the Group obtained 45% equity interests in Tianjin Xinchuang Land Ltd. (天津市新創置業有限公司). Upon acquisition, the Group held 100% equity interests in Tianjin Xinchuang Land Ltd. (天津市新創置業有限公司).

During the year, the Group signed equity interests transfer agreements with Leadluck Limited (領瑞有限公司), pursuant to which the Group obtained 40% equity interests in Zhejiang Hualong Real Estate Development Co., Ltd. (浙江華隆置業有限公司) and Zhejiang Shouxin Real Estate Development Co., Ltd. (浙江首信置業有限公司) respectively. Upon acquisition, the Group held 100% equity interests in Zhejiang Hualong Real Estate Development Co., Ltd. (浙江華隆置業有限公司) and Zhejiang Shouxin Real Estate Development Co., Ltd. (浙江首信置業有限公司).

During the year, the Group signed equity interests transfer agreements with Leadluck Limited (領瑞有限公司), pursuant to which the Group obtained 100% equity interests in Zhejiang Huisheng Real Estate Company Limited (浙江匯盛置業有限公司) and Zhejiang Outlets Real Estate Company Limited (浙江奧特萊斯置業有限公司) respectively.

During the year, the Group signed an equity interests transfer agreement with Beijing Zhong Nan Xing Ye Investment Co., Ltd. (北京中南興業投資有限公司) and an independent third party, pursuant to which the Group obtained 90% equity interests in Tianjin Shengtai Chengjia Rong He Cheng Shi Development Co., Ltd. (天津生態城嘉銘融合城市開發有限公司).

During the year, the Group jointly established a joint venture company, Huzhou Capital Rongcheng Real Estate Development Co., Ltd. (湖州首創榮城置業有限公司), with Zhejiang Rongshengda Holding Co., Ltd. (浙江榮升達控股有限公司). The Group held 55% equity interests.

Capital Guoxin Asset Management Co., Ltd. (首創國信資產管理有限公司), a subsidiary of the Group was incorporated in May 2012, and 100% of its equity interest was held by the Group.

Capital Qinglv Real Estate (Kunshan) Co., Ltd. (首創青旅置業(昆山)有限公司), a subsidiary of the Group was incorporated in June 2012, and 51% of its equity interest were held by the Group.

During the year, the Group disposed 45% equity interests in a joint venture company, Hainan Dalecheng Real Estate Development Holding Ltd. (海南大樂城開發控股有限公司). Upon disposal, the Group held 10% equity interests in Hainan Dalecheng Real Estate Development Holding Ltd. (海南大樂城開發控股有限公司).

MANAGEMENT DISCUSSION AND ANALYSIS

4. Entrusted Deposits and Overdue Time Deposits

As at 31 December 2012, the Group did not have any deposits under trusts in financial institutions in the PRC and Hong Kong. All of the Group's cash was held in commercial banks in the PRC and Hong Kong in accordance with applicable laws and regulations. The Group has no bank deposits which are not recoverable upon maturity.

5. Secured Borrowings

As at 31 December 2012, bank borrowings of RMB1,550,000,000 (2011: RMB2,550,000,000) were secured by rights to yields on certain land use rights (gains on transfer of the land use rights or other profit obtained from use of the related land use rights).

As at 31 December 2012, bank borrowings of RMB5,234,960,000 (2011: RMB4,188,880,000) were secured by certain properties under development.

As at 31 December 2012, bank borrowings of RMB362,877,000 (2011: RMB393,234,000) were secured by the hotel properties and the land use rights.

As at 31 December 2012, bank borrowings of RMB800,000,000 (2011: nil) were pledged by equity interests of subsidiaries held and guaranteed by the Group.

As at 31 December 2012, bank borrowings of RMB2,562,496,000 (2011: RMB360,193,000) were secured by the guarantee provided by the Group for its subsidiaries.

As at 31 December 2012, bank borrowings of RMB573,900,000 (2011: nil) were secured by the guarantee provided by the Group for its subsidiaries, and were pledged by land use rights of its subsidiaries.

As at 31 December 2012, bank borrowings of RMB307,500,000 (2011: RMB155,000,000) were secured by the primary land development rights and its corresponding equity and income right interest held by the Group.

As at 31 December 2012, bank borrowings of RMB314,000,000 (2011: RMB30,000,000) were credit loan obtained by the Group.

As at 31 December 2012, trust loans of RMB1,795,000,000 (2011: RMB500,000,000) were secured by the receivables of the Group due from subsidiaries, and guaranteed by the Group; trust loans of RMB400,000,000 (2011: RMB825,000,000) were secured by equity of subsidiaries owned by the Group, and trust loans of RMB449,600,000 (2011: RMB50,000,000) were trust loans guaranteed by the Group. Trust loans of RMB100,000,000 (2011: RMB nil) were secured by certain properties held for development and guaranteed by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

6. Corporate Bonds

As at 31 December 2012, there was no early redemption of the corporate bonds of RMB4,108,020,000 in value which was issued by the Company, of which the 3-year bond of RMB1,150,000,000 at a coupon rate of 4.75% per year issued by BECL Investment Holding Limited in February 2011 was guaranteed by the Group. The 3-year bond of RMB2,000,000,000 at a coupon rate of 7.6% per year was issued by Central Plaza Development Ltd. in November 2012 and guaranteed by a subsidiary of the Group, International Financial Center Property Ltd.

7. Contingent Liabilities

The Group had arranged bank facilities for certain purchasers of its properties and provided guarantees to secure the repayment obligations of such purchasers. The outstanding balances of guarantees amounted to RMB4,447,031,000 as at 31 December 2012 (2011: RMB3,028,311,000).

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

As at 31 December 2012, other than guarantees provided for bank borrowings of RMB6,280,996,000 (2011: RMB910,193,000) and guarantee provided for the subsidiaries of the Group, BECL Investment Holding Limited and Central Plaza Development Ltd., for the issuance of corporate bonds of RMB3,150,000,000 (2011: RMB1,150,000,000), the Group had no other material external guarantee.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

CHAIRMAN

Liu Xiaoguang (劉曉光), aged 58, has been appointed as an executive Director and the Chairman of the Company since December 2002. Mr. Liu has served as the vice-chairman and the general manager of The Capital Group since 1995. He has been appointed as the Chairman of the Capital Group since January 2013. Prior to his appointment with The Capital Group, Mr. Liu had approximately 13 years of working experience in various departments of the Beijing Municipal Government including serving as the vice-chairman of the Development and Planning Commission of the Beijing Municipality and deputy secretary general of the Capital Planning and Construction Committee of the Beijing Municipal Government. Mr. Liu has served as the Chairman of Beijing Capital Co., Ltd. (Stock Code: 600008) since 2000. Mr. Liu is also an Executive Director of New Environmental Energy Holdings Limited (Stock Code: 3989) and China Development Bank International Investment Limited (formerly known as New Capital International Investment Limited) (Stock Code: 1062). Currently, Mr. Liu is the visiting lecturer at Beijing Institute of Business and Beijing Jiaotong University. Mr. Liu obtained his Bachelor of Economics degree from the Beijing Institute of Commerce in 1982.

EXECUTIVE DIRECTORS

Tang Jun (唐軍), aged 53, has been appointed as an executive Director and the President of the Company since December 2002. Mr. Tang has worked for the Beijing Municipal Planning and Development Commission and the Beijing Economics and Technology Development Zone. From 1994 to 2004, Mr. Tang was the legal representative and general manager of Beijing Sunshine Real Estate Comprehensive Development Company. Mr. Tang is also served as Chairman of Yang Guang Co., Ltd. (Stock Code: 000608). Mr. Tang obtained his Bachelor of Construction Engineering degree from Hefei University of Technology in 1982.

Zhang Juxing (張巨興), aged 58, has been appointed as an executive Director of the Company since December 2008. Mr. Zhang has worked in the infrastructure office of Beijing Public Transport Corporation for seven years. Since 1993, Mr. Zhang has been serving as the department manager and deputy general manager of Beijing Sunshine Real Estate Comprehensive Development Company. Mr. Zhang was appointed as the vice-president of the Company in December 2002. Mr. Zhang graduated with a basic economy infrastructure degree from the People's University of China in 1989. During 2005 to 2007, he studied in Beijing University and obtained his Master Degree in Business Administration from the University of Northern Virginia.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Feng Chunqin (馮春勤), aged 60, has been appointed as a non-executive Director of the Company since December 2005. Mr. Feng has been serving as the deputy general manager of The Capital Group since June 2001 and had been appointed as the Chairman of The Capital Group from December 2008 to December 2012. Mr. Feng has served as the vice-chairman of Beijing Capital Co., Ltd. (Stock Code: 600008) since November 2008. Prior to his appointment with The Capital Group, Mr. Feng served as the general manager of Beijing Jinghua Trust and Investment Corporation and Beijing Jianxin Enterprise Holdings Limited, the trust and investment company of the headquarters of China Construction Bank. Mr. Feng has also worked for the Organization Department of the Beijing Municipal Communist Party of China Committee and MOFTEC Department of Beijing Municipal Communist Party of China Committee. Mr. Feng obtained his Bachelor of Economics degree from the Beijing Institute of Commerce in 1983.

Cao Guijie (曹桂杰), aged 60, being a postgraduate and senior economist, has been appointed as a non-executive Director of the Company since December 2008. Ms. Cao has served as the director and deputy general manager of The Capital Group from 1996 to November 2012. Prior to her appointment with The Capital Group, Ms. Cao served as a committee member of the Secretary Bureau of the General Office of the State Council, a committee member of the Office of Central Financial Work Leading Group, the vice-chairperson of the Research Office of the Ministry of Light Industry, the chairperson of the Office of Policy and Regulation Division and head of the Regulation Department of the Ministry of Light Industry and the vice-chairperson of the Development and Research Center of Chinese Light Industry. Ms. Cao served as the vice-chairperson of Beijing Capital Co., Ltd. (Stock Code: 600008) from December 2008 to April 2010 and has acted as the chairperson of the Supervisor Committee since April 2010. Ms. Cao was a postgraduate student in Money and Banking in the Chinese Academy of Social Sciences in 1996.

Zhang Shengli (張勝利), aged 49, has been appointed as a non-executive Director of the Company since December 2011. Mr. Zhang had worked in the Planning Office and the Foreign Economic Cooperation Office of Beijing Material Bureau, and the Production Balance Office of Beijing Planning Commission from 1985 to 1993. From 1993 to 1996, Mr. Zhang had served as a manager of the Operation Department in Beijing International Power Development and Investment Company and a general manager of Beijing Material & Power Company. Mr. Zhang joined The Capital Group in January 1996, and he has served as the general manager of Beijing Production Materials Trading Company and Beijing Tengfei Technology Investment and Development Corporation, director and deputy general manager of Beijing Capital Group Trading Co. Ltd., and the chairman of the industry restructuring office of The Capital Group. Mr. Zhang has served as general manager of the department of operation management of The Capital Group since May 2010. Mr. Zhang obtained his bachelor degree in material management from Capital University of Economics and Business in 1985. He was a postgraduate student majoring Economics in the Graduate School of the Chinese Academy of Social Sciences from 1997 to 1999 and obtained the MBA degree from Guanghua School of Management of Peking University in 2004.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Zhaojie (李兆杰), aged 57, is a professor of School of Law, Tsinghua University. Mr. Li has been appointed as an independent non-executive Director of the Company since December 2005. Mr. Li is the vice-president of the Chinese Society of International Law, the chief editor of the Chinese Yearbook of International Law. Mr. Li was a visiting professor at Duke University Law School in 2002 and University of Tokyo in 2003. Mr. Li is also the committee member of the 11th CPCC of Beijing City since 2008. Mr. Li obtained his Bachelor of Laws degree from Peking University in 1983, Master of Laws degree from the University of California in 1985, Master of Library Information Studies degree from the University of California in 1986 and Doctor of Juridical Sciences degree from the University of Toronto in 1996.

Ng Yuk Keung (吳育強), aged 48, has been appointed as an independent non-executive Director of the Company since December 2008. Mr. Ng worked with PricewaterhouseCoopers from 1988 to 2001. From 2004 to 2006, Mr. Ng was the deputy chief financial officer, the joint company secretary and the qualified accountant of Irico Group Electronics Company Limited (Stock Code: 438). Mr. Ng is the vice-president, the chief financial officer, the company secretary and the qualified accountant of China Huiyuan Juice Group Limited (Stock Code: 1886) from 2006 to 2010. Mr. Ng is an independent non-executive director of Winsway Coking Coal Holdings Limited (Stock Code: 1733), Zhongsheng Group Holdings Limited (Stock Code: 881) and Sany Heavy Equipment International Holdings Company Limited (Stock Code: 631). Mr. Ng was the executive director and chief financial officer of China NT Pharma Group Company Limited (Stock Code: 1011) from March 2010 to June 2012. Mr. Ng graduated from the University of Hong Kong with a Bachelor degree in Management Studies and Economics and a Master degree in Global Business Management and E-commerce. Mr. Ng is a professional accountant and a fellow of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and a member of the Institute of Chartered Accountants in England and Wales.

Wang Hong (王洪), aged 48, has been appointed as an independent non-executive Director of the Company since December 2011. Mr. Wang is an associate professor of School of Economics and Management of Tsinghua University, a fellow and eminent member of the Royal Institution of Chartered Surveyors, a member of American Urban Land Institute, and a member of the experts' committee of China Institute of Real Estate Appraisers and Agents. From 1994 to 1996, Mr. Wang was a lecturer at National University of Singapore. From 1997 to 2000, Mr. Wang was the Group Property Manager of Global Operational Center (Singapore) of The East Asiatic Company Ltd. From 2000 to 2002, Mr. Wang was an associate professor of Institute of Real Estate Studies, School of Civil Engineering, Tsinghua University. Since 2002, Mr. Wang has been an associate professor of School of Economics and Management of Tsinghua University. From December 2009 to June 2011, Mr. Wang was an independent non-executive director of Shenzhen Capstone Industrial Co., Ltd. (Stock code: 000038). Mr. Wang obtained his Bachelor degree in architecture from Tianjin University in 1985, Master degree in architectural design from Tsinghua University in 1989, and Master degree in real estate development from Massachusetts Institute of Technology (MIT) in 1993.

SUPERVISORS

Liu Yongzheng (劉永政), aged 44, has been appointed as a supervisor of the Company since December 2011. He worked as a teacher at the Social Science Faculty of Beijing Institute of Meteorology from 1990 to 1993. From 1993 to 2003, Mr. Liu had worked as a lawyer at Zhong Lun Law Firm, Li Wen Law Firm and J&J Law Firm in Beijing. Mr. Liu joined The Capital Group in August 2003, and served as the deputy general manager of audit and legal department, general manager of legal department and the General Counsel of The Capital Group. Mr. Liu has served as the general manager of the legal department, and the vice general manager as well as the General Counsel of The Capital Group since September 2011. Mr. Liu obtained the bachelor degree in Economic Law from Renmin University of China in 1990, and the Master of Laws degree from Temple University of the United States in 2001.

Fan Shubin (范書斌), aged 43, has been appointed as a supervisor of the Company since December 2011. He served as the head of the accounting department of China Nonferrous Metals Industry Technology Development Company Limited from May 1992 to February 1995. He served as the manager of the financial department of China Rare Earth Development Company from March 1995 to April 2002. He served as the general manager of the financial management department of Beijing Capital Co., Ltd. (stock code: 600008) from May 2002 to January 2010. He joined The Capital Group in February 2010 and has served as the deputy general manager of the planning and financial department. He obtained a Bachelor's Degree in accounting of industrial enterprises from North China University of Technology in 1991 and a MBA degree from Guanghua School of Management, Peking University in 2000.

Jiang Hebin (蔣和斌), aged 42, has been appointed as a supervisor of the Company since December 2011. He served as a project budget engineer of Beijing Central Iron & Steel Research Institute, a senior supervisor of the planning and consultation department of China Energy Conservation Investment Corporation, and a budget engineer of Beijing Sunshine Real Estate Development Comprehensive Development Company from 1993 to 2002. He joined the Company in December 2002 and served as a tendering supervisor of the department of operation management, a contractual budget manager, assistant to general manager and deputy general manager of Beijing Anhua Shiji Real Estate Development Company Limited, and a senior professional manager and the general manager of the cost control center subsequently. Mr. Jiang has served as the general manager of the risk control center of the Company since January 2011. Mr. Jiang obtained the bachelor degree in works pricing management from Jiangxi University of Science and Technology in 1993 and obtained the master degree in management science and engineering from the Graduate University of Chinese Academy of Sciences in 2007.

SECRETARY OF THE BOARD OF DIRECTORS

Hu Weimin (胡衛民), aged 48, was appointed as a secretary of the Board of Directors in August 2007 and was appointed as a vice president of the Company in December 2008. Starting from 1988, Mr. Hu had served in Beijing Shougang Corporation, China Shougang International Trade & Engineering Corp. and Beijing Certified Public Accountants Co. Ltd, mainly engaged in technological management, investment management and investment consultancy. He joined Capital Group in 1999 as the manager of the business department of Beijing Guanwei Investment Management and Consultancy Company. He joined the Company in 2002, and was appointed as an assistant president of the Company in December 2006. Mr. Hu obtained his master degree in engineering from Northeastern University in 1988.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Lee Sing Yeung, Simon (李聲揚), aged 44, was appointed as the Company Secretary of the Company in April 2008. Mr. Lee is a fellow of both The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants and a fellow member of both the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Mr. Lee has over 23 years of experience in accounting and financial management in Hong Kong and the PRC. Prior to joining the Company, he served as a qualified accountant and company secretary in companies listed on the GEM board and main board of The Stock Exchange of Hong Kong Limited. Mr. Lee obtained a master degree of professional accounting and master degree of corporate governance from the Hong Kong Polytechnic University.

SENIOR MANAGEMENT

Sun Baojie (孫寶杰), aged 42, was appointed as the vice president of the Company in March 2006. Ms. Sun served as the manager of the marketing, project and development department of Beijing Capital Sunshine Real Estate Development Co., Ltd. She has been the general manager of Beijing HYHL Real Estate Development Co., Ltd. and Beijing Anhua Shiji Real Estate Development Co. Ltd/Beijing Sunshine City Real Estate Development Co., Ltd. Ms. Sun obtained her Bachelor of Economics from the Central Financial and Banking University in 1993 and International MBA Master Degree from Peking University in 2005.

Zhang Fuxiang (張馥香), aged 51, senior accountant, was appointed as a vice president of the Company in March 2006. Ms. Zhang has been serving as financial manager, financial controller and supervisor of Yang Guang Co., Ltd. (Stock Code: 000608) and Beijing Sunshine Real Estate Comprehensive Development Company respectively and since 2000. Ms. Zhang served as the chief financial officer of the Company from December 2002 to March 2007. Ms. Zhang obtained her Bachelor of Economics degree from the financial accounting department of the People's University of China in 1985.

Luo Jun (羅俊), aged 40, was appointed as the vice president of the Company in December 2011. He was appointed as the chief financial officer and qualified accountant of the Company in February 2007. Mr. Luo has acted as the general manager of the Finance Department of the Company from October 2003 to March 2007. Prior to his appointment, Mr. Luo was senior manager of the auditing department in a domestic accounting firm. Mr. Luo is a member of Beijing Institute of Certified Public Accountants and is a certified public accountant in the PRC. Mr. Luo graduated from Beijing Jiaotong University. He obtained his Bachelor of Economics degree in 1993 and Master of Economics degree in 1996.

Zhong Beichen (鍾北辰), aged 39, was appointed as the vice president of the Company in December 2011. He has served as an architect of the Planning and Design Institute of the Department of Light Industry of the PRC from July 1996 to May 2000. He joined the Company in June 2000 and served as an architect of Beijing Sunshine Real Estate Comprehensive Development Company and the deputy general manager of Beijing Anhua Shiji Real Estate Development Co., Ltd./Beijing Sunshine City Real Estate Development Co., Ltd. Mr. Zhong served as the general manager of the Product R&D Centre of the Company from January 2008. Since September 2011, Mr. Zhong served as an assistant president and general manager of the Commercial Property Development Department of the Company. Mr. Zhong graduated from Xiamen University and obtained his Bachelor's Degree in Architecture in 1996.

DIRECTORS' REPORT

The Board of Directors is pleased to present to the shareholders their report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the year ended 31 December 2012, prepared in accordance with China Accounting Standards for Business Enterprises and its financial position as at the same date are set out on pages 83 to 90 of the annual report.

DIVIDENDS

At a Board meeting held on 28 February 2013, the directors proposed a final dividend of RMB0.16 per share based on the Company's total issued number of shares of 2,027,960,000 on the same day and the total amount payable will be approximately RMB324,473,600. This proposed dividend is not represented as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2012.

OTHER RESERVES

Details of movements of other reserves of the Group and the Company during the year are set out in notes 5(28), 5(29) and 13(15) to the consolidated financial statements.

FINANCIAL HIGHLIGHTS AND FIVE YEAR FINANCIAL SUMMARY

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 25.8% of goods and services from its five largest suppliers and sold less than 1.45% of its goods and services to its five largest customers. The Group's revenue from the largest customer accounted for less than 1% of the total revenue.

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

DIRECTORS' REPORT

FIXED ASSETS

Details of the movement of fixed assets of the Group during the year are set out in note 5(10) to the consolidated financial statements.

PRINCIPAL PROPERTIES

The summary of principal properties owned by the Group is set out on pages 8 to 13 of the annual report.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

LONG TERM INCENTIVE FUND SCHEME

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

As at 31 December 2012, the Scheme had through the trustee purchased 20,000,000 H shares, representing 1.96% of H shares and 0.99% of the entire issued share capital of the Company. The purchased shares have been held in trust by the trustee.

DIRECTORS AND SUPERVISORS

The directors and supervisors for the year are as follows:

Directors

Executive Directors

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

Non-executive Directors
Mr. Feng Chunqin
Ms. Cao Guijie
Mr. Zhang Shengli

Independent Non-executive Directors
Mr. Li Zhaojie
Mr. Ng Yuk Keung
Mr. Wang Hong

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

The biographical details of directors, supervisors and senior management are set out on pages 54 to 58 of the annual report.

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICER EMOLUMENTS

Details of directors, supervisors and chief executive officer emoluments are set out in note 7(5)(k) to the consolidated financial statements.

HIGHEST PAID INDIVIDUALS

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

MANAGEMENT CONTRACTS

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

DIRECTORS' REPORT

INTERESTS OF DIRECTORS AND SUPERVISORS

As at 31 December 2012, none of the directors, supervisors and chief executive of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies. None of the directors, supervisors and chief executive of the Company, their spouses or children under the age of 18 had been granted any rights to subscribe for equity or debt securities of the Company, nor had any of them exercised such rights during the year.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

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

INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

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

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the changes in information of directors of the Company subsequent to the date of the 2012 Interim Report is set out below:

Mr. Ng Yuk Keung, an independent non-executive director of the Company, has resigned as the chief financial officer and the executive director of China NT Pharma Group Company Limited (Stock Code: 1011) with effect from 1 July 2012.

SHARE CAPITAL

As at 31 December 2012, there was a total issued share capital of 2,027,960,000 shares of the Company (the "Shares") which include:

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2012, the following persons (not being director or chief executive of the Company), so far as is known to any director, had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

			Approximate percentages in relevant class of shares (%)			Approximate percentages in total issued share capital (%)		
Name of shareholders	Number of Shares directly and indirectly held	Class of Shares	Direct interests	Indirect interests	Aggregate interests	Direct interests	Indirect interests	Aggregate interests
Capital Group	924,441,900 [(1)]	Non-listed Shares	30.88 (long position)	60.90 (long position)	91.78	15.34 (long position)	30.25 (long position)	45.58
	27,178,000[(1)]	H Shares	–	2.66 (long position)	2.66	–	1.34 (long position)	1.34
Beijing Sunshine Real Estate Comprehensive Development Company	322,654,800 [(2)]	Non-listed Shares	4.71 (long position)	27.33 (long position)	32.04	2.34 (long position)	13.57 (long position)	15.91
	27,178,000 [(2)]	H Shares	–	2.66 (long position)	2.66	–	1.34 (long position)	1.34
Beijing Capital Sunshine Real Estate Development Co., Ltd.	275,236,200 [(3)]	Non-listed Shares	–	27.33 (long position)	27.33	–	13.57 (long position)	13.57
	27,178,000 [(3)]	H Shares	–	2.66 (long position)	2.66	–	1.34 (long position)	1.34
Beijing Capital Technology Investment Ltd.	172,006,700	Non-listed Shares	17.08 (long position)	–	17.08	8.48 (long position)	–	8.48
Beijing Shou Chuang Jian She Co., Ltd.	118,747,600	Non-listed Shares	11.79 (long position)	–	11.79	5.86 (long position)	–	5.86
China Resource Products Limited	275,236,200	Non-listed Shares	27.33 (long position)	–	27.33	13.57 (long position)	–	13.57
	27,178,000	H Shares	2.66 (long position)	–	2.66	1.34 (long position)	–	1.34
Yieldwell International Enterprise Limited	82,762,100	Non-listed Shares	8.22 (long position)	–	8.22	4.08 (long position)	–	4.08
Fexi Holdings Limited	82,762,100 [(4)]	Non-listed Shares	–	8.22 (long position)	8.22	–	4.08 (long position)	4.08

DIRECTORS' REPORT

Name of shareholders	Number of Shares directly and indirectly held	Class of Shares	Approximate percentages in relevant class of shares (%)			Approximate percentages in total issued share capital (%)		
			Direct interests	Indirect interests	Aggregate interests	Direct interests	Indirect interests	Aggregate interests
Brocade City Holdings Limited	82,762,100 (5)	Non-listed Shares	–	8.22 (long position)	8.22	–	4.08 (long position)	4.08
Ngai Shu Susanna	82,762,100 (6)	Non-listed Shares	–	8.22 (long position)	8.22	–	4.08 (long position)	4.08
Reco Pearl Private Limited	165,070,000	H Shares	16.17 (long position)	–	16.17	8.14 (long position)	–	8.14
Recosia China Pte Ltd	165,070,000 (7)	H Shares	–	16.17 (long position)	16.17	–	8.14 (long position)	8.14
Recosia Pte Ltd.	165,070,000 (8)	H Shares	–	16.17 (long position)	16.17	–	8.14 (long position)	8.14
Government of Singapore Investment Corporation (Realty) Pte Ltd.	165,070,000 (9)	H Shares	–	16.17 (long position)	16.17	–	8.14 (long position)	8.14
Templeton Asset Management Limited	82,268,000	H Shares	8.06 (long position)	–	8.06	4.06 (long position)	–	4.06

Notes:

1. Of these 924,441,900 Shares, 311,032,800 Shares are directly held by Capital Group, the remaining 613,409,100 Shares are deemed corporate interests under the SFO indirectly held through Beijing Sunshine Real Estate Comprehensive Development Company, Beijing Capital Technology Investment Ltd., Beijing Shou Chuang Jian She Co., Ltd. and China Resource Products Limited. 27,178,000 H Shares are deemed corporate interests under the SFO indirectly held through China Resource Products Limited.

2. Of these 322,654,800 Shares, 47,418,600 Shares are directly held by Beijing Sunshine Real Estate Comprehensive Development Company, the remaining 275,236,200 Shares are deemed corporate interests under the SFO indirectly held through China Resource Products Limited. 27,178,000 H Shares are deemed corporate interests under the SFO indirectly held through China Resource Products Limited.

3. 275,236,200 non-listed Shares and 27,178,000 H Shares are deemed corporate interests under the SFO indirectly held through China Resource Products Limited.

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

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

6. 82,762,100 Shares are deemed corporate interests under the SFO indirectly held through Yieldwell International Enterprise Limited, Fexi Holdings Limited and Brocade City Holdings Limited.

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

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

9. 165,070,000 Shares are deemed corporate interests under the SFO indirectly held through Reco Pearl Private Limited, Recosia China Pte Ltd and Recosia Pte Ltd.

Save as disclosed above, so far as is known to the directors, there was no person (other than a director or chief executive of the Company) who, as at 31 December 2012, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DESIGNATED DEPOSIT AND DUE FIXED DEPOSIT

As at 31 December 2012, the Group had no Designated Deposit and Due Fixed Deposit.

EMPLOYEES

As at 31 December 2012, the Group had 1,345 staff. Remuneration is determined by reference to market terms and the performance, qualifications and experience of individual employee. Employee benefits provided by the Group include provident fund schemes, medical insurance scheme, unemployment insurance scheme and housing provident fund. The Company has conditionally adopted the Share Appreciation Rights Incentive Scheme (the "Incentive Scheme"). The principal terms and conditions of the Incentive Scheme are summarised in the section headed "Summary of terms of the Share Appreciation Rights Incentive Scheme" in Appendix VIII to the Prospectus of the Company dated 10 June 2003. As at 31 December 2012, no share appreciation rights had been granted under the Incentive Scheme.

The Group has also adopted the Long Term Incentive Fund Scheme (the "Long Term Incentive Fund Scheme"), details of which have been laid out in the Appendix of the Amendments to Notice of Extraordinary General Meeting of the Company dated 31 August 2007 and in the Amended Draft Long Term Incentive Fund Scheme of the Company dated 7 September 2007 and passed in the Extraordinary General Meeting held on 27 September 2007, The Long Term Incentive fund Scheme has further amended in 2009, details of which have been laid out in the Circular dated 4 September 2009 and approved in the Extraordinary General Meeting held on 25 September 2009.

DIRECTORS' REPORT

STAFF HOUSING QUARTERS

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

CONNECTED AND RELATED PARTY TRANSACTIONS

Acquistion of Four Project Companies from Connected Parties

The Group and Recosia China Pte Ltd. ("Recosia China") and Reco Ziyang Pte Ltd. ("Reco Ziyang") entered into 4 agreements on 19 January 2012 for the acquisition of four project companies.

The Hibiscus S&P Agreement between Recosia China and the Company for the acquisition of the entire issued and paid-up share capital in Reco Hibiscus Private Limited for a consideration of RMB195,395,822.

The Camellia S&P Agreement between Recosia China and the Company for the acquisition of the entire issued and paid-up share capital in Reco Camellia Private Limited for a consideration of RMB340,546,916.

The Xinzi Equity Transfer Agreement between Reco Ziyang and Best Crystal Limited, an indirect wholly owned subsidiary of the Company, for the acquisition of 45% equity interest in Chengdu Capital Xinzi Real Estate Development Limited for a consideration of RMB120,371,885.

The Xinchuang Equity Transfer Agreement between Reco Ziyang and Crown Smart Limited, an indirect wholly owned subsidiary of the Company, for the acquisition of 45% equity interest in Tianjin Xinchuang Land Limited for a consideration of RMB104,708,700.

Reco Ziyang is the substantial shareholder of various subsidiaries of the Company and Recosia China is an associate of Reco Ziyang. Reco Pearl Private Limited, being an associate of Recosia China and Reco Ziyang, is also interested in 165,070,000 H Shares (approximately 8.14% of total issued share capital of the Company). Accordingly, Recosia China and Reco Ziyang are connected persons of the Company pursuant to the Listing Rules and the above Acquisitions also constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Full details of the above connected transactions are set out in the respective announcements and available in the website of Hong Kong Exchange and Clearing Limited ("HKEX") and the Company's website.

Details of other connected and related party transactions of the Group are set out in note 7(4) to the consolidated financial statements.

LONG-TERM BORROWINGS

Details of the long-term borrowings of the Group are set out in note 5(24) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SUBSIDIARIES

Details of the Company's significant subsidiaries are set out in note 4(1) to the consolidated financial statements.

POLICIES ON INCOME TAX

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

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 68 to 81.

PUBLIC FLOAT

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

AUDITORS

The consolidated financial statements up to the years ended 31 December 2010 were audited by PricewaterhouseCoopers. The financial statements for the year ended 31 December 2011 to 31 December 2012 have been audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company, who retire and being eligible, offer themselves for reappointment. A resolution reappointing PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the auditors of the Company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Liu Xiaoguang
Chairman

Hong Kong, 28 February 2013

CORPORATE GOVERNANCE REPORT

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

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

- Sound corporate governance bases itself upon accountability system, information disclosure and corporate transparency. The Company acknowledges the importance to provide shareholders with an open and highly transparent management.

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

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

The Board has reviewed its corporate governance practices and ensured that they are in compliance with the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") during the period from 1 April 2012 to 31 December 2012 as set out in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

In addition to compliance of the code provisions of the Corporate Governance Code, the Company has also adopted, as far as practicable, recommended best practices in the Corporate Governance Code.

The status and details of the Company's corporate governance practices are set out below.

DIRECTORS' SECURITIES TRANSACTIONS

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

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

BOARD OF DIRECTORS

The Board comprises 9 Directors, including three Executive Directors, three Non-executive Directors and three Independent Non-executive Directors; the profile of each Director is set out on pages 54 to 58 under the section of Biographical Details of Directors, Supervisors and Senior Management. More than 50% of the Directors are non-executive directors and independent of the management, thereby promoting critical review and control of the management process. The non-executive directors also bring a wide range of business and financial expertise to the Board, which contribute to the effective stewardship of the Group.

The Board held four physical Board meetings in 2012. Directors who cannot attend in person may participate through other electronic means of communication. Agenda to be discussed in Board meetings include business operation, financial planning and future strategic development of the Company. Due notice and relevant materials for the meeting were given to all directors prior to the meetings in accordance with the Company's articles of association and the Corporate Governance Code. Details of individual attendance of directors are set out in the following table:

Attendance of individual Directors at Board meetings in 2012:

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

RESPONSIBILITIES OF DIRECTORS

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

CORPORATE GOVERNANCE REPORT

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

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

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

1. formulation of the middle to long-term development objectives and strategy of the Company;
2. formulation of proposals for asset acquisition, purchase by third parties or asset disposal;
3. formulation of plans for the increase or reduction of registered capital of the Company or repurchase of shares;
4. formulation of plans for the increase of share capital and issue of additional shares;
5. formulation of proposals for the merger, separation and dismissal of the Company;
6. tendering insolvency petition of the Company;
7. formulation of amendment proposal to the Articles;
8. formulation of proposals for the change of use of proceeds from the issue of shares.

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

1. resolution on proposals to improve the operation management and operating results of the Company;
2. resolution on the operating plans, audit plans and investment plans of the Company;
3. resolution on proposals to adjust the substantial internal functions of the Company and establishment of functions under the Board;
4. resolution on the establishment of ad hoc committees and the appointment and removal of their members;
5. resolution on investment plans falling within the scope of authority of the Board;
6. resolution on any other material operation issues not required to be resolved by shareholders' general meeting pursuant to the Articles or the rules set out herein.

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

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

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

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

3. proposing for the removal of a director.

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

The Directors acknowledge their responsibility for the preparation of the financial statements for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2012, the Directors have selected suitable accounting policies and applied them consistently; made judgement that are prudent, fair and reasonable. The Directors are responsible for keeping proper accounting records and ensure the preparation of financial statements of the Group for the year under review are in accordance with statutory requirements and suitable accounting policies.

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

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

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

For the year ended 31 December 2012, the Board at all times complied the minimum requirements of the Listing Rules relating to the appointment of at least one-third of independent non-executive directors and complied with the requirement that these should include one such director with appropriate professional qualifications of accounting or related financial management expertise.

CORPORATE GOVERNANCE REPORT

The interests in the Company's securities held by Directors as at 31 December 2012 are disclosed in the Directors' Report on page 62 of this annual report.

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

Directors should keep abreast of their collective responsibilities. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to Directors and senior management where appropriate, to ensure awareness of best corporate governance practices.

Since 1 April 2012, the Company prepares a monthly operation updates to all directors to enable them to aware the Company's latest business development, competition and supervisory environment and provide other relevant information that may affect the Company and the real estate sector so as to strengthen the directors understanding of the business and the market.

A briefing session was organised for Directors in December 2011 to update the Directors on the new amendments to the corporate governance code and associated Listing Rules. Also, briefings on the directors' duties were given to the newly appointed Directors.

During the period from 1 April 2012 to 31 December 2012, the Directors also participated in the following trainings:

	Types of training
Executive Directors	
Mr. Liu Xiaoguang *(Chairman)*	A/B/C
Mr. Tang Jun *(President)*	A/C
Mr. Zhang Juxing	A/C
Non-executive Directors	
Mr. Feng Chunqin	A/C
Ms. Cao Guijie	A/C
Mr. Zhang Shengli	A/C
Independent Non-executive Directors	
Mr. Li Zhaojie	A/C
Mr. Ng Yuk Keung	A/C
Mr. Wang Hong	A/C

A: attending seminars and/or conferences and/or forums

B: giving talks at seminars and/or conferences and/or forums

C: reading newspapers, journals and updates relating to the economy, general business, real estate or director's duties and responsibilities, etc.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

According to the Company's articles of association, the term of office for the Directors is three years and can be re-elected. The third session of the Board of Directors (including non-executive directors) was ended on 4 December 2011, while the fourth session of the Board of Directors was formed on 5 December 2011 with 3-year term of office and can be re-elected.

CHAIRMAN AND PRESIDENT

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

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

- to review the financial controls, internal control and risk management systems of the Group.
- to monitor the integrity of financial statements of the Company, the comprehensiveness of the Company's annual report and accounts, and interim report. The Committee will approve those important decisions related to financial disclosure set out therein prior to submitting to the Board, in which emphasis will be given to the following:
  - provide suggestion to the Board regarding the appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of appointment of external auditors as well as handle any problems relating to the resignation or dismissal of that auditor;
  - review and supervise the independency and objectiveness of the external auditors and the effectiveness of the auditing procedures with appropriate standards;
  - formulate and execute policy for the provision of non-audit services by external auditors, report to the Board those actions and improvement measures considered necessary by the Audit Committee and suggest practical measures.

The Audit Committee's procedural rules are posted on the websites of the Company and HKEX.

CORPORATE GOVERNANCE REPORT

During the year under review, the Audit Committee held a total of five meetings. In the meetings, the Audit Committee reviewed the financial statements for the year ended 31 December 2011 and for the six months ended 30 June 2012, considered and approved the work of the auditors, reviewed the business and financial performance of the Company, considered the acquisitions of equity interests from connected parties by the Company and change of accounting policy for investment property and made recommendation to the board.

Attendance of individual members at Audit Committee meetings in 2012:

	Number of Attendance/ Number of Meeting
Mr. Ng Yuk Keung	5/5
Mr. Li Zhaojie	4/5
Mr. Wang Hong	5/5

The Group's results for the year ended 31 December 2012 have been reviewed by the Audit Committee with a recommendation to the Board for approval.

NOMINATION COMMITTEE

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

Attendance of individual members at Nomination Committee meeting in 2012:

	Number of Attendance/ Number of Meeting
Mr. Liu Xiaoguang	1/1
Mr. Li Zhaojie	1/1
Mr. Ng Yuk Keung	1/1

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Group's Remuneration Committee is responsible for providing recommendations to the Board regarding the Group's remuneration policy, the formulation and reviewing of the specific remuneration for the Group's Executive Directors and senior executives. Majority members of the Remuneration Committee are Independent Non-executive Directors. The committee is chaired by Mr. Li Zhaojie with two other members, namely, Ms. Cao Guijie and Mr. Ng Yuk Keung. During the year under review, the Remuneration Committee held one meeting to review the Long Term Incentive Fund Scheme and relevant matters, review the Remuneration Committee's procedural rules, and made recommendation to the board. The Remuneration Committee's procedural rules are posted on the websites of the Company and HKEX.

Attendance of individual members at Remuneration Committee meeting in 2012:

	Number of Attendance/ Number of Meeting
Mr. Li Zhaojie	1/1
Ms. Cao Guijie	1/1
Mr. Ng Yuk Keung	1/1

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

1. Policy

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

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

2. Non-executive Directors and Supervisors

Principle for Determining Remuneration

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

3. Executive Directors

Components of Remuneration

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

(a) Basic Remuneration

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

(b) Yearly Gratuitous Payment

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

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

The Company does not adopt any share option scheme.

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

STRATEGIC COMMITTEE

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNENCE FUNCTIONS

The Board is primarily responsible for performing the following corporate governance duties:

- to develop and review the Company's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

During the year, the Board performed the following corporate governance matters:

- adoption of corporate governance duties under the Code;
- adoption of new Corporate Governance Code of the Company modeled on the Code under the Listing Rules; and
- review of the effectiveness of the internal controls and risk management systems of the Company.

INTERNAL CONTROLS

One of the duties of the Board is to ensure the Group's sound and effective internal control system to safeguard the Group's assets and shareholders' interests. The Board is responsible for the Group's system of internal controls and has reviewed its effectiveness for the year ended 31 December 2012. The Board requires management to establish and maintain sound and effective internal controls. Evaluation of the Group's internal controls is independently conducted by the Centre for Risk Management on an on-going basis. Such evaluation covers all material controls, including financial, operational and compliance controls and risk management functions. The Centre for Risk Management reports to the Audit Committee twice each year on significant findings on internal controls. Copy of the minutes of the Audit Committee meeting is sent to the Board for information.

EXTERNAL AUDITORS

The Board agrees with the Audit Committee's proposal for the re-appointment of PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the Group's external auditors. The recommendation will be put forward for the approval of shareholders at the forthcoming Annual General Meeting.

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

The amount of fee payable to PricewaterhouseCoopers Zhong Tian CPAs Limited Company for providing audit and audit related services for the year ended 31 December 2012 amounted to RMB7,680,000 (of which RMB4,500,000 is related to the audit and audited related services for the preparation of this consolidated financial statements). The amount of fee payable to other audit firms for providing audit and audit related services for the year ended 31 December 2012 amounted to RMB2,310,000.

SHAREHOLDERS' RIGHT

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

The Group communicates with its shareholders through different channels, including annual general meetings, extraordinary general meetings; annual and interim reports, notices of general meetings and circulars sent to shareholders by post; investors meetings and announcements on the Company's website and the website of the Stock Exchange.

The Company's website provides shareholders with corporate information, such as principal business activities, major property projects and the latest development of the Group. Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, shareholders can contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

The Company regards annual general meeting ("AGM") as an important event in the corporate year and all Directors and senior management should make an effort to attend. The Company's AGM allows the Directors to meet and communicate with shareholders. The chairman of the AGM proposes separate resolutions for each issue to be considered. Members of the Audit, Remuneration and Nomination Committees and the external auditor should attend the AGM to answer questions from shareholders.

CORPORATE GOVERNANCE REPORT

During the year, the Company held an Extraordinary General Meeting on 5 March 2012 for approval of the connected transaction in respect of four equity transfer agreements. The 2011 AGM was held on 26 April 2012. The attendance records of the Directors at both meetings are set out below:

	AGM and EGM attended/held
Executive Directors	
Mr. Liu Xiaoguang *(Chairman)*	1/2
Mr. Tang Jun *(President)*	2/2
Mr. Zhang Juxing	1/2
Non-executive Directors	
Mr. Feng Chunqin	1/2
Ms. Cao Guijie	1/2
Mr. Zhang Shengli	1/2
Independent Non-executive Directors	
Mr. Li Zhaojie	1/2
Mr. Ng Yuk Keung	1/2
Mr. Wang Hong	1/2

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's Articles of Association during the financial year 2012. A copy of the latest Articles of Association are posted on the websites of the Company and HKEX.

INVESTOR RELATIONS

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

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

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

CORPORATE GOVERNANCE REPORT

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

For the year ended 31 December 2012, the Group participated in the following activities:

- 310 one-on-one investor meetings
- 11 corporate conferences
- 8 media conferences

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

On Behalf of the Board

Liu Xiaoguang
Chairman

Hong Kong, 28 February 2013

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the year ended 31 December 2012, the Supervisory Committee of Beijing Capital Land Ltd. (the "Supervisory Committee"), have diligently performed their duties in ensuring that the Company has observed and complied with the Listing Rules, the Company Law of the PRC, the Articles of Association of the Company and other relevant legislations and regulations which protect the interests of the Company and its shareholders.

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

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

The Supervisory Committee has carefully reviewed the audited financial statements prepared in accordance with Accounting Standards for Business Enterprises and consider that the financial statement reflect a true and fair view of the financial position and results of operations of the Company and they comply with the regulations applicable to the Company.

The Supervisory Committee is satisfied with the achievement and cost-effectiveness of the Company in 2012 and has great confidence in the future of the Company.

By order of the Supervisory Committee

Liu Yongzheng
Chairman

Beijing, the PRC, 28 February 2013

AUDITOR'S REPORT

To the Shareholders of Beijing Capital Land Ltd.,

We have audited the accompanying financial statements of Beijing Capital Land Ltd. (hereinafter "The Company"), which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated and company income statements, the consolidated and company statements of changes in shareholders' equity and the consolidated and company cash flow statements for the year then ended, and the notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of the Company as at 31 December 2012, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

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

28 February 2013

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at 31 December 2012 (All amounts in thousands of units of RMB unless otherwise stated)

	Note	**31 December 2012 Consolidated**	31 December 2011 Consolidated (Restated)	**31 December 2012 Company**	31 December 2011 Company (Restated)
Current assets					
Cash at bank and on hand	5(1);13(1)	**8,616,773**	8,352,243	**400,751**	1,366,081
Accounts receivable	5(2)(a);13(2)(a)	**34,876**	139,987	**160**	160
Advances to suppliers	5(3)	**188,173**	231,596	**234**	11,100
Interest receivable		**545**	–	**–**	–
Dividends receivable	5(4);13(4)	**97,247**	71,032	**12,400**	12,400
Other receivables	5(2)(b);13(2)(b)	**3,107,251**	769,031	**12,079,717**	13,827,716
Inventories	5(5);13(3)	**23,921,240**	22,568,908	**44,076**	44,076
Other current assets	5(6)	**1,852,474**	811,378	–	–
Total current assets		**37,818,579**	32,944,175	**12,537,338**	15,261,533
Non-current assets					
Available-for-sale financial assets	5(7);13(5)	**200,653**	112,480	**162,583**	73,961
Long-term receivables	5(12);13(6)	**1,290,805**	824,167	**412,565**	404,597
Long-term equity investments	5(8);13(7)	**1,699,896**	1,710,281	**3,063,147**	2,894,958
Investment properties	5(9);13(8)	**5,674,242**	1,296,468	**1,958**	1,958
Fixed assets	5(10);13(9)	**466,656**	500,916	**68,343**	71,295
Intangible assets	5(11)	**41,651**	42,697	**–**	–
Long-term prepaid expenses		**1,626**	1,335	**–**	–
Deferred tax assets	5(26)(c);13(13)(c)	**280,980**	188,913	**32,609**	40,986
Other non-current assets	5(13)	**61,400**	172,770	**61,400**	–
Total non-current assets		**9,717, 909**	4,850,027	**3,802,605**	3,487,755
TOTAL ASSETS		**47,536,488**	37,794,202	**16,339,943**	18,749,288
Current liabilities					
Short-term borrowings	5(15)	**540,600**	1,260,000	**–**	–
Notes payable		**16,300**	–	**–**	–
Accounts payable	5(16);13(10)	**3,625,907**	2,813,588	**10,783**	10,783
Advances from customers	5(17)	**7,729,216**	7,768,754	**807**	1,625
Employee benefits payable	5(18)	**145,220**	121,355	**98,076**	89,344
Taxes payable	5(19);13(14)	**1,990,195**	1,740,933	**33,943**	40,914
Interest payable		**108,587**	132,724	**22,330**	24,144
Dividends payable	5(20)	**430,895**	884,747	**132,627**	64,521
Other payables	5(21);13(11)	**2,926,413**	2,901,950	**6,139,692**	8,642,050
Current portion of non-current liabilities	5(22)	**2,940,840**	3,581,522	**1,059,000**	1,502,000
Other current liabilities	5(23)	**1,368,668**	–	**–**	–
Total current liabilities		**21,822,841**	21,205,573	**7,497,258**	10,375,381

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at 31 December 2012 (All amounts in thousands of units of RMB unless otherwise stated)

	Note	**31 December 2012 Consolidated**	31 December 2011 Consolidated (Restated)	**31 December 2012 Company**	31 December 2011 Company (Restated)
Non-current liabilities					
Long-term borrowings	5(24);13(12)	**10,968,893**	5,999,287	**2,468,000**	1,678,000
Debentures payable	5(25)	**4,108,020**	2,134,974	**994,716**	991,872
Deferred tax liabilities	5(26)(c);13(13)(c)	**633,723**	143,050	**–**	–
Total non-current liabilities		**15,710,636**	8,277,311	**3,462,716**	2,669,872
Total liabilities		**37,533,477**	29,482,884	**10,959,974**	13,045,253
Owners' equity					
Paid-in capital	5(27)	**2,027,960**	2,027,960	**2,027,960**	2,027,960
Capital surplus	5(28);13(15)	**2,226,409**	1,081,696	**1,332,831**	1,303,865
Surplus reserve	5(29)	**341,768**	338,540	**341,768**	338,540
Undistributed profits	5(30)	**3,022,039**	2,299,654	**1,677,410**	2,033,670
Difference on translation of foreign currency financial statements		**(1,615)**	2,638	**–**	–
Total equity attributable to equity holders of the Company		**7,616,561**	5,750,488	**5,379,969**	5,704,035
Non-controlling interest	5(31)	**2,386,450**	2,560,830	**–**	–
Total owners' equity		**10,003,011**	8,311,318	**5,379,969**	5,704,035
TOTAL LIABILITIES AND OWNERS' EQUITY		**47,536,488**	37,794,202	**16,339,943**	18,749,288

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

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

CONSOLIDATED AND COMPANY INCOME STATEMENTS

For the year ended 31 December 2012 (All amounts in thousands of units of RMB unless otherwise stated)

Item	Note	Year ended 31 December 2012 Consolidated	Year ended 31 December 2011 Consolidated (Restated)	Year ended 31 December 2012 Company	Year ended 31 December 2011 Company (Restated)
Revenue	5(32);13(16)	**9,134,054**	7,523,321	**135,401**	130,047
Less: Cost of sales	5(32);13(16)	**(6,160,338)**	(4,614,417)	**–**	–
Taxes and surcharges	5(33)	**(1,006,105)**	(816,782)	**(20,117)**	(25,454)
Selling and distribution expenses		**(278,207)**	(244,366)	**–**	–
General and administrative expenses		**(298,175)**	(292,295)	**(151,469)**	(198,177)
Financial income/(expenses) – net	5(34);13(17)	**93,727**	(18,214)	**56,642**	63,688
Asset impairment losses	5(35)	**(37,857)**	(9,104)	**–**	–
Add: Profit arising from changes in fair value	5(38)	**359,760**	–	**–**	–
Investment income	5(39);13(18)	**85,421**	141,807	**21,273**	1,912,380
Including: Share of profit of associates and joint ventures		**47,171**	140,489	**20,284**	56,285
Operating profit		**1,892,280**	1,669,950	**41,730**	1,882,484
Add: Non-operating income	5(36)	**22,456**	13,681	**–**	10,000
Less: Non-operating expenses	5(37)	**(15,750)**	(4,224)	**(803)**	(200)
Including: Losses on disposal of non-current assets		**(5)**	(54)	**–**	–
Total profit		**1,898,986**	1,679,407	**40,927**	1,892,284
Less: Income tax expenses	5(41);13(19)	**(565,323)**	(455,852)	**(8,647)**	(6,797)
Net profit		**1,333,663**	1,223,555	**32,280**	1,885,487
Attributable to equity holders of the Company		**1,110,925**	998,578	**N/A**	N/A
Non-controlling interest		**222,738**	224,977	**N/A**	N/A
Earnings per share for profit attributable to the equity holders of the Company	5(42)				
– Basic earnings per share (RMB yuan)		**0.55**	0.49	**N/A**	N/A
– Diluted earnings per share (RMB yuan)		**0.55**	0.49	**N/A**	N/A
Other comprehensive income	5(43)	**1,344,817**	(46,041)	**28,966**	(49,507)
Total comprehensive income		**2,678,480**	1,177,514	**61,246**	1,835,980
Attributable to equity holders of the Company		**2,455,742**	952,537	**N/A**	N/A
Non-controlling interest		**222,738**	224,977	**N/A**	N/A

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

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

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

For the year ended 31 December 2012 (All amounts in thousands of units of RMB unless otherwise stated)

Item	Note	Year ended 31 December 2012 Consolidated	Year ended 31 December 2011 Consolidated	Year ended 31 December 2012 Company	Year ended 31 December 2011 Company
Cash flows from operating activities					
Cash received from sales of goods or rendering of services		**9,161,846**	8,025,451	**134,584**	130,865
Cash received relating to other operating activities		**65,586**	548,146	**1,640,212**	4,276,848
Sub-total of cash inflows		**9,227,432**	8,573,597	**1,774,796**	4,407,713
Cash paid for goods and services		**(6,656,000)**	(6,691,037)	**–**	(864)
Cash paid to and on behalf of employees	5(18)	**(294,810)**	(317,014)	**(60,388)**	(162,850)
Payments of taxes and surcharges		**(1,506,752)**	(1,150,566)	**(38,231)**	(29,554)
Cash paid relating to other operating activities		**(944,510)**	(845,220)	**(2,581,623)**	(2,930,103)
Sub-total of cash outflows		**(9,402,072)**	(9,003,837)	**(2,680,242)**	(3,123,371)
Net cash flows from operating activities	5(44)(a);13(20)(a)	**(174,640)**	(430,240)	**(905,446)**	1,284,342
Cash flows from investing activities					
Cash received from disposal of investments		**96,544**	640	**17,059**	640
Cash received from returns on investments		**60,172**	215,852	**1,540**	198,080
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**655**	149	**–**	–
Net cash received for purchase of subsidiaries	4(2)	**90,767**	44,509	**–**	–
Cash received relating to other investing activities		**58,228**	3,634	**32,391**	364
Sub-total of cash inflows		**306,366**	264,784	**50,990**	199,084
Cash paid to acquire fixed assets, intangible assets and other long-term assets		**(798,839)**	(416,323)	**(2,731)**	(3,437)
Cash paid to acquire investments		**(128,500)**	(38,291)	**(205,500)**	(25,010)
Cash paid to acquire subsidiaries and other business units		**(185,770)**	(192,116)	**–**	–
Cash paid relating to other investing activities		**(2,170,368)**	(491,902)	**(96,675)**	(262,290)
Sub-total of cash outflows		**(3,283,477)**	(1,138,632)	**(304,906)**	(290,737)
Net cash flows from investing activities		**(2,977,111)**	(873,848)	**(253,916)**	(91,653)

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

For the year ended 31 December 2012 (All amounts in thousands of units of RMB unless otherwise stated)

Item	Note	Year ended 31 December 2012 Consolidated	Year ended 31 December 2011 Consolidated	Year ended 31 December 2012 Company	Year ended 31 December 2011 Company
Cash flows from financing activities					
Cash received from capital contributions		**352,208**	42,226	**–**	–
Including: Cash received from capital contributions by non-controlling shareholders of subsidiaries		**352,208**	42,226	**–**	–
Cash received from borrowings		**12,286,169**	5,176,503	**1,850,000**	130,000
Proceeds from partial disposal of minority interest in subsidiaries		**–**	29,301	**–**	29,301
Sub-total of cash inflows		**12,638,377**	5,248,030	**1,850,000**	159,301
Cash repayments of borrowings		**(6,294,366)**	(2,530,680)	**(1,003,000)**	(1,950,000)
Cash payments for interest expenses and distribution of dividends and profits		**(2,352,077)**	(1,342,277)	**(550,922)**	(562,960)
Cash paid to acquire shares in subsidiaries from non-controlling shareholder		**(761,639)**	(520,545)	**–**	–
Cash paid relating to other financing activities		**–**	–	**–**	(369,500)
Sub-total of cash outflows		**(9,408,082)**	(4,393,502)	**(1,553,922)**	(2,882,460)
Net cash flows from financing activities		**3,230,295**	854,528	**296,078**	(2,723,159)
Effect of foreign exchange rate changes on cash and cash equivalents		**22,825**	(4,984)	**(2,046)**	1,443
Net increase/(decrease) in cash	5(44)(b); 13(20)(b)	**101,369**	(454,544)	**(865,330)**	(1,529,027)
Add: Cash at beginning of year	5(44)(b);13(20)(b)	**7,974,900**	8,429,444	**1,266,081**	2,795,108
Cash at end of year	5(44)(b); 13(20)(b)	**8,076,269**	7,974,900	**400,751**	1,266,081

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

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

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2012 (All amounts in thousands of units of RMB unless otherwise stated)

Item	Note	Attributable to equity holders of the Company					Minority interest	Total owners' equity
		Paid-in capital	Capital surplus	Surplus reserves	Undistributed profits	Difference on translation of foreign currency financial statements		
Balance at 31 December 2010		2,027,960	1,233,985	146,034	1,819,047	(661)	2,403,581	7,629,946
Changes in accounting policies	2(30)	–	–	3,957	35,611	–	–	39,568
Balance at 1 January 2011		2,027,960	1,233,985	149,991	1,854,658	(661)	2,403,581	7,669,514
Movement for the year ended 31 December 2011		–	(152,289)	188,549	444,996	3,299	157,249	641,804
Net profit		–	–	–	998,578	–	224,977	1,223,555
Other comprehensive income	5(43)	–	(49,340)	–	–	3,299	–	(46,041)
Capital contribution and withdrawal by owners, including:								
Capital contribution by owners		–	–	–	–	–	42,226	42,226
Others	5(28)	–	(102,949)	–	–	–	(109,954)	(212,903)
Profit distribution to equity owners	5(30)	–	–	–	(365,033)	–	–	(365,033)
Appropriation of surplus reserve	5(29)	–	–	188,549	(188,549)	–	–	–
Balance at 31 December 2011		**2,027,960**	**1,081,696**	**338,540**	**2,299,654**	**2,638**	**2,560,830**	**8,311,318**
Balance at 1 January 2012		**2,027,960**	**1,081,696**	**338,540**	**2,299,654**	**2,638**	**2,560,830**	**8,311,318**
Movement for the year ended 31 December 2012		–	1,144,713	3,228	722,385	(4,253)	(174,380)	1,691,693
Net profit		–	–	–	1,110,925	–	222,738	1,333,663
Other comprehensive income	5(43)	–	1,349,070	–	–	(4,253)	–	1,344,817
Capital contribution and withdrawal by owners, including:–								
Capital contribution by owners		–	–	–	–	–	352,208	352,208
Others	5(28)	–	(204,357)	–	–	–	(580,406)	(784,763)
Profit distribution to equity owners	5(30)	–	–	–	(385,312)	–	(168,920)	(554,232)
Appropriation of surplus reserve	5(29)	–	–	3,228	(3,228)	–	–	–
Balance at 31 December 2012		**2,027,960**	**2,226,409**	**341,768**	**3,022,039**	**(1,615)**	**2,386,450**	**10,003,011**

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

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

COMPANY STATEMENT OF CHANGE IN OWNER'S EQUITY

For the year ended 31 December 2012 (All amounts in thousands of units of RMB unless otherwise stated)

		Attributable to equity holders of the Company				
Item	Note	**Paid-in capital**	**Capital surplus**	**Surplus reserves**	**Undistributed profits**	**Total owners' equity**
Balance at 31 December 2010		2,027,960	1,353,372	146,034	666,154	4,193,520
Changes in accounting policies	2(31)	–	–	3,957	35,611	39,568
Balance at 1 January 2011		2,027,960	1,353,372	149,991	701,765	4,233,088
Movement for the year ended 31 December 2011		–	(49,507)	188,549	1,331,905	1,470,947
Net profit		–	–	–	1,885,487	1,885,487
Other comprehensive income		–	(49,507)	–	–	(49,507)
Profit distribution to equity owners	5(30)	–	–	–	(365,033)	(365,033)
Appropriation of surplus reserve	5(29)	–	–	188,549	(188,549)	–
Balance at 31 December 2011		2,027,960	1,303,865	338,540	2,033,670	5,704,035
Balance at 1 January 2012		2,027,960	1,303,865	338,540	2,033,670	5,704,035
Movement for the year ended 31 December 2012		–	28,966	3,228	(356,260)	(324,066)
Net profit		–	–	–	32,280	32,280
Other comprehensive income		–	28,966	–	–	28,966
Profit distribution to equity owners	5(30)	–	–	–	(385,312)	(385,312)
Appropriation of surplus reserve	5(29)	–	–	3,228	(3,228)	–
Balance at 31 December 2012		**2,027,960**	**1,332,831**	**341,768**	**1,677,410**	**5,379,969**

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

1. GENERAL INFORMATION

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

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

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

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

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

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

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

These consolidated financial statements were approved for issue by the Board of Directors on 28 February 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1). Basis of preparation

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

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

The consolidated financial statements of the Company for the year 2012 truly and completely present the financial position as of 31 December 2012 and the operating results, cash flows and other information for the year then ended of the Group and the Company in compliance with the Accounting Standards for Business Enterprises.

(3). Accounting year

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

(4). Recording currency

The recording currency is Renminbi (RMB).

(5). Business combinations

(a) Business combinations involving enterprises under common control

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

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

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

(5). Business combinations *(Continued)*

(b) Business combinations involving enterprises not under common control

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

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

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

(6). Preparation of consolidated financial statements

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(7). Cash

Cash comprise cash on hand and call deposits with banks.

(8). Foreign currency translation

(a) Foreign currency transactions

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

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

(b) Translation of foreign currency financial statements

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

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

(9). Financial instruments

(a) Financial assets

(i) Classification of financial assets

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

Receivables

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

Available-for-sale financial assets

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

(ii) Recognition and measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(9). Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

(iii) Impairment of financial assets

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

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

Objective evidence of impairment on available-for-sale investments includes that the fair value of those equity instruments is exposed to significant or prolonged decline. The Group assesses the carrying amounts of available-for-sale equity instruments separately at each balance sheet date. If the fair value of the equity instrument falls below 50% (included) its initial investment cost or the decline lasts more than one year (included), the impairment occurs; if the fair value of the equity instrument declines more than 20% (included) but not beyond 50%, the Group will take other relevant factors into consideration, such as price fluctuations to judge whether the impairment occurs.

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

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

(9). Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

(iv) Derecognition of financial assets

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

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

(b) Financial liabilities

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

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

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

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

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

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

(9). Financial instruments *(Continued)*

(c) Determination of fair value of financial instrument

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, and discounted cash flow analysis, etc. When a valuation technique is used to establish the fair value of a financial instrument, it makes the maximum use of observable market inputs and relies as little as possible on entity-specific inputs.

(d) Offsetting of financial assets and liabilities

Financial assets and liabilities should be presented separately in balance sheets. A financial asset and a financial liability should be offset when, and only when, both of the following conditions are satisfied: (i) The entity currently has a legally enforceable right to set off the recognised amounts and the legal enforcement is now executable; (ii) The entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(10). Receivables

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

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

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

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

(11). Inventories

(a) Classification

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

(b) Measurement of inventories

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

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

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

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

(d) The Group adopts the perpetual inventory system.

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

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

(12). Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, the Group's long-term equity investments in its joint ventures and associates, as well as the long-term equity investments where the Group does not have control, joint control or significant influence over the investees and which are not quoted in an active market and whose fair value cannot be reliably measured.

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

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

(a) Measurement of investment cost

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

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

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

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

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

(d) Impairment of long-term equity investment

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2 (19)).

For other long-term equity investments which are not quoted in an active market and whose fair values cannot be reliably measured, the excess of their carrying amounts over the present values of future cash flows discounted at the prevailing market yield rate for similar financial assets is recognised as impairment loss and cannot be reversed once recognised.

(13). Jointly controlled operations

Jointly controlled operations are operations with a contractual arrangement, whereby the Group and other parties undertake an economic activity without the establishment of a corporation, partnership nor any other kinds of separate financial or legal structure. These operations are subject to joint control and none of the participating parties has unilateral control over the economic activity. In respect of its interest in jointly controlled operations, the Group recognises in the financial statements: (a) assets and liabilities that the Group controls and incurs. (b) the expenses that the Group incurs and its share of the income that it earns from the sale of goods or services by the operations.

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

(14). Investment properties

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

The Group adopts the fair value model for subsequent measurement of investment properties. Investment properties are measured at fair value model when the following conditions are met:

a) There is an active property market where the investment property locates.

b) The Group can obtain the market price and the relevant information regarding the same type of or similar property market, so as to reasonably estimate the fair value of the investment property market.

Depreciation or amortisation will no longer be provided for in the Group's accounts for investment properties measured at fair value. Investment properties will be valued as at the balance sheet date and its carrying amount will be adjusted accordingly. The difference between the fair value and the carrying amount will be charged to the current profit and loss account of the Group.

When objective evidence indicates that the purpose of the investment properties has changed and the Group converts investment property to owner-occupied property or real estate inventory, the property's carrying amount is stated at the fair value on the conversion date. The difference between the fair value and the original carrying amount is recognised in profit or loss for the current period. When any owner-occupied property or real estate inventory is converted to investment properties to be measured through the fair value model, the value of the investment property shall be calculated under the fair value on the conversion date. When the fair value on the conversion date is less than its carrying amount, the difference will be charged to the current profit and loss account. When the fair value on the conversion is more than its carrying amount, the difference will be charged to owners' equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(14). Investment properties *(Continued)*

Where fair value of investment properties under construction is not reliably measurable (including those investment properties under construction acquired initially by the Group), the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable.

For investment properties under construction measured at cost, land use rights are amortised to their estimated net residual values over their estimated useful lives and the amount of amortisation shall be capitalised. The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual amortization rates of land rights are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation (amortisation) rate
Land use rights	40 years	–	2.5%

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

The carrying amount of an investment property measured at cost is reduced to the recoverable amount if the recoverable amount is below the carrying amount (note 2 (19)).

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(15). Fixed assets

(a) Recognition and initial measurement

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

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

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

(b) Depreciation methods of fixed assets

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

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

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

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

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

(d) Disposal of fixed assets

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(16). Borrowing costs

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

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

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

(17). Intangible assets

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

(a) Land use rights

Land use rights are amortised over the useful life of 50 years. If the purchase costs of land use rights and the buildings located thereon cannot be reliably allocated between the land use rights and the buildings, all of the purchase costs are recognised as fixed assets.

(b) Periodical review of useful life and amortisation method

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

(c) Impairment of intangible assets

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

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

(18). Long-term prepaid expenses

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

(19). Impairment of long-term assets

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

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

(20). Employee benefits

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

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

The Group provides a pension scheme, which is established under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme"), for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HKD1,250 (HKD 1,000 before 1 June 2012). The assets of this pension scheme are held separately from those of the Group in independently administered funds.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(21). Distribution of dividends

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

(22). Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of discounts and returns.

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

(a) Sale of goods

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

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

(b) Rendering of services

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

(c) Transfer of asset use rights

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

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

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

(23). Government grants

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

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

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

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

(24). Deferred tax assets and deferred tax liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

Deferred tax assets and liabilities are offset when:

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

(25). Leases

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

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

(26). Maintenance and quality guarantee funds

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

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

(27). Held for sale and discontinued operations

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

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

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

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

(28). Segment information

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(30) Changes in significant accounting policies

To more accurately reflect the value of investment properties held by the Group, enhance the comparability of financial information with the peers, assist the Company's management and investors to keep abreast of the financial condition of the Group on a timely basis, the Group has changed the accounting treatment for investment properties from the cost model to the fair value model with effect from 27 December 2012 and the Board approved the change of accounting treatment of investment properties. The Group has adopted this amendment retrospectively and the effects of adoption of consolidated balance sheets and consolidated income statements are disclosed as follows.

Influence on Consolidated Balance Sheets	31 December 2012	31 December 2011	1 January 2011
Increase in long-term equity investments	104,395	83,084	39,568
Increase in investment properties	2,120,345	–	–
Increase in deferred tax liabilities	530,086	–	–
Increase in capital surplus	1,320,439	–	–
Increase in surplus reserve	10,440	8,309	3,957
Increase in undistributed profits	363,775	74,775	35,611

Influence on Consolidated Income Statements	For the year ended 31 December 2012	2011
Increase in investment income	**21,311**	43,516
Increase in income tax expense	**89,940**	–
Increase in profit arising from changes in fair value	**359,760**	–
Increase in basic earnings per share (RMB yuan)	**0.14**	0.02
Increase in diluted earnings per share (RMB yuan)	**0.14**	0.02

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

(31). Critical accounting estimates and judgments

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

(a) Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as following:

(i) Property development cost

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

(ii) Taxes

The Group is subject to various taxes in the PRC. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required in determining the provision for land appreciation tax ("LAT") and other taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

(iii) Impairment of assets

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

(iv) Provision for bad debts of receivables

The Group tests annually whether receivables suffer any impairment in accordance with the accounting policy stated in note 2(10). If there is objective evidence that the Group will not be able to collect the full amount under the original terms, provision for bad debts of the receivable and impairment loss are recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

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

(v) Deferred tax assets

Judgment for whether deductible temporary differences and deductable losses can be reversed in future is required from the Group in recognising deferred tax assets. For deductable temporary losses, the Group recognizes deferred tax assets to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

(vi) Fair value of investment properties

The Group adopts fair value model for subsequent measurement of investment properties and obtains independent valuations for its investment properties at least annually from an independent professional valuer as a third party. The fair value is determined in accordance with the methods below:

Current prices (open market quotations) in an active market for the same or similar investment properties;

When such information above is not available, then use recent prices in an active market of the same or similar investment property, adjusted to reflect differences in situations, dates and locations of transactions, etc.;

Discounted cash flow projections based on reliable estimates of rental income and future cash flows.

(vii) Provisions of inventories

The Group measures the inventories at the lower of cost and net realisable value at the balance sheet data. The calculation of net realisable value needs assumptions and estimates. If the management changes the estimated selling price and the estimated costs to completion, the estimated net realisable value would be affected; such difference will impact the provisions of inventories which have been recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

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

According to the accounting policy stated in note 2(21), the assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer point of risks and rewards of ownership coincides with the date when the equitable interest in the property vests with the buyer upon release of the respective property to the buyer.

As disclosed in note 10, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will be expired when relevant property ownership certificates are lodged with the various banks by the purchasers. The Group believes that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers when the equitable interest in the property vests with the buyer upon release of the respective property to the buyer.

3. TAXATION

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

Type	Tax rate	Taxable base
Enterprise income tax	25%	Taxable income on subsidiaries based on PRC
	5%-10%	Income from taxable dividends of non-resident enterprises in the Mainland and investments disposal in mainland China. According to "Notice of the Ministry of Finance and State Administration of Taxation on Several Preferential Policies in respect of Enterprise Income Tax(2008-1)", the accumulated undistributed profits generated by enterprises with foreign investment before 1 January 2008, which are distributed to foreign investors after 1 January 2008, are enterprise income tax free.
Business tax	5%	Taxable turnover amount
LAT	30%-60%	Taxable value added amount (Tax payable is calculated using the value appreciation amount realised through sales multiplied by the effective tax rate of current period)
Urban maintenance and construction tax	5%-7%	Business tax payable
Education Surcharge	3%	Business tax payable
Property Taxes	1.2%	Taxable residual value of properties

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENT

(1). Significant subsidiaries

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

Name	Place of registration	Principal activities	Bonds issued	Registered capital 31 December 2012	Registered capital 31 December 2011	Attributable interest held 31 December 2012 Direct %	Attributable interest held 31 December 2012 In-direct %	Attributable interest held 31 December 2011 Direct %	Attributable interest held 31 December 2011 In-direct %	Attributable vote held 31 December 2012 Direct %	Attributable vote held 31 December 2012 In-direct %	Attributable vote held 31 December 2011 Direct %	Attributable vote held 31 December 2011 In-direct %
(1) Central Plaza Real Estate Development Co., Ltd. ("Central Company")	Beijing, the PRC	Property Development and Investment	–	USD 11,258,000	USD 11,258,000	75	25	75	25	75	25	75	25
(2) Beijing Rongjin Real Estate Development Co., Ltd. ("Rongjin Company")	Beijing, the PRC	Property Development and Investment	–	USD 6,360,000	USD 6,360,000	10	49.5	10	49.5	10	49.5	10	49.5
(3) Beijing Sunshine Jindu Properties Co.,Ltd. ("Jindu Company")	Beijing, the PRC	Property Development and sales	–	RMB 370,000,000	RMB 370,000,000	100	-	100	–	100	-	100	–
(4) Central Plaza Development Ltd. ("Central Plaza")	B.V.I	Investment Holding	RMB 2,000,000,000	USD1	USD1	100	-	100	–	100	-	100	–
(5) International Financial Center Property Ltd. ("IFC")	B.V.I	Investment Holding	–	USD1	USD1	100	-	100	–	100	-	100	–

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

Name	Place of registration	Principal activities	Bonds issued	Registered capital 31 December 2012	Registered capital 31 December 2011	Attributable interest held 31 December 2012 Direct %	Attributable interest held 31 December 2012 In-direct %	Attributable interest held 31 December 2011 Direct %	Attributable interest held 31 December 2011 In-direct %	Attributable vote held 31 December 2012 Direct %	Attributable vote held 31 December 2012 In-direct %	Attributable vote held 31 December 2011 Direct %	Attributable vote held 31 December 2011 In-direct %
(1) S.C. Real Estate Development Co., Ltd. ("S.C.")	Beijing, the PRC	Property Development and sales	–	RMB 640,000,000	RMB 640,000,000	100	-	100	–	100	-	100	–
(2) Beijing HYHL Real Estate Development Co., Ltd. ("HYHL")	Beijing, the PRC	Property Development and sales	–	USD 10,000,000	USD 10,000,000	-	100	–	100	-	100	–	100
(3) Beijing Anhua Shiji Real Estate Development Co., Ltd. ("Anhua Shiji") (iii)	Beijing, the PRC	Property Development and sales	–	USD 30,000,000	USD 30,000,000	55	45	55	–	60	40	60	–
(4) Tianjin Banshan Renjia Real Estate Co., Ltd. ("Tianjin Banshan")	Tianjin, the PRC	Property Development and sales	–	USD 89,000,000	USD 89,000,000	-	55	–	55	-	60	–	60
(5) Beijing Sunshine City Real Estate Development Co., Ltd. ("Sunshine City") (iii)	Beijing, the PRC	Property Development and sales	–	USD 20,000,000	USD 20,000,000	50	50	50	–	60	40	60	–

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(1). Significant subsidiaries *(Continued)*

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

				Registered capital		Attributable interest held				Attributable vote held			
	Place of	Principal	Bonds	31 December	31 December	31 December 2012		31 December 2011		31 December 2012		31 December 2011	
Name	registration	activities	issued	2012	2011	Direct	In-direct	Direct	In-direct	Direct	In-direct	Direct	In-direct
						%	%	%	%	%	%	%	%
(6) Chongqing Xinshi Real Estate Development CO.,Ltd. ("Chongqing Xinshi") (vi)	Chongqing, the PRC	Property Development and sales	–	USD 95,000,000	USD 95,000,000	–	50	–	50	–	50	–	66.7
(7) Outlets Property Investment Guang Dong Ltd. ("Outlets Guangdong") (iv)(v)	Foshan, the PRC	Property Development and sales	–	USD 40,000,000	USD 40,000,000	–	50	–	55	–	60	–	60
(8) Beijing Xinbocheng Real Estate Development Co., Ltd. ("Xinbocheng")	Beijing, the PRC	Property Development and sales	–	RMB 89,000,000	RMB 89,000,000	–	100	–	100	–	100	–	100
(9) Qingdao Yangguang Binhai Properties Co. Ltd. ("Qingdao Binhai")	Qingdao, the PRC	Property Development and sales	–	RMB 50,000,000	RMB 50,000,000	–	100	–	100	–	100	–	100
(10) Qingdao Qianqianshu Investment Properties Co. Ltd. ("Qingdao Qianqianshu")	Qingdao, the PRC	Property Development and sales	–	RMB 20,000,000	RMB 20,000,000	–	100	–	100	–	100	–	100
(11) Yantai Yuangguang Lidu Real Estate Development Co., Ltd. ("Yantai Lidu")	Yantai, the PRC	Property Development and sales	–	RMB 50,000,000	RMB 50,000,000	–	100	–	100	–	100	–	100
(12) Yantai Yuangguang Lizhen Real Estate Development Co., Ltd. ("Yantai Lizhen")	Yantai, the PRC	Property Development and sales	–	RMB 75,000,000	RMB 75,000,000	–	100	–	100	–	100	–	100
(13) Yantai Yuangguang Xinye Real Estate Development Co., Ltd. ("Yantai Xinye")	Yantai, the PRC	Property Development and sales	–	RMB 75,000,000	RMB 75,000,000	–	100	–	100	–	100	–	100
(14) Zhejiang Huisheng Real Estate Co., Ltd. ("Zhejiang Huisheng") (ii)	Huzhou, the PRC	Property Development and sales	–	USD 20,000,000	–	–	100	–	–	–	100	–	–
(15) Zhejiang Outlets Real Estate Co., Ltd. ("Zhejiang Outlets") (ii)	Huzhou, the PRC	Property Development and sales	–	USD 40,000,000	–	–	100	–	–	–	100	–	–
(16) Tianjin Shengtai Cheng Jia Ming Rong He Cheng Shi Development Co., Ltd. ("Tianjin Jiaming") (ii)	Tianjin, the PRC	Property Development and sales	–	RMB 60,000,000	–	–	90	–	–	–	90	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(1). Significant subsidiaries *(Continued)*

(c). Subsidiaries obtained from investment and other procedures

Name	Place of registration	Principal activities	Bonds issued	Registered capital 31 December 2012	Registered capital 31 December 2011	Attributable interest held 31 December 2012 Direct %	Attributable interest held 31 December 2012 In-direct %	Attributable interest held 31 December 2011 Direct %	Attributable interest held 31 December 2011 In-direct %	Attributable vote held 31 December 2012 Direct %	Attributable vote held 31 December 2012 In-direct %	Attributable vote held 31 December 2011 Direct %	Attributable vote held 31 December 2011 In-direct %
(1) Beijing Capital Xinzi Real Estate Ltd. ("Beijing Xinzi")	Beijing, the PRC	Property Development and sales	–	**RMB 496,590,000**	RMB 496,590,000	**100**	**-**	100	–	**100**	**-**	100	–
(2) Beijing Shangboya Investment Consultant Co., Ltd. ("Shangboya")	Beijing, the PRC	Investment Holding	–	**RMB 30,000,000**	RMB 30,000,000	**100**	**-**	100	–	**100**	**-**	100	–
(3) Beijing Shangbodi Investment Consultant Co., Ltd. ("Shangbodi")	Beijing, the PRC	Investment holding	–	**RMB 30,000,000**	RMB 30,000,000	**51**	**-**	51	–	**51**	**-**	51	–
(4) Tianjin Xinchuang Land Ltd. ("Tianjin Xinchuang") (iii)	Tianjin, the PRC	Property Development and sales	–	**USD 25,000,000**	USD 25,000,000	**-**	**100**	–	55	**-**	**100**	–	60
(5) Chengdu Capital Xinzi Real Estate Development Ltd. ("Chengdu Xinzi") (iii)	Chengdu, the PRC	Property Development and sales	–	**USD 30,000,000**	USD 30,000,000	**-**	**100**	–	55	**-**	**100**	–	60
(6) Jiangsu Capital Real Estate Development Ltd. ("Jiangsu Capital")	Wuxi, the PRC	Property Development and sales	–	**USD 12,500,000**	USD 12,500,000	**60**	**40**	60	40	**60**	**40**	60	40
(7) Beijing Caotang Real Estate Development Ltd. ("Caotang Real Estate")	Beijing, the PRC	Property Development and sales	–	**RMB 10,000,000**	RMB 10,000,000	**-**	**100**	–	100	**-**	**100**	–	100
(8) Beijing Capital Land Chengdu Co., Ltd. ("Capital Chengdu")	Chengdu, the PRC	Property Development and sales	–	**RMB 150,000,000**	RMB 150,000,000	**100**	**-**	100	–	**100**	**-**	100	–
(9) Chengdu Capital Yidu Real Estate Development Co., Ltd. ("Chengdu Yidu")	Chengdu, the PRC	Property Development and sales	–	**USD 100,000,000**	USD 100,000,000	**-**	**55**	–	55	**-**	**60**	–	60
(10) Tianjin Capital Xinyuan Real Estate Development Co., Ltd. ("Tianjin Xinyuan")	Tianjin, the PRC	Property Development and sales	–	**USD 95,000,000**	USD 95,000,000	**-**	**55**	–	55	**-**	**60**	–	60
(11) Tianjin Capital Xingang Real Estate Development Co., Ltd. ("Tianjin Xingang")	Tianjin, the PRC	Property Development and sales	–	**USD 95,000,000**	USD 95,000,000	**-**	**55**	–	55	**-**	**60**	–	60
(12) Wuxi Xindong Real Estate Development Co., Ltd. ("Wuxi Xindong")	Wuxi, the PRC	Property Development and sales	–	**RMB 100,000,000**	RMB 100,000,000	**100**	**-**	100	–	**100**	**-**	100	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(1). Significant subsidiaries *(Continued)*

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

Name	Place of registration	Principal activities	Bonds issued	Registered capital 31 December 2012	Registered capital 31 December 2011	Attributable interest held 31 December 2012 Direct %	Attributable interest held 31 December 2012 In-direct %	Attributable interest held 31 December 2011 Direct %	Attributable interest held 31 December 2011 In-direct %	Attributable vote held 31 December 2012 Direct %	Attributable vote held 31 December 2012 In-direct %	Attributable vote held 31 December 2011 Direct %	Attributable vote held 31 December 2011 In-direct %
(13) Central Plaza Xinrong Hotel Management Co., Ltd. ("Central Plaza Xinrong")	Beijing, the PRC	Hotel Operation and Management	–	**USD 6,062,000**	USD 6,062,000	**75**	**25**	75	25	**75**	**25**	75	25
(14) Beijing Chuangxin Jianye Real Estate Investment Ltd. ("Chuangxin Jianye")	Beijing, the PRC	Investment Holding	–	**RMB 50,000,000**	RMB 50,000,000	**100**	**–**	100	–	**100**	**–**	100	–
(15) Jingjin Tongcheng (Tianjin) Investment Co., Ltd. ("Jingjin Tongcheng") (i)	Tianjin, the PRC	Property Development	–	**RMB 250,000,000**	RMB 250,000,000	**–**	**50**	–	50	**–**	**51**	–	51
(16) Outlets Property Investment Fang Shan Ltd. ("Outlets Fangshan") (iii)	Beijing, the PRC	Property Development and sales	–	**USD 127,000,000**	USD 127,000,000	**–**	**100**	–	99	**–**	**100**	–	99
(17) Beijing Capital Zhongbei Real Estate Development Co., Ltd. ("Shouchuang Zhongbei)	Beijing, the PRC	Property Development and sales	–	**RMB 100,000,000**	RMB 100,000,000	**–**	**100**	–	100	**–**	**100**	–	100
(18) Guangdong Guansheng Real Estate Development Co., Ltd. ("Guangdong Guansheng) (iv)	Foshan, the PRC	Property Development and sales	–	**USD 40,000,000**	USD 40,000,000	**–**	**60**	–	68	**–**	**60**	–	68
(19) Guangdong Rongxin Real Estate Development Co., Ltd ("Guangdong Rongxin) (iv)	Foshan, the PRC	Property Development and sales	–	**USD 30,000,000**	USD 30,000,000	**–**	**60**	–	68	**–**	**60**	–	68
(20) Guangdong Jingsheng Real Estate Development Co., Ltd. ("Guangdong Jingsheng) (iv)	Foshan, the PRC	Property Development and sales	–	**USD 10,000,000**	USD 10,000,000	**–**	**60**	–	68	**–**	**60**	–	68
(21) BECL Investment Holding Ltd. ("BECL")	Hong Kong	Investment Holding	RMB 1,150,000,000	**USD 9,900,000**	USD 9,900,000	**100**	**–**	100	–	**100**	**–**	100	–
(22) Beijing Shangyi Real Estate Development Co., Ltd. ("Beijing Shangyi")	Beijing, the PRC	Property Development and sales	–	**RMB 10,310,000**	RMB 10,310,000	**–**	**100**	–	100	**–**	**100**	–	100
(23) Beijing Anshunyuan Real Estate Development Co., Ltd. ("Anshunyuan")	Beijing, the PRC	Property Development and sales	–	**RMB 50,000,000**	RMB 50,000,000	**–**	**95**	–	95	**–**	**95**	–	95

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(1). Significant subsidiaries *(Continued)*

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

Name	Place of registration	Principal activities	Bonds issued	Registered capital 31 December 2012	Registered capital 31 December 2011	Attributable interest held 31 December 2012 Direct %	Attributable interest held 31 December 2012 In-direct %	Attributable interest held 31 December 2011 Direct %	Attributable interest held 31 December 2011 In-direct %	Attributable vote held 31 December 2012 Direct %	Attributable vote held 31 December 2012 In-direct %	Attributable vote held 31 December 2011 Direct %	Attributable vote held 31 December 2011 In-direct %
(24) Zhenjiang Xianji Real Estate Development Co., Ltd. ("Zhenjiang Xianji)	Zhenjiang, the PRC	Property Development and sales	–	USD 30,000,000	N/A	–	100	–	100	–	100	–	100
(25) Zhejiang Shouxin Real Estate Development Co., Ltd. ("Zhenjiang Shouxin) (iii)(ix)	Huzhou, the PRC	Property Development and sales	–	USD 24,500,000	USD 24,500,000	–	100	–	68	–	100	–	68
(26) Zhejiang Hualong Real Estate Development Co., Ltd. ("Zhejiang Hualong) (iii)(ix)	Huzhou, the PRC	Property Development	–	USD 67,000,000	USD 67,000,000	–	100	–	68	–	100	–	68
(27) Beijing Ruiyuanfengji Real Estate Development Co., Ltd. ("Ruiyuanfengji")	Beijing, the PRC	Property Development	–	RMB 10,000,000	RMB 10,000,000	100	–	100	–	100	–	100	–
(28) Capital Tianshun Real Estate Development Co., Ltd. ("Capital Tianshun")	Beijing, the PRC	Property Development	–	RMB 100,000,000	RMB 100,000,000	–	100	–	100	–	100	–	100
(29) Nanjing Ningchun Real Estate Development Co., Ltd. ("Nanjing Ningchun")	Nanjing, the PRC	Infrastructure Investment	–	RMB 100,000,000	RMB 100,000,000	–	100	–	100	–	100	–	100
(30) Hainan Outlets Real Estate Development Co., Ltd. ("Hainan Outlets")	Wanning, the PRC	Property Development	–	USD 14,000,000	USD 14,000,000	–	55	–	55	–	55	–	55
(31) Jiangyin Yuyue Real Estate Development Co., Ltd. ("Jiangyin Yuyue")	Jiangyin, the PRC	Property Development	–	USD 49,000,000	USD 49,000,000	–	100	–	100	–	100	–	100
(32) Sanya Shengxing Weiye Real Estate Development Co., Ltd. ("Sanya Shengxing")	Sanya, the PRC	Property Development and sales	–	RMB 100,000,000	RMB 100,000,000	–	100	–	100	–	100	–	100
(33) Qindao Xinli Weiye Real Estate Development Co., Ltd ("Qingdao Xinli Weiye")	Qingdao, the PRC	Property Development and sales	–	RMB 30,000,000	RMB 30,000,000	–	100	–	100	–	100	–	100

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(1). Significant subsidiaries *(Continued)*

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

Name	Place of registration	Principal activities	Bonds issued	Registered capital 31 December 2012	Registered capital 31 December 2011	Attributable interest held 31 December 2012 Direct %	Attributable interest held 31 December 2012 In-direct %	Attributable interest held 31 December 2011 Direct %	Attributable interest held 31 December 2011 In-direct %	Attributable vote held 31 December 2012 Direct %	Attributable vote held 31 December 2012 In-direct %	Attributable vote held 31 December 2011 Direct %	Attributable vote held 31 December 2011 In-direct %
(34) Capital Qinglv Real Estate (Kunshan) Co., Ltd ("Capital Qinglv") (vii)	Kunshan, the PRC	Property Development and sales	–	RMB 300,000,000	N/A	-	51	–	–	-	51	–	–
(35) Qinhuangdao Outlets Real Estate Co., Ltd ("Qinhuangdao Real Estate) (viii)	Qinhuangdao, the PRC	Tourism Project Development	–	USD 20,000,000	N/A	-	60	–	–	-	60	–	–
(36) Capital Guoxin Asset Management Co., Ltd ("Capital Guoxin") (vii)	Qinhuangdao, the PRC	Tourism Project Development	–	RMB 100,000,000	N/A	100	-	–	–	100	-	–	–

(i) According to the Articles of Association of Jingjin Tongcheng, the Group holds 50% equity interests and has control over the company.

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

(iii) Relevant information about the equity transactions between the Group and the non-controlling interests is stated in note 5(28).

(iv) The Group entered into an agreement with a third party to transfer its entire equity interests in the companies above. The transaction was not completed on 31 December 2012. Related assets and liabilities were classified as held for sale. Relevant information about the transaction is stated in note 9.

(v) The Group disposed 5% equity interests held indirectly in Outlets Guangdong. (note 5(8)). The Company holds 50% equity interests after the equity transactions. According to the Articles of Association of Outlets Guangdong, the Group still has control over it.

(vi) The Group holds 50% equity interest of Chongqing Xinshi, but according to the Articles of Association of Chongqing Xinshi, the Group can make significant financial and operational decisions without obtaining approval from other shareholders, which means the Group has the control over Chongqing Xinshi.

(vii) Capital Qinglv and Capital Guoxin are incorporated by the Group in 2012. The Group holds 51% and 100% equity interests respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(1). Significant subsidiaries *(Continued)*

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

(viii) The Group entered into an equity transfer agreement with a third party and purchased 60% equity interests of Qinhuangdao Real Estate in 2012. Qinhuangdao Real Estate doesn't hold any business except Golden Coast Project in Changli. Qinhuangdao Real Estate is wholly owned by the Group after the transaction.

(ix) As at 31 December 2011, wholly-owned subsidiaries of the Group held 60% equity interests in Zhejiang Hualong and Zhejiang Shouxin respectively. The Group held 20% equity interest in Outlets (China) Ltd. (hereinafter "Outlets China"), which indirectly held 40% equity interests in Zhejiang Hualong and Zhejiang Shouxin. Therefore the Group held 8% equity interests in Zhejiang Hualong and Zhejiang Shouxin indirectly. In the year of 2012, the Group disposed the 20% equity interests in Outlets China (note (5)(8)(b)(ii)) and then Outlets China transfer the 40% equity interests in Zhejiang Hualong and Zhejiang Shouxin to a third party. In December 2012, the Group acquired the 40% equity interests in Zhejiang Hualong and Zhejiang Shouxin from the third party (note (5)(28)(a)). After the transaction, Zhejiang Hualong and Zhejiang Shouxin become wholly-owned by the Group.

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

(a) Tianjin Jiaming

In July 2012, Beijing Xinzi, a subsidiary of the Company, signed an equity interests transfer agreement with Beijing Zhong Nan Xing Ye Investment Co., Ltd. and an independent third party to acquire 73.33% and 16.67% equity interests in Tianjin Jiaming respectively. Tianjin Jiaming is principally engaged in the real estate development. The transaction was completed in August 2012. The Group treats this purchasing of subsidiaries as business combination. The purchasing date of this transaction is 17 August 2012, the date on which The Group obtained control over Tianjin Jiaming.

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

	RMB'000
Combination costs – Consideration paid in cash	64,300
Less: Fair value of the identifiable net assets acquired	(79,723)
Excess of the fair value of the identifiable net assets acquired over the total consideration	(15,423)

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

(a) Tianjin Jiaming *(Continued)*

Assets, liabilities and related cash flows of Tianjin Jiaming at acquisition date are as follows:

	Fair value At acquisition date	Book value At acquisition date	31 December 2011
Cash	26,889	26,889	12,507
Advances to suppliers	25,016	25,016	22,691
Other receivables	52,672	52,672	50,688
Inventories	308,486	292,305	445,250
Other current assets	23,457	23,457	–
Fixed assets	1,410	1,410	1,669
Long-term prepaid expenses	627	627	–
Less: accounts payables	(207,954)	(207,954)	(7,282)
Advances from customers	(59,086)	(59,086)	(480,970)
Other payables	(40,222)	(40,222)	(36,481)
Taxes payable	(3,069)	(3,069)	(417)
Interest payable	(35,434)	(35,434)	–
Employee benefit payable	(166)	(166)	(639)
Long-term borrowings	–	–	(10,000)
Deferred tax liabilities	(4,045)	–	–
Net assets	88,581	76,445	(2,984)
Less: non-controlling interests	(8,858)	(7,645)	–
Net assets acquired	79,723	68,800	(2,984)
Consideration paid in cash		64,300	–
Less: cash balance of the subsidiary acquired		(26,889)	–
Net cash paid in acquisition		37,411	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

(a) Tianjin Jiaming *(Continued)*

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

The inventories and investment properties are valued through hypothetical development method. The assessed value equals to the hypothetical total project value at completion with subsequent expenditures deducted, such as costs to be paid and relevant taxes. The key assumption is as follows:

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

The revenue, net loss and cash flows of Tianjin Jiaming for the period from the date of combination to 31 December 2012 are as follows:

	RMB'000
Revenue	1,034
Net loss	(3,337)
Net cash out-flows of operational activities	(22,442)
Net cash in-flows	7,716

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

(b) Huzhou Outlets

In December 2012, IFC, a subsidiary of the Company, signed contracts with a third party, pursuant to which the Group obtained 100% equity interests in Aotelaisi Renowned Brand Outlet Discount Store Development Ltd (hereinafter "Outlets Development") and Aotelaisi Brand Outlet Discount Store Enterprise Ltd(hereinafter "Outlets Enterprise") at a total consideration of RMB53,165,000. Accordingly, the Group acquired 100% equity interests of Outlets Development, and 100% equity interests of Zhejiang Huisheng and Zhejiang Outlets (hereinafter "Huzhou Project Companies"), two subsidiaries of Outlets Enterprise. As at 31 December 2012, the consideration has not been paid. Huzhou Project Companies are principally engaged in property development. The transaction was completed in December 2012. The Group consider the acquisition of subsidiaries as business combination. The purchasing date of this transaction is 19 December, 2012, the date on which The Group obtained control over Outlets Development, Outlets Enterprise, and Huzhou Project Companies (hereinafter "Huzhou Outlets").

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

	RMB'000
Cost of combination –	
Cash Paid	–
Cash payable for purchase of subsidiaries	53,165
Total consideration	53,165
Less: Fair value of the identifiable net assets acquired	(56,197)
Excess of the fair value of the identifiable net assets acquired over the total consideration	(3,032)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

(b) Huzhou Outlets *(Continued)*

Assets, liabilities and related cash flows of Huzhou Outlets at date of combination are as follows:

	Fair value At acquisition date	Book value At acquisition date	31 December 2011
Cash	128,178	128,178	8,749
Advances to suppliers	3,658	3,658	3,664
Other receivables	12,770	12,770	173,337
Inventories	58,855	27,326	26,424
Investment properties	454,925	410,555	355,369
Fixed assets	607	607	817
Long-term prepaid expenses	608	608	4,826
Deferred tax assets	259	259	1,045
Less: Accounts payable	(23,902)	(23,902)	(42,032)
Other payables	(557,638)	(557,638)	(532,749)
Taxes payable	(1,476)	(1,476)	(1,424)
Employee benefits payable	(1,672)	(1,672)	(1,146)
Deferred tax liabilities	(18,975)	–	–
Net assets acquired	56,197	(727)	(3,120)
Consideration paid in cash		–	
Less: cash balance of the subsidiaries acquired	–	(128,178)	–
Net cash received in acquisition	–	(128,178)	–

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

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

(b) Huzhou Outlets *(Continued)*

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

The inventories and investment properties are valued through hypothetical development method. The assessed value equals to the hypothetical total project value at completion with subsequent expenditures deducted, such as costs to be paid and relevant taxes. The key assumption is as follows:

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

The revenue, net loss and cash flows of Huzhou Outlets for the period from the acquisition date to 31 December 2012 are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1). Cash

	31 December 2012	31 December 2011
Cash on hand	**7,650**	1,604
Bank Deposits	**8,597,823**	8,350,639
Other cash balances	**11,300**	–
Total	**8,616,773**	8,352,243

As at 31 December 2012, bank deposits includes supervised advance from customers, security deposits for certain mortgage loans to customers, and escrow account for bond interests amounted to RMB529,204,000 (31 December 2011: RMB377,343,000). The Group has reclassified the above amount to restricted bank deposits. As at 31 December 2012, the carrying amount of supervised advance from customers was RMB201,333,000 (31 December 2011: 222,028,000). According to the requirements of some local authorities (such as Beijing, Tianjin etc. in the PRC, real estate developers need to open supervised bank accounts for the advances received from property customers. Such accounts are supervised by the Chinese government, and all cash expenditure from this account should coincide with the construction progress in order to ensure the cash being used for property construction on a priority basis. As at 31 December 2012, the carrying amount of security deposits for bond interests was RMB152,000,000 (31 December 2011: nil).

As at 31 December 2012, other cash balances of RMB11,300,000 is margin deposit for banker's acceptance bill (31 December 2011: nil). The Group has reclassified the above amount to restricted bank deposits.

(2). Accounts receivable and other receivables

(a) Accounts receivable

	31 December 2012	31 December 2011
Accounts receivables	**41,876**	143,831
Less: provision for bad debts	**(7,000)**	(3,844)
Receivables – net	**34,876**	139,987

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

As at 31 December 2011, accounts receivables include property sale receivable due from Bejing Ruijing Yangguang Properties Co,Ltd (hereinafter "Ruijing Yangguang"), which is a subsidiary of related party Yangguang Co, Ltd. (hereinafter "Yangguang Xinye"), amounted to RMB60,000,000. As at 31 December 2012, the receivable above has already been collected.

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

(a) Accounts receivable *(Continued)*

The aging analysis of the accounts receivables are as follows:

	31 December 2012	31 December 2011
Within 1 year	**19,789**	64,457
1 to 2 years	**13,880**	71,701
2 to 3 years	**1,000**	–
Over 3 years	**7,207**	7,673
Total	**41,876**	143,831

Accounts receivables are classified as follows:

	31 December 2012				31 December 2011			
	Amount	**% of total balance %**	**Provision**	**% of the provision %**	Amount	% of total balance %	Provision	% of the provision %
Individually significant	**–**	**–**	**–**	**–**	128,062	89	–	–
others	**41,876**	**100**	**(7,000)**	**17**	15,769	11	(3,844)	24
Total	**41,876**	**100**	**(7,000)**	**17**	143,831	100	(3,844)	3

As at 31 December 2012, accounts receivables of RMB207,000 (31 December 2011: RMB160,000) were past due but not impaired with the aging of over 3 years. An amount of RMB7,000,000 (31 December 2011: RMB7,513,000) is considered as past due and impaired with the aging of over 3 years, with impairment of RMB7,000,000 (31 December 2011: RMB3,844,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

(b) Other receivables

	31 December 2012	31 December 2011
Amounts due from joint ventures	298,884	164,500
Amounts due from associates	3,852	34,089
Land deposit and other guarantee deposits	324,212	417,194
Property agency fees and other receivables due from Chengdu Zirui Xinli Co., Ltd. ("Zirui Xinli")		
Property rights agency fees and receivables of daily operations	–	13,873
Receivables from primary land development (i)	1,547,656	–
Consideration receivables from disposal of associates	17,511	–
Others	961,774	178,801
Total	3,153,889	808,457
Less: provisions for bad debts	(46,638)	(39,426)
Receivables – net	3,107,251	769,031

(i) Receivables from primary land development were receivables from local land development and reserve centers as the Group cooperated with certain land development and reserve centers to develop primary land. The receivables include receivable due from Land Development and Reserve Center of Beijing City amounted to RMB1,394,332,000 (note 5(12)(i)) and receivable due from Land Reserve Center of Wuqing District, Tianjin City (hereinafter "Tianjin Land Development Center") amounted to RMB153,324,000.

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

	31 December 2012				31 December 2011			
	Amount	% of total balance %	Provision	% of the provision %	Amount	% of total balance %	Provision	% of the provision %
Within 1 year	2,847,947	90	–	–	573,836	71	–	–
1 to 2 years	197,901	6	–	–	183,524	23	–	–
2 to 3 years	59,977	2	–	–	11,469	1	–	–
Over 3 years	48,064	2	(46,638)	97	39,628	5	(39,426)	99
Total	3,153,889	100	(46,638)	1	808,457	100	(39,426)	5

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

(b) Other receivables *(Continued)*

Other receivables are classified as follows:

	31 December 2012				31 December 2011			
	Amount	**% of total balance %**	**Provision**	**% of the provision %**	Amount	% of total balance %	Provision	% of the provision %
Individually significant	**2,780,802**	**88**	**–**	**–**	613,996	76	–	–
Others	**373,087**	**12**	**(46,638)**	**13**	194,461	24	(39,426)	20
Total	**3,153,889**	**100**	**(46,638)**	**1**	808,457	100	(39,426)	5

(3). Advances to suppliers

The advances to suppliers are analysed as follows as at 31 December 2012:

	As at 31 December 2012	As at 31 December 2011
Prepaid sales commissions	**49,050**	64,722
Prepayment for acquisition of subsidiaries	**22,000**	25,000
Prepaid land costs, construction costs and project costs	**117,123**	141,874
Total	**188,173**	231,596

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

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

	As at 31 December 2012		As at 31 December 2011	
	Amount	**% of total balance %**	Amount	% of total balance %
Within 1 year	**151,913**	**81**	176,916	76
Over 1 year	**36,260**	**19**	54,680	24
Total	**188,173**	**100**	231,596	100

(4). Dividends Receivable

	31 December 2011	Current year additions	Current year reductions	**31 December 2012**
Xi'an Capital Xinkai Real Estate Development Co., Ltd. ("Xi'an Xinkai") (note 7(5)(d))	12,400	75,022	–	**87,422**
Beijing Donghai Investment Development Co., Ltd.	58,632	–	(58,632)	**–**
Tianjin Capital Xinming Real Estate Development Co., Ltd. ("Tianjin Xinming")	–	9,825	–	**9,825**
Total	71,032	84,847	(58,632)	**97,247**

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(5). Inventories

(a) Inventories are classified as follows:

	31 December 2012 Book balance	31 December 2012 Provisions of inventory	31 December 2012 Book value	31 December 2011 Book balance	31 December 2011 Provisions of inventory	31 December 2011 Book value
Development cost	**20,596,383**	**(22,215)**	**20,574,168**	19,575,113	–	19,575,113
Inventories and properties held for sale	**2,990,410**	**(5,274)**	**2,985,136**	2,884,226	–	2,884,226
Land under development	**355,470**	**–**	**355,470**	102,718	–	102,718
Merchandise	**4,172**	**–**	**4,172**	4,172	–	4,172
Low value consumables	**2,294**	**–**	**2,294**	2,679	–	2,679
Total	**23,948,729**	**(27,489)**	**23,921,240**	22,568,908	–	22,568,908

(b) The movement of the book balance of inventories is as follows:

	31 December 2011	Current year additions	Current year reductions	31 December 2012
Costs –				
Development cost	19,575,113	7,186,440	(6,165,170)	**20,596,383**
Inventories and properties held for sale	2,884,226	6,165,170	(6,058,986)	**2,990,410**
Land under development	102,718	252,752	–	**355,470**
Merchandise	4,172	–	–	**4,172**
Low value consumables	2,679	–	(385)	**2,294**
	22,568,908	13,604,362	(12,224,541)	**23,948,729**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(5). Inventories *(Continued)*

(c) The analysis of provisions of inventories is as follows:

	31 December 2011	Current year additions	Current year reductions	**31 December 2012**
Development cost	–	22,215	–	**22,215**
Inventories and properties held for sale	–	5,274	–	**5,274**
Total	–	27,489	–	**27,489**

(d) The information of provisions of inventories is as follows:

	Basis for recognizing provisions of inventory
Development cost	Differences between net realisable value and the carrying amount

In the year ended 31 December 2012, the properties held for sale with the carrying amount of RMB6,058,986,000 (2011: RMB4,513,231,000) has been recognised as cost of sales (note 5(32)(a)).

As at 31 December 2012, the financed costs capitalised in the development cost amounted to RMB1,591,808,000 (31 December 2011: RMB1,044,132,000). In the year ended 31 December 2012, the capitalisation rate is 8.69% (2011: 6.94%).

As at 31 December 2012, certain land use rights under development with a carrying amount of RMB61,172,000 were pledged as security for short-term borrowings of RMB30,600,000 (31 December 2011: Nil) (note 5(15)).

As at 31 December 2012, certain land use rights and real estate development projects under development with a carrying amount of RMB868,001,000 have been pledged as security for short-term trusts loan RMB100,000,000 (31 December 2011: RMB400,000,000) and guaranteed by the Company (note 5(15)).

As at 31 December 2012, certain land use rights under development with a carrying amount of RMB2,496,590,000 (31 December 2011: RMB1,415,695,000) have been pledged as security for long-term borrowings of RMB1,276,900,000 (31 December 2011: RMB1,977,220,000) (note 5(24)(c)).

As at 31 December 2012, real estate development projects under development with a carrying amount of RMB349,698,000 (31 December 2011: RMB1,012,690,000) have been pledged as security for long-term borrowings of RMB225,000,000 (31 December 2011: RMB170,000,000) (note 5(24)(c)).

As at 31 December 2012, right to yields on certain land use rights and real estate development projects under development with a carrying amount of RMB5,423,999,000 (31 December 2011: RMB6,907,326,000) have been pledged as security for long-term borrowings of RMB1,572,460,000 (31 December 2011: RMB1,381,660,000) (note 5(24)(c)).

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(5). Inventories *(Continued)*

As at 31 December 2012, long-term bank borrowings of RMB1,550,000,000 (31 December 2011: RMB2,550,000,000) were pledged by the right to yields on certain land use rights pursuant to the agreement of line of credit loan signed in year 2003 (note 5(24)(d)).

As at 31 December 2012, certain land use rights under development with a carrying amount of RMB644,049,000 (31 December 2011: nil) have been pledged as security for long-term borrowings of RMB419,900,000 (31 December 2011: nil) and guaranteed by the Company (note 5(24)(f)).

As at 31 December 2012, certain land use rights under development with a carrying amount of RMB267,288,000 (31 December 2011: nil) which is pledged as security for long-term borrowings of RMB154,000,000 (31 December 2011: nil) and guaranteed by a subsidiary of the Company (note 5(24)(f)).

As at 31 December 2012, bank borrowings of RMB307,500,000 (31 December 2011: RMB155,000,000) were secured by primary land development rights and its corresponding equity and income interest (note 5(24)(g)).

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

	31 December 2012	31 December 2011
In Mainland China:		
10-50 years	**2,245,343**	2,347,956
Over 50 years	**7,115,623**	7,226,166
Total	**9,360,966**	9,574,122

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(6). Other current Assets

	31 December 2012	31 December 2011
Prepaid taxes	**881,314**	811,378
Long-term equity investments held for sale (note 5(8))	**10,199**	–
Long-term assets of subsidiaries' held for sale (a)	**960,961**	–
Total	**1,852,474**	811,378

(a) The Group entered into an equity transfer contract to dispose its entire equity interests in Guangdong Project Companies (note 9). The balance is book value of long-term assets of Guangdong Project Companies on 31 December 2012. Since these assets match the definition of assets held for sale, the Group classified them as other current assets.

(7). Available-for-sale Financial Assets

	31 December 2012	31 December 2011
Available-for-sale equity instrument (a)	**200,653**	112,480
Less: Provision of available-for-sale financial assets	**–**	–
Net	**200,653**	112,480
Including: Market value of listed security	**150,653**	112,479

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(7). Available-for-sale Financial Assets *(Continued)*

(a) Available-for-sale equity instrument

	31 December 2012	31 December 2011
Listed equity instruments		
– in Mainland China	**112,583**	73,961
– in Hong Kong	**38,070**	38,518
Unlisted equity instruments	**50,000**	1
Total	**200,653**	112,480

As at 31 December 2012, the carrying amount of the investment in a mainland China listed company Yangguang Xinye is RMB112,583,000 (31 December 2011: RMB73,961,000). Yangguang Xinye was registered in Beijing, the PRC and its principle activities are real estate development, leasing and advisory services. The ordinary shares of Yangguang Xinye held by the Group amounted to 19,310,913 shares, which accounts for 2.6% of the total issued ordinary shares.

As at 31 December 2012, the carrying amount of the investment in a Hong Kong listed company Beijing Jingneng Clean Energy Co., Ltd (hereinafter "Beijing Jingneng") is RMB38,070,000 (31 December 2011: RMB38,518,000). Beijing Jingneng was registered in Beijing, the PRC and its principle activities are gas generation power and heating, wind power, medium- and small-sized hydropower and other clean power services. The ordinary shares of Beijing Jingneng held by the Group amounted to 28,000,000 shares, which accounts for 0.5% of the total issued ordinary shares.

As at 31 December 2012, the Group held 0.99% of the total shares of CDB Siyuan (Beijing) Investment Fund Ltd (hereinafter "Guokai Enyuan"). It was measured as available-for-sale financial asset since the Group doesn't have significant influence on Guokai Enyuan.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(8). Long-term Equity Investments

	31 December 2012	31 December 2011
Joint ventures		
– non-listed companies (a)	**288,265**	286,419
Associates		
– non-listed companies (b)	**1,411,631**	1,423,862
Subtotal	**1,699,896**	1,710,281
Less: Provision for impairment of long-term equity investments	**–**	–
Net	**1,699,896**	1,710,281

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

(a) Joint ventures

	Place of registration	Principal activities	Registered capital	% of Equity interest held %	% of Voting rights held %	31 December 2012 Total assets	Total liabilities	Net assets	2012 Total revenue	Net profit/ (loss)
Shenyang Jitian Reat Estate Development Co., Ltd. ("Shenyang Jitian")	Shenyang, The PRC	Property Development and Sales	USD 40,000,000	50	50	1,520,393	1,255,891	264,502	**49,369**	**(1,023)**
Capital Jiaming New Town Investment Co., Ltd. ("Capital Jiaming")	Beijing, The PRC	Property Development and Sales	RMB 200,000,000	50	50	875,472	683,968	191,504	**-**	**(6,526)**
Huzhou Capital Rongcheng Real Estate Development Co., Ltd. ("Huzhou Rongcheng")	Huzhou, The PRC	Property Development and Sales	RMB 100,000,000	55	55	409,785	353,526	56,259	**-**	**(3,741)**
Beijing Capital Chaoyang Investment Co., Ltd. ("Chaoyang Investment")	Beijing, The PRC	Property Development and Sales	RMB 10,000,000	50	50	31,554	8,468	23,086	**-**	**(785)**
Tianjin Tonghua Qiangyu Investment Management Co. Ltd ("Tonghua Qiangyu")	Beijing, The PRC	Business and Property Management	RMB 10,000,000	40	40	10,085	100	9,985	**-**	**(16)**
Beijing Wanzhu Real Estate Development Co., Ltd. ("Beijing Wanzhu")	Beijing, The PRC	Property Development and Sales	RMB 85,000,000	30	30	1,293,383	1,218,484	74,899	**-**	**(10,101)**

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

(a) Joint ventures *(Continued)*

Investment in joint ventures are as follows:

	31 December 2011	Additional investment costs	Net loss adjusted according to the equity method	Transferred from associates	31 December 2012
Shenyang Jitian	132,838	–	(2,339)	–	**130,499**
Capital Jiaming	99,015	–	(3,263)	–	**95,752**
Hainan Dalecheng Real Estate Development Holding Ltd. ("Dalecheng") (i)	54,566	–	–	(54,566)	**–**
Huzhou Rongcheng (ii)	–	33,000	(2,058)	–	**30,942**
Tonghua Qiangyu (iii)	–	4,000	(6)	–	**3,994**
Chaoyang Investment (iv)	–	5,000	(392)	–	**4,608**
Beijing Wanzhu (v)	–	25,500	(3,030)	–	**22,470**
Total	286,419	67,500	(11,088)	(54,566)	**288,265**

(i) In 2012, the group signed equity transfer agreements for the disposal of 45% and 10% equity interest of Dalecheng held by Group at considerations of RMB75,500,000 and RMB20,000,000 respectively. As at 31 December 2012, the above considerations have been received. The transfer of 45% equity interest has been completed with the amendments to the Articles of Association and the investment income of RMB30,855,000 has been recognised accordingly. The carrying amount of the 10% equity interest, which is RMB9,921,000, has been reclassified to other current assets (note 5(6)) as asset held for sale. Meanwhile, the consideration of RMB20,000,000 has been recognised as other payables (note 5(21)(c)).

(ii) In February 2012, the Group established Huzhou Rongcheng and held 55% equity interests, but according to the Articles of Association of Huzhou Rongcheng, the Group and other shareholders jointly control Huzhou Rongcheng, therefore it has been recognised as a joint venture.

(iii) Tonghua Qiangyu is a subsidiary established by the Group in December 2011. In June 2012, the Group transferred 40% and 20% equity interests to China Railway Trust Co. Ltd (hereinafter "China Railway Trust") and Beijing Jia Yi Ju Agency respectively. No investment profit or loss was recognised for this transaction. After the transaction, the Group holds 40% equity interests of Tonghua Qiangyu. But according to the Articles of Association, the Group and China Railway Trust share the control over Tonghua Qiangyu, therefore it is recognised as a joint venture.

(iv) Chaoyang Investment is a subsidiary established by the Group in September 2010. In June 2012, the Group transferred 40% and 10% equity interests to Beijing Jingtu Investment Management Co. Ltd (hereinafter "Beijing Jingtu") and Beijing Zhonghe Qingrun Investment Co. Ltd respectively. No investment profit or loss was recognised for this transaction. After the transaction, the Group holds 50% equity interests of Chaoyang Investment. According to the Articles of Association, the Group and Beijing Jingtu share the control over Chaoyang Investment, therefore it has been recognised as a joint venture.

(v) In June 2012, the Group acquired 30% equity interests of Beijing Wanzhu by capital injection. But according to the Articles of Association of Beijing Wanzhu, the Group and other shareholders jointly control Beijing Wanzhu, therefore, it has been recognised as a joint venture.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

(b) Associates

						31 December 2012			2012	
	Place of registration	Principal activities	Registered capital	% of Equity interest held %	% of Voting rights held %	Total assets	Total liabilities	Net assets	Total revenue	Net profit/ (loss)
Beijing GoldenNet Property Investment Consultant Co., Ltd. ("GoldenNet") (i)	Beijing, The PRC	Property Sales Agency	RMB 5,000,000	14	14	17,279	506	16,773	296	5,038
Beijing Yang Guang Yuan Real Estate Development Co., Ltd. ("Yang Guang Yuan") (ii)	Beijing, The PRC	Property Development and Sales	RMB 72,190,000	35	35	781,444	357,629	423,815	47,428	64,614
Shenyang Capital Xinzi Real Estate Development Co., Ltd. ("Shenyang Xinzi")	Shenyang, The PRC	Property Development and Sales	USD 92,500,000	30	30	1,691,761	999,648	692,113	879,002	62,191
Tianjin Capital Xinqing Real Estate Development Co., Ltd. ("Tianjin Xinqing")	Tianjin, The PRC	Property Development and Sales	USD 95,000,000	40	40	1,256,652	605,035	651,617	694,399	10,196
Tianjin Xinming	Tianjin, The PRC	Property Development and Sales	USD 95,000,000	40	40	1,119,469	438,224	681,245	530,794	20,492
Beijing Financial Street International Hotel Co., Ltd. ("Financial Street") (iii)	Beijing, The PRC	Hotel Operation and Management	USD 5,640,000	60	33	893,809	992,517	(98,708)	197,416	(20,637)
Xi'an Xinkai	Xi'an, The PRC	Property Development and Sales	USD 165,000,000	40	40	3,158,943	1,954,146	1, 204,797	101,168	11,330
Beijing Outlets Chuangxin Business Management Co., Ltd. ("Outlets Chuangxin")	Beijing, The PRC	Business and Property Management	RMB 1,000,000	38	38	2,112	557	1,555	–	(4,251)
Capital Qinglv Culture Tourism (Kunshan) Co., Ltd. ("Capital Qinglv Culture")	Kunshan, The PRC	Tourism Project and Development	RMB 100,000,000	49	49	45,000	–	45,000	–	–

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

(ii) Beijing Yang Guang Yuan Real Estate Development Co., Ltd. changed its name to Yang Guang Yuan in August 2012.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

(b) Associates *(Continued)*

Investments in associates are as follows:

	31 December 2011	Additional investment costs	Net profit/ (loss) adjusted according to the equity method	Cash dividends	Transferred to joint ventures	31 December 2012
GoldenNet	7,659	–	705	(1,540)	–	**6,824**
Beijing SCJF Real Estate Agency Co., Ltd. ("SCJF") (iv)	55	–	–	–	(55)	**–**
Yang Guang Yuan (v)	125,720	–	22,615	–	–	**148,335**
Shenyang Xinzi	187,591	–	18,198	–	–	**205,789**
Tianjin Xinqing	254,156	–	4,991	–	–	**259,147**
Tianjin Xinming	270,035	–	8,804	(9,825)	–	**269,014**
Financial Street (iii)	–	–	–	–	–	**–**
Xi'an Xinkai	575,399	–	1,538	(75,022)	–	**501,915**
Nice Grace Group Ltd. ("Nice Grace") (i)	6	–	–	–	(6)	**–**
Outlets China (ii)	1,019	–	(741)	–	(278)	**–**
Outlets Chuangxin	2,222	–	(1,615)	–	–	**607**
Capital Qinglv Culture (vi)	–	20,000	–	–	–	**20,000**
Total	1,423,862	20,000	54,495	(86,387)	(339)	**1,411,631**

(i) In 2012, the Group disposed 20% equity interests of Nice Grace at a consideration of USD3,151,000, which amounted to RMB19,980,000. As at 31 December 2012, the above consideration among which amounted RMB17,511,000 has not yet been received but the office registration has completed, thus the transaction has completed. After the transaction, the Group accordingly translated 5% equity interests of Outlets Guangdong held indirectly through Nice Grace. Non-controlling interest is increased by RMB13,568,000, and investment income of RMB6,406,000 has been recognised accordingly

(ii) In 2012, the Group disposed 20% equity interests of Outlets China at a consideration of USD400,000, which amounted to RMB2,536,000. As at 31 December 2012, the above consideration has not been received and the office registration has not been completed, thus the carrying amount of RMB278,000 has been reclassified to other current assets (note5 (6)) as assets held-for-sale.

(iii) The net assets of Financial Street are negative due to continuous losses in the past years. As the Group does not have the obligation to bear the additional losses beyond the share that the Group should have assumed, the Group recognised the carrying value of the long-term equity investment as zero other than negative. In 2012, the un-recognised investment loss amounted to RMB7,017,000 (2011: RMB9,767,000). As at 31 December 2012, the accumulated investment losses that are not recognised amounted to RMB21,104,000 (31 December 2011: RMB14,087,000).

(iv) In 2012, the Company disposed 49% equity interests of SCJF at a consideration of RMB1,044,000. As at 31 December 2012, the above consideration has been received and the transaction has completed. Investment income of RMB989,000 has been recognised accordingly.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

(b) Associates *(Continued)*

(v) Yang Guang Yuan owns and operates Yangguang Plaza, which is located at No. 112, Xizhimenwai Street, Xicheng District, Beijing City. The property is recognised as investment property of Yang Guang Yuan. The Group adopts fair value model for the subsequent measurement of investment properties from 2012. The Group measures long-term equity investment in Yang Guang Yuan and relevant investment income in each year based on the fair value of the investment property at each balance sheet date, and retroactively adjusts investment income in 2011 and owners' equity on 1 January 2011and 31 December 2011 according to the newly adopted accounting policies (note (2)(30)).

(vi) Capital Qinglv Culture is a joint venture incorporated by the Group and Qinglv Property Holdings Co. Ltd. (hereinafter "Qinglv Real Estate") in November 2012. According to the Articles of Associates, the Group has significant influence on production and operation of Capital Qinglv Culture. Therefore it is recognised as an associate of the Group. Capital Qinglv Culture is principally engaged in repairment and tourism development of the old town Jinxi. According to the Articles of Associates, the Group should provide capital of RMB49,000,000. As at 31 December 2012, the Group has invested RMB20,000,000.

(9). Investment Properties

	31 December 2012	31 December 2011
Investment properties measured at cost (a)	**835,408**	1,294,510
Investment properties subsequently measured at fair value model (b)	**4,838,834**	1,958
Less: Provision for impairment loss of investment properties	**–**	–
Total	**5,674,242**	1,296,468

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(9). Investment Properties *(Continued)*

(a) Investment properties measured at cost

	Buildings	Land use Rights	Total
Cost			
31 December 2011	619,254	698,240	1,317,494
Additions	693,802	–	693,802
Additions from purchase of subsidiaries	314,369	140,556	454,925
Disposals (iii)	(457,061)	(238,364)	(695,425)
Transfer to fair value model in current year (i)	(648,300)	(254,925)	(903,225)
31 December 2012	**522,064**	**345,507**	**867,571**
Accumulated Depreciation and Amortisation			
31 December 2011	–	(22,984)	(22,984)
Depreciation and Amortisation charged	–	(9,179)	(9,179)
Disposals	–	–	–
31 December 2012	**–**	**(32,163)**	**(32,163)**
Provision for impairment loss			
31 December 2011	–	–	–
Increase in current year	–	–	–
Decrease in current year	–	–	–
31 December 2012	**–**	**–**	**–**
Net book value			
31 December 2012	**522,064**	**313,344**	**835,408**
31 December 2011	619,254	675,256	1,294,510

As at 31 December 2012, some of the investment properties are still under construction and their fair value is not reliably measurable. Such investment properties under construction are measured at cost and their fair value is expected to become reliably measurable after the construction is completed. The Group had capitalised the amortisation of the land use rights amounted to RMB9,179,000 (31 December 2011: RMB15,375,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(9). Investment Properties *(Continued)*

(b) Investment properties subsequently measured at fair value model

	Buildings and Land use right
Cost	
31 December 2011	1,958
Transfer from cost to fair value model (i)	903,225
Transfer from inventory (ii)	1,708,415
Additions in current year	104,891
Disposals in current year	–
31 December 2012	**2,718,489**
Changes in fair value	
31 December 2011	–
Transfer from inventory (ii)	1,760,585
Gain from changes in fair value	359,760
Decrease in current year	–
31 December 2012	**2,120,345**
Carrying Amount	
31 December 2012	**4,838,834**
31 December 2011	1,958

(i) Part of the investment properties under construction of the Group were completed in December 2012 so that they were measured in fair value.

(ii) In 2012 some subsidiaries of the Group have transferred inventories to leasing purpose, which is approved by the Board of directors. Inventories with original carry amounting of RMB1,708,415,000 are converted to investment properties. The fair value of investment properties at the date of conversion was RMB3,469,000,000. Deferred tax assets were increased by RMB440,146,000 (note 5(26)), and capital surplus was increased by RMB1,320,439,000 (note 5(28)) according to the difference between fair value and original carrying amount at the conversion date.

(iii) The Group entered into an equity transfer contract to transfer its entire equity interests in Guangdong Project Companies (note 9). The balance is the book value of long-term assets of Guangdong Project Companies as at 31 December 2012. Since these assets match the definition of assets held for sale, the Group classified them as other current assets.

As at 31 December 2012, certain land use right under investment properties with carrying amount of RMB1,749,545,000 (31 December 2011: RMB476,015,000) have been pledged as security for long-term borrowings of RMB1,680,000,000 (31 December 2011: RMB660,000,000) (note 5(24)(c)).

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(10). Fixed Assets

	Buildings	Motor Vehicles	Office Equipment	Total
Cost				
31 December 2011	674,266	51,300	37,512	763,078
Additions	–	3,501	4,859	8,360
Additions from purchase of subsidiaries	–	1,627	351	1,978
Disposals	–	(820)	(974)	(1,794)
Reductions from disposal of subsidiaries	–	(2,453)	(6,051)	(8,504)
31 December 2012	**674,266**	**53,155**	**35,697**	**763,118**
Accumulated Depreciation				
31 December 2011	(206,749)	(27,937)	(27,476)	(262,162)
Depreciation	(27,587)	(5,199)	(8,465)	(41,251)
Decrease	–	389	973	1,362
Decrease from disposal of subsidiaries	–	1,574	4,015	5,589
31 December 2012	**(234,336)**	**(31,173)**	**(30,953)**	**(296,462)**
Provision for impairment loss				
31 December 2011	–	–	–	–
Charges	–	–	–	–
31 December 2012	–	–	–	–
Net Book Value				
31 December 2012	**439,930**	**21,982**	**4,744**	**466,656**
31 December 2011	467,517	23,363	10,036	500,916

As at 31 December 2012, certain buildings with net book value of RMB379,269,000 (original value of RMB601,431,000) (31 December 2011: net book value of RMB405,094,000 (original value of RMB601,431,000)) have been pledged as security for long-term borrowings of RMB362,877,000 (31 December 2011: RMB393,234,000) (note 5(23)(c)).

In the year ended 31 December 2012, depreciation expense charged in cost of sales amounted to RMB25,825,000 and in administrative expenses amounted to RMB15,426,000 (In 2011: RMB25,825,000 and RMB15,796,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(11). Intangible Assets

	Original Cost	31 December 2011	Increase	Amortisation	Transfer Out	**31 December 2012**	**Accumulative Amortisation**
Land use rights	52,283	42,697	–	(1,046)	–	**41,651**	**(10,632)**
Less: Provisions for Intangible asset	–	–	–	–	–	**-**	**-**
Total	52,283	42,697	–	(1,046)	–	**41,651**	**(10,632)**

In the year ended 31 December 2012, the amortisation of intangible assets amounted to RMB1,046,000 (2011: RMB1,046,000); in which, amount of RMB1,046,000 (2011: RMB1,046,000) has been recognised in profit and loss for the current period.

As at 31 December 2012, land use rights with net book value of RMB41,651,000 (original cost of RMB52,283,000) (31 December 2011: net book value of RMB42,697,000 (original cost of RMB52,283,000)) have been pledged as security for the long-term borrowings of RMB362,877,000 (31 December 2011: RMB393,243,000) (note 5(24)(c)).

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

	31 December 2012	31 December 2011
In Mainland China – 10 to 50 years	**41,651**	42,697

(12). Long-term receivables

	31 December 2012	31 December 2011
Receivables from associates (note7(5)(c))	**522,293**	603,877
Receivables from joint ventures (note7(5)(c))	**–**	220,290
Advances to primary land Development (i)	**768,512**	–
Total	**1,290,805**	824,167

(i) Capital Tianshun, a subsidiary of the Group, entered into an entrustment agreement with Shunyi Branch of Land Development and Reserve Center of Beijing City to engage in primary land development at Banqiao Village, Shunyi District in 2011. According to the agreement the Group recognised receivables amounted to RMB2,162,844,000, of which RMB1,394,332,000 is planned to be collected in 2013. Therefore it is classified as other receivables (note 5(2)).

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(13). Other non-current assets

	31 December 2012	31 December 2011
Prepayment of fund (i)	**61,400**	–
Prepayment of investment property development	**–**	172,770
Total	**61,400**	172,770

(i) Kunshan Chuangbo Shengtuo Equity Investment Management Co. Ltd (limited partnership) (hereinafter "Kunshan Chuangbo Fund") is a limited partnership enterprise incorporated by a wholly-owned subsidiary of Tonghua Qiangyu, a joint venture of the Group, as a general partner. The issuing scale is RMB285,500,000. The Company, as a limited partner, has prepaid 21.5% of subordinated shares amounted to RMB61,400,000 to Kunshan Chuangbo Fund.

(14). Provisions for impairment of assets

	31 December 2011	Additions	Reductions: Through reversal	Reductions: Through realization	**31 December 2012**
Provisions of bad debts					
Including:					
account receivables	3,844	3,156	–	–	**7,000**
other receivables	39,426	7,212	–	–	**46,638**
Provisions of inventories	–	27,489	–	–	**27,489**
Total	43,270	37,857	–	–	**81,127**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(15). Short-term borrowings

	Currency	**31 December 2012**	31 December 2011
Trust loans	RMB	**500,000**	1,200,000
Bank loans	RMB	**40,600**	60,000
Total	RMB	**540,600**	1,260,000

As at 31 December 2012, short-term trust loans of RMB400,000,000 (31 December 2011: nil) are secured by pledging the Group's interest in Beijing Shangyi as collateral (note 5(5)).

As at 31 December 2012, short-term trust loans of RMB100,000,000 (31 December 2011: RMB400,000,000) are secured by land use rights and real estate development projects under development of the subsidiaries of the Company and guaranteed by the Company (note 5(5)).

As at 31 December 2012, short-term borrowings of RMB10,000,000 (31 December 2011: nil) are credit loans obtained by the Group.

As at 31 December 2012, short-term borrowings of RMB30,600,000 (31 December 2011: nil) are secured by a subsidiary's land use rights under development (note 5(5)).

In the year ended 31 December 2012, the weighted average interest rate of short-term loan is 12.30% (2011: 9.85%).

(16). Accounts payable

The aging analysis of accounts payable is as follows:

	31 December 2012	31 December 2011
Within 1 year	**3,009,670**	2,752,337
Over 1 year	**616,237**	61,251
Total	**3,625,907**	2,813,588

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(17). Advances from customers

	31 December 2012	31 December 2011
Advances from sales of properties under development (i)	**7,713,750**	7,754,766
Hotel deposits	**15,466**	13,988
Total	**7,729,216**	7,768,754

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

(18). Employee benefits payable

	31 December 2011	Current period additions	Current period reductions	**31 December 2012**
Wages and salaries, bonuses, allowances and subsidies	104,451	249,408	(239,798)	**114,061**
Staff welfare	423	2,386	(2,237)	**572**
Social security contributions	2,093	37,899	(37,058)	**2,934**
Including: Medical insurance premiums	756	9,731	(9,624)	**863**
Basic pensions	889	19,945	(19,412)	**1,422**
Annuity	368	5,232	(5,151)	**449**
Unemployment insurance	30	1,328	(1,296)	**62**
Work injury insurance	27	673	(639)	**61**
Maternity insurance	23	990	(936)	**77**
Housing funds	617	12,114	(12,152)	**579**
Labour union funds and employee education funds	4,706	4,486	(2,060)	**7,132**
Director's emoluments	8,868	11,678	(810)	**19,736**
Others	197	704	(695)	**206**
Total	121,355	318,675	(294,810)	**145,220**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(19). Taxes payable

	31 December 2012	31 December 2011
Enterprise income tax payable	**386,661**	496,294
LAT	**1,444,328**	1,095,912
Business tax payable	**139,947**	125,286
Others	**19,259**	23,441
Total	**1,990,195**	1,740,933

(20). Dividends payable

	31 December 2012	31 December 2011
Reco Ziyang Pte Ltd. ("Reco Ziyang")	**262,833**	220,839
Reco Camellia Pte Ltd. ("Reco Camellia")	**–**	294,042
Reco Hibiscus Pte Ltd. ("Reco Hibiscus")	**–**	285,764
Sunshine Comprehensive	**17,545**	8,535
Capital Group	**115,082**	55,986
China Development Finance Limited Corporation ("China Development")	**–**	14,000
Beijing Jiayuan Hongye Investment Management Ltd. ("Jiayuan Hongye")	**–**	5,581
Zhongnan Xingye	**35,435**	–
Total	**430,895**	884,747

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(21). Other payables

	31 December 2012	31 December 2011
Payables to associates	**913,477**	1,160,318
Payables to joint ventures	**20,000**	7,800
Collection of deeds and maintenance funds on behalf of government	**149,405**	98,844
Guarantee for tendering	**36,094**	23,948
Consideration payable for purchase of equity and liability in subsidiaries (note 4(2)(2))	**53,165**	185,770
Consideration payable to acquire shares in subsidiaries from non-controlling shareholders	**36,267**	–
Loans due to non-controlling Interests shareholders of subsidiaries (a)	**265,857**	135,383
Deposits from customers	**121,022**	43,429
Accounts payables for daily operations	**274,340**	402,879
Subsidiaries' payables to Yangguang Xinye (b)	**–**	605,734
Subsidiaries' payables to Beijing Hongcheng Zhanye Real Estate Development Co., Ltd ("Hongcheng Zhanye")	**–**	19,285
Borrowings from other entities	**3,024**	183,024
Advances of equity interests transfer (c)	**80,444**	–
Others	**973,318**	35,536
Total	**2,926,413**	2,901,950

(a) As at 31 December 2012, principal of loans borrowed from non-controlling interest shareholders of subsidiaries are as follows: loan provided by Reco Ziyang to Chengdu Xinzi amounted to RMB56,714,000, which is interest free, has no fixed maturity date and is unsecured and unguaranteed; loan provided by Beijing Huitian Weiye Investment Management Co. Ltd.(hereinafter "Beijing Huitian Weiye") to Shangbodi amounted to RMB75,656,000 with interest rate of 10% higher than the interest rate of bank borrowings of the same period, no fixed maturity date and unsecured and unguaranteed; loan provided by non-controlling interest shareholders to Qinhuangdao Real Estate amounted to RMB68,545,000 with interest rate of 20%, has no fixed maturity date and is unsecured and unguaranteed; loan provided by non-controlling interest shareholders to King Future Holdings Limited (hereinafter "King Futures") amounted to RMB25,384,000, which is interest free, has no fixed maturity date and is unsecured and unguaranteed; loan provided by China Infrastructure Group Limited to Most Well Limited (hereinafter "Most Well") amounted to RMB39,594,000, which is interest free, has no fixed maturity date and is unsecured and unguaranteed.

(b) The payables were obligations of the Group attributable to the business combination of Qingdao Binhai, Qingdao Qianqianshu, Yantai Lidu, Yantai Lizhen and Yantai Xinye (hereinafter "Qingdao Yantai Project Companies"). The payables were due to Yanggyang Xinye and Hongcheng Zhanye, original shareholders of Qingdao Yantai Project Companies and have been repaid as at 31 December 2012.

(c) The payables include the advances of the disposal of 10% Hainan DaleCheng's equity interests, amounted to RMB20,000,000 (note 5(8)(a)(i)) and the advances of the disposal of Guangdong Project Companies' equity interests amounted to RMB60,444,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(22). Current portion of non-current liabilities

	Currency	**31 December 2012**	31 December 2011
Long-term borrowings due within one year (a)	RMB	**2,940,840**	3,375,640
Borrowings due within one year from non-controlling shareholders (b)	USD	**–**	205,882
Total		**2,940,840**	3,581,522

(a) Long-term borrowings due within one year of the Group is stated in note 5(24).

(b) As at 31 December 2011, borrowings of subsidiaries from non-controlling interests consist of the borrowings of Tianjin Xinchuang from Reco Ziyang and the borrowings of Sunshine City from Reco Camellia. Tianjin Xinchuang have two borrowings with principals and interest rates of USD12,375,000 and 6.336%, and USD17,300,000 and 6.633% respectively; the principal and interest rate of Sunshine City's borrowing is USD3,000,000 and 6.336%. As at 31 December 2012, all borrowings has been repaid.

(23). Other current liabilities

	31 December 2012	31 December 2011
Payables due to special fund from government(a)	**574,722**	–
Held-for-sale subsidiaries' long-term liabilities(note 9)	**793,946**	–
Total	**1,368,668**	–

(a) As at 31 December 2012, the special fund from government received by subsidiaries amounted to RMB574,722,000. The further arrangement of the fund is to be clarified by formal documents from government.

(b) The Group entered into an equity transfer contract to dispose its entire equity interests in Guangdong Project Companies (note 9). The balance is book value of long-term liabilities of Guangdong Project Companies on 31 December 2012.

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(24). Long-term borrowings

	Currency	**31 December 2012**	31 December 2011
Credit loans (a)	RMB	**304,000**	30,000
Secured loans:			
– Guaranteed (b)	RMB	**2,595,000**	35,000
	USD	**109,996**	110,193
– Mortgaged (c)	RMB	**4,934,360**	4,498,880
	USD	**182,877**	183,234
– Pledged (d)	RMB	**1,550,000**	2,550,000
– Trust (e)	RMB	**2,244,600**	1,657,620
– Guaranteed, mortgaged (f)	RMB	**573,900**	–
– Guaranteed, pledged (g)	RMB	**1,415,000**	310,000
Subtotal		**13,909,733**	9,374,927
Less: long-term borrowings due within one year			
Credit loans (a)		**(3,000)**	(2,000)
Secured loans:			
– Guaranteed (b)	RMB	**(199,000)**	(35,000)
– Mortgaged (c)	RMB	**(953,240)**	(731,020)
– Pledged (d)	RMB	**(600,000)**	(1,000,000)
– Trust (e)	RMB	**(751,600)**	(1,607,620)
– Guaranteed, mortgaged (f)	RMB	**(274,000)**	–
– Guaranteed, pledged (g)	RMB	**(160,000)**	–
Subtotal		**(2,940,840)**	(3,375,640)
Net Long-term borrowings		**10,968,893**	5,999,287

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

As at 31 December 2012, long-term borrowings include,

(a) Credit loans

As at 31 December 2012, credit loans of RMB304,000,000 (31 December 2011: RMB30,000,000) are obtained by the Group, of which interests of credit loan of RMB28,000,000 are payable every 3 months and interests of credit loan of RMB276,000,000 are payable every month. The principal is payable by installment before 2016. As RMB3,000,000 should be repaid on 9 January 2013, such amount is classified as current liability.

(b) Guaranteed loans

As at 31 December 2012, RMB and USD guaranteed loans amounted to RMB2,704,996,000 (31 December 2011: RMB145,193,000) are borrowed by subsidiaries and guaranteed by the Company. Interests are payable every 3 months and the principal is due for repayment by installment before December 2014. Among the loan above, as RMB35,000,000 should be repaid on 10 March 2013, RMB50,000,000 should be repaid on 30 June 2013, RMB50,000,000 should be repaid on 30 September 2013, RMB60,000,000 should be repaid on 31 December 2013, RMB3,000,000 should be repaid on 27 April 2013, and RMB1,000,000 should be repaid on 27 October 2013, such amount is classified as current liability.

(c) Mortgaged loans

As at 31 December 2012, bank borrowings of RMB1,276,900,000 (31 December 2011: RMB1,977,220,000) are secured by land use rights under development costs (note 5(5)). The interests of principal of RMB609,200,000 are payable every 3 months, interests of principal of RMB667,700,000 are payable every month, and the principal is due for repayment by installment before September 2016. Among the loans above, as RMB12,700,000 is due for repayment on 9 August 2013, RMB10,000,000 is due for repayment on 9 December 2013, such amount is classified as current liability.

As at 31 December 2012, bank borrowings of RMB225,000,000(31 December 2011: RMB170,000,000) are secured by real estate development projects of subsidiaries of the Company (note 5(5)). Among the loans above, interests of principal of RMB55,000,000 are payable every 3 months, interests of principal of RMB170,000,000 are payable every month. The principal is due for repayment by installment before October 2014.

As at 31 December 2012, bank borrowings of RMB1,572,460,000 (31 December 2011: RMB1,381,660,000) are secured by land use rights and yields on related real estate developing projects of the subsidiaries of the Company (note 5(5)). Interests of principal of RMB1,142,460,000 are payable every 3 months, and interests of principal of RMB430,000,000 are payable every month. The principal is due for repayment by installment before July 2015. Among the loans above, RMB163,540,000 is due for repayment on 19 October 2013, RMB30,000,000 is due for repayment on 21 June 2013, RMB100,000,000 is due for repayment on 20 June 2013, RMB100,000,000 is due for repayment on 20 December 2013 and RMB2,000,000 is due for repayment on 27 February 2013. Such amount is classified as current liability.

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

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

(c) Mortgaged loans *(Continued)*

As at 31 December 2012, bank borrowings of RMB1,680,000,000 (31 December 2011: RMB660,000,000) are secured by land use rights and yields on related investment properties of the subsidiaries of the Company (note 5(9)). Interests are payable every 3 months, and principal is due for repayment by installment before October 2021. Among the loans above, RMB500,000,000 is due for repayment on 12 May 2013, RMB2,500,000 is due for repayment on 25 March 2013, RMB2,500,000 is due for repayment on 25 September 2013. Such amount is classified as current liability.

As at 31 December 2012, RMB and USD bank borrowings amounted to RMB362,877,000 (31 December 2011: RMB393,234,000) are secured by the fixed assets (note 5(10)) and land use rights in intangible assets (note 5(11)) of the Group. Among the borrowings above, interest rate of USD long-term loan amounting to RMB182,877,000 is set at 1.8% above the LIBOR, and the principal is due for repayment by installment before 30 March 2014. RMB180,000,000 is due for repayment by installment in 10 years before 28 January 2018, and its interest is payable every 3 months. Among loans above, RMB30,000,000 should be repaid on 28 January 2013. Such amount is classified as current liability.

(d) Pledged loans

As at 31 December 2012, bank borrowings of RMB1,550,000,000 (31 December 2011: RMB2,550,000,000) are secured by rights to yields on certain land use rights (note 5(5)) pursuant to the agreement of line of credit loan signed in 2003. The interests are payable every 3 months and the principal is payable by installment before 2014. Among bank borrowings above, as RMB600,000,000 is due for repayment by installment before 15 November 2013, such amount is classified as current liability.

(e) Trust loans

As at December 2012, long-term borrowings of RMB996,000,000 (31 December 2011: RMB500,000,000) are secured by the Company's accounts receivables due from subsidiaries. The Company provides guarantee on the return of these receivables, and such receivables due from subsidiaries were offset in the consolidated financial statement. Fixed annual interest rate is 15.00%. Interests are payable on 20 June and 20 December every year. The principal will be due for repayment before October 2014.

As at December 2012, long-term borrowings of RMB1,248,600,000 (31 December 2011: RMB50,000,000) are guaranteed by the Company for the subsidiaries. Interest rate of RMB749,600,000 is fixed at 14.5%. And interests are payable every 3 months. The principal will be due for repayment in October 2013. Interest rate of RMB499,000,000 is fixed at 9.00%. And interests are payable every 3 months. The principal will be due for repayment by installment before March 2014. Among the borrowings, RMB300,000,000 is due for repayment on 16 August 2013; RMB1,000,000 is due for repayment on 27 February 2013; RMB1,000,000 is due for repayment on 27 August 2013; RMB149,800,000 is due for repayment on 15 June 2013; RMB100,000 is due for repayment on 11 April 2013; RMB55,120,000 is due for repayment on 10 October 2013; RMB147,500,000 is due for repayment on 16 October 2013;RMB37,830,000 is due for repayment on 19 October 2013; RMB59,250,000 is due for repayment on 24 October 2013. Such amount is classified as current liability.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

(f) Guaranteed and mortgaged loans

As at December 2012, the guaranteed and mortgaged loans of the Group amounted to RMB573,900,000 (31 December 2011: nil). Principal of RMB419,900,000 (31 December 2011: nil) is guaranteed by the Company for subsidiary and secured by land use rights(note 5(5)) under development costs. Principal of RMB154,000,000 (31 December 2011: nil) is guaranteed by subsidiary of the Company and secured by land use rights (note 5(5)) under development costs of subsidiary of the Company. The principal is due for repayment by installment before 2014. Among the loans above, principal of RMB154,000,000 is due for repayment on 31 December 2013; RMB20,000,000 is due for repayment on 12 June 2013; RMB100,000,000 is due for repayment on 12 December 2013. Such amount is classified as current liability.

(g) Guaranteed and pledged loans

As at December 2012, the guaranteed and pledged loans of the Group are amounted to RMB1,415,000,000 (31 December 2011: RMB310,000,000). Of which, RMB307,500,000 (31 December 2011: RMB155,000,000) is guaranteed by the Company; and the other RMB307,500,000 (31 December 2011: RMB155,000,000) is guaranteed by the gains of primary land development projects (note 5(5)). Interests are payable every 3 months and the principal is due for repayment by installment before May 2017. RMB800,000,000 (31 December 2011: nil) is secured by shareholdings of Qingdao and Yantai Project Companies owned by the Group after merger and acquisition of subsidiaries, and is guaranteed by the Company. Among loans above, principal of RMB40,000,000 is due for repayment on 28 February 2013; RMB10,000,000 is due for repayment on 28 August 2013; RMB110,000,000 is due for repayment on 27 June 2013. Such amount is classified as current liability. Other principal is due for repayment by installment before March 2017.

In the year ended 31 December 2012, the weighted average interest rate of long-term borrowings is 8.20% (2011: 6.57%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(25). Debentures payable

	31 December 2011	Additions	Reductions	**31 December 2012**
Corporate Bonds	2,134,974	1,973,046	–	**4,108,020**

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

The Company issued RMB1,000,000,000 corporate bond on September 24, 2009, the proceeds net of issuance costs is RMB986,000,000. The bond carries a fixed interest rate of 6.5%, which will be period annually. The maturity period of the board is 5 years, the principal and the interest of the last period is repayable on the maturity date. As at 31 December 2012, net value of the corporate bond is RMB991,872,000.

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

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

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

(c) On 29 November 2012, Central Plaza, a subsidiary of the Company issued corporate bonds amounted to RMB2,000,000,000. Issuance costs is RMB33,935,000 including RMB684,000 which is not yet paid. The bond carries a fixed annual interest rate of 7.6% with a maturity period of 3 years, and the interest will be paid every six months. The principal and the last interests will be fully repayable on the maturity date. IFC and part of its subsidiaries provided guarantees and the Company entered into a keepwell deed for the above bonds. Pursuant to the Keepwell Deed, the Company will undertake to cause Central Plaza to remain solvent and a going concern at all times, to cause each of Central Plaza and IFC to have sufficient liquidity to ensure timely payment by each of Central Plaza and IFC of any amounts payable in respect of the Bonds and the Guarantee in accordance with the Terms and Conditions of the Bonds and other obligations under the Keepwell Deed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(26). Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	As at 31 December 2012		As at 31 December 2011	
	Deferred tax assets	**Deductable temporary differences**	Deferred tax assets	Deductable temporary differences
Provision for asset impairment	**15,632**	**62,529**	8,276	33,104
Accrued salaries and other costs	**166,145**	**664,580**	75,580	302,320
Accumulated losses	**65,210**	**260,840**	66,124	264,496
Internal unrealised profits elimination	**60,474**	**241,896**	67,440	269,760
Total	**307,461**	**1,229,845**	217,420	869,680

As at 31 December 2012, the Group has not recognised deferred tax assets of RMB160,347,000 (31 December 2011: RMB103,745,000) in respect of deductible losses amounting to RMB641,389,000 (31 December 2011: RMB414,979,000), which will be expired as follows:

	31 December 2012	31 December 2011
Within 1 year	**8,445**	31,194
Between 1 to 2 years	**80,793**	8,445
Between 2 to 3 years	**55,147**	80,793
Between 3 to 4 years	**239,400**	55,147
Over 4 years	**257,604**	239,400
Total	**641,389**	414,979

As at 31 December 2012, the Group has not recognised deferred tax assets of RMB4,650,000 (31 December 2011: RMB2,542,000) in respect of impairment losses amounting to RMB18,598,000 (31 December 2011: RMB10,166,000).

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

(b) Deferred tax liabilities before offsetting

	As at 31 December 2012		As at 31 December 2011	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Withholding income tax	3,876	15,506	–	–
Change in fair value of available-for-sale financial assets	17,850	71,399	8,305	33,225
Business combination not under common control	63,333	253,332	140,248	560,992
Changes in fair value of investment properties recognised in profit or loss	89,940	359,760	–	–
Capitalised interests	45,059	180,236	23,004	92,016
Changes in fair value of investment properties recognised in capital surplus (note 5(9))	440,146	1,760,585	–	–
Total	660,204	2,640,818	171,557	686,233

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

	31 December 2012	31 December 2011
Deferred tax assets, net	280,980	188,913
Deferred tax liabilities, net	633,723	143,050

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(27). Share Capital

	Number of shares (in thousand)	**Share capital** (RMB'000)
Registered, issued and fully paid: as at 31 December 2012	**2,027,960**	**2,027,960**
Registered, issued and fully paid: as at 31 December 2011	2,027,960	2,027,960

(28). Capital surplus

	31 December 2011	Additions	Reductions	**31 December 2012**
Capital premium (a)	925,266	–	(130,794)	**794,472**
Other capital surplus, including:				
Change in fair value of available-for-sale financial assets	24,918	28,631	–	**53,549**
Increase in fair value due to transfer from inventory to investment property (c)	–	1,320,439	–	**1,320,439**
LAT compensated by promoter	35,974	–	–	**35,974**
Fair value appreciation of previously held interest in a business combination achieved in stages	95,538	–	(73,563)	**21,975**
Total	1,081,696	1,349,070	(204,357)	**2,226,409**

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

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

(28). Capital surplus *(Continued)*

(a) In January 2012, the Group entered into an equity transfer agreement with Recosia China Pte Ltd (hereinafter "Recosia") to purchase 100% equity interests of Reco Camellia held by Recosia, at a total consideration of RMB340,547,000. After the transaction, the Group acquired 50% equity interests of its subsidiary, Sunshine City, held by Reco Camellia. Reco Camellia did not engage in any other business except for holding 50% share of Sunshine City. The Group recognised a decrease in capital surplus of RMB104,470,000 according to the difference between the newly acquired long-term equity investment and the entitled net assets calculated continuously from the date of acquisition. Sunshine City is wholly owned by the group after the transaction.

In January 2012, the Group entered into an equity transfer agreement with Reco Ziyang to purchase 45% equity interest of Chengdu Xinzi held by Reco Ziyang, at a total consideration of RMB120,372,000. The Group recognised an increase in capital surplus of RMB1,595,000 according to the difference between the newly acquired long-term equity investment and the entitled net assets calculated continuously from the date of acquisition. Chengdu Xinzi is wholly owned by the Group after the transaction.

In January 2012, the Group entered into an equity transfer agreement with Recosia to purchase 100% equity interests of Reco Hibiscus held by Recosia, at a total consideration of RMB195,396,000. After the transaction, the Group acquired 45% equity interest of its subsidiary, Anhua Shiji, held by Reco Camellia. Reco Camellia did not engage in any other business except for holding 45% share of Anhua Shiji. The Group recognised a decrease in capital surplus of RMB28,792,000 according to the difference between the newly acquired long-term equity investment and the entitled net assets calculated continuously from the date of acquisition. Anhua Shiji is wholly owned by the group after the transaction.

In January 2012, the Group entered into an equity transfer agreement with Reco Ziyang to purchase 45% equity interests of Tianjin Xinchuang held by Reco Ziyang, at a total consideration of RMB105,324,000. The Group recognised an increase in capital surplus of RMB11,578,000 according to the difference between the newly acquired long-term equity investment and the entitled net assets calculated continuously from the date of acquisition. Tianjin Xinchuang is wholly owned by the Group after the transaction.

In December 2012, the Group entered into an equity transfer agreement with a third party to purchase 40% equity interests of Beijing Capital Land (International) Limited (hereinafter "BCL international") at a total consideration of RMB7,702,000. After the transaction, the Group acquired 40% equity interest of its subsidiary Zhejiang Hualong since Zhejiang Hualong is a subsidiary of BCL International. The Group recognised a decrease in capital surplus of RMB13,176,000 according to the difference between the newly acquired long-term equity investment and the entitled net assets calculated continuously from the date of acquisition. Zhejiang Hualong is wholly owned by the Group after the transaction.

In December 2012, the Group entered into an equity transfer agreement with a third Party to purchase 40% equity interests of Beijing Capital Land Investment Limited (hereinafter "BCL Investment"), at a total consideration of RMB1,644,000. After the transaction, the Group acquired 40% equity interests of its subsidiary Zhejiang Shouxin since Zhejiang Shouxin is a subsidiary of BCL Investment. The Group recognised a decrease in capital surplus of RMB1,945,000 according to the difference between the newly acquired long-term equity investment and the entitled net assets calculated continuously from the date of acquisition. Zhejiang Shouxin is wholly owned by the Group after the transaction.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(28). Capital surplus *(Continued)*

(a) *(Continued)*

In December 2012, the Group entered into an equity transfer agreement with Topnoble Holdings Limited (hereinafter "Topnoble") to purchase 100% equity interests of China Creative Properties Limited (hereinafter "China Creative") held by Topnoble, at a total consideration of HKD1. After the transaction, the Group acquired 1% equity interests of its subsidiary Outlets Fangshan held by China Creative. China Creative did not engage in any other business except for holding 1% share of Outlets Fangshan. The Group recognised an increase in capital surplus of RMB4,416,000 according to the difference between the newly acquired long-term equity investment and the entitled net assets calculated continuously from the date of acquisition. Outlets Fangshan is wholly owned by the group after the transaction.

(b) In April 2011, the Group entered into an equity transfer agreement with AG BCL, LLC to purchase 100% equity interests of AG Wuxi Residential SRL (hereinafter "AG Wuxi") held by AG BCL, LLC, at a total consideration of USD 16,000,000. After the transaction, the Group acquired 40% equity interests of its subsidiary Capital Jiangsu held by AG Wuxi. The Group recognised a decrease in capital surplus of RMB48,867,000 according to the difference between the newly acquired long-term equity investment and the entitled net assets calculated from the date of acquisition. Capital Jiangsu is wholly owned by the Group after the transaction.

In August 2011, the Group entered into an equity transfer agreement with Beijing Chengxin Qiankun Investment Company (hereinafter "Beijing Chengxin Qiankun") to purchase 31.04% equity of Beijing Shangyi held by Beijing Chengxin Qiankun at a total consideration of RMB47,500,000. The Group recognised a decrease in capital surplus of RMB70,409,000 according to the difference between the newly acquired long-term equity investment and the entitled net assets calculated continuously from the date of acquisition. Beijing Shangyi is wholly owned by the Group after the transaction.

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

(c) In 2012, the Group reclassified some inventories to investment properties subsequently measured at fair value. The Group recognised an increase in capital surplus according to the difference between the fair value of the investment properties and their original book value (note 5(9)).

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(29). Surplus reserve

	31 December 2011	Additions	Reductions	**31 December 2012**
Statutory surplus reserve	338,540	3,228	–	**341,768**

	31 December 2010	Additions	Reductions	31 December 2011
Statutory surplus reserve	149,991	188,549	–	338,540

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities. In the year ended 31 December 2012, surplus reserve of RMB3,228,000 have been appropriated (2011: RMB188,549,000).

The Company appropriates for the discretionary surplus reserve after approval in the shareholders' meeting proposed by the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities. The Company did not appropriate discretionary surplus reserve in the year ended 31 December 2012 (2011: nil).

(30). Undistributed profits

	31 December 2012	31 December 2011
Dividends proposed but not declared	**324,474**	385,312
Total proposed dividends in the year	**385,312**	365,033

As at 31 December 2012, included in the undistributed profits, RMB718,173,000 is subsidiaries' surplus reserve of subsidiaries attributable to the Company (31 December 2011: RMB642,523,000), RMB75,650,000 of which is appropriated for the year of 2012 (2011: RMB238,378,000).

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(30). Undistributed profits *(Continued)*

In accordance with the resolution at the Annual General Meeting held on 26 April 2012, the Company declared a cash dividend of RMB0.19 per share to the shareholders for the year 2011, which amounted to RMB385,312,000 based on the Company's total issued number of shares which is 2,027,960,000.

On the meeting of Board of directors which held on 28 February 2013, the Board of directors proposed to declare a dividend of RMB0.16 per share for the Year 2012 with a total amount of RMB324,474,000. The dividend proposal will be approved by shareholders on the Annual General Meeting which will be held on 17 April 2013.

(31). Non-controlling interests

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

	31 December 2012	31 December 2011
Tianjin Banshan	**331,773**	393,158
Sunshine City	**–**	217,097
Anhua Shiji	**–**	146,144
Tianjin Xinchuang	**–**	104,769
Tianjin Xinyuan	**302,050**	332,287
Tianjin Xingang	**310,514**	294,518
Chengdu Xinzi	**–**	117,732
Chengdu Yidu	**332,169**	318,231
Chongqing Xinshi	**420,233**	337,001
Jingjin Tongcheng	**85,737**	93,543
Rongjin Company	**22,251**	22,251
Shangbodi	**15,455**	11,853
Outlets Guangdong	**176,767**	164,658
Qingdao Guoxin Yicheng Investment Management Co. Ltd	**4,900**	–
Qinghuangdao Real Estate	**21,759**	–
Capital Qinglv	**146,521**	–
Tianjin Jiaming	**8,526**	–
Guangdong Guansheng	**99,818**	–
Guangdong Rongxin	**75,036**	–
Guangdong Jingsheng	**25,200**	–
Others	**7,741**	7,588
Total	**2,386,450**	2,560,830

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(32). Revenue and cost of sales

	2012	2011
Main operating revenue (a)	**9,081,078**	7,480,141
Other operating revenue (b)	**52,976**	43,180
Total	**9,134,054**	7,523,321

	2012	2011
Main operating cost (a)	**6,159,287**	4,613,997
Other operating cost (b)	**1,051**	420
Total	**6,160,338**	4,614,417

(a) Revenue and cost of sales

	2012		2011	
	Revenue	**Cost of sales**	Revenue	Cost of sales
Sale of properties and related consulting services	**8,973,890**	**6,058,985**	7,377,600	4,513,231
Hotel Services	**107,188**	**100,302**	102,541	100,766
Total	**9,081,078**	**6,159,287**	7,480,141	4,613,997

(b) Other operating revenue and cost

	2012		2011	
	Other operating revenue	**Other operating cost**	Other operating revenue	Other operating cost
Leasing and other operations	**52,976**	**1,051**	43,180	420

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(33). Tax and surcharges

	2012	2011
Business tax	**484,620**	416,331
LAT	**468,659**	365,051
Others	**52,826**	35,400
Total	**1,006,105**	816,782

(34). Financial (income)/expenses – Net

	2012	2011
Interest expenses	**1,346,616**	854,305
Including: Bank loans	**786,880**	418,491
Trust loans	**366,125**	270,279
Corporate bonds	**140,552**	119,596
Other loans	**53,059**	45,939
Less: Amount capitalised	**(1,134,178)**	(800,874)
Interest expenses-net	**212,438**	53,431
(Reversal)/Recognisation of long-term receivables discounts	**(58,841)**	9,124
Interest income	**(235,445)**	(78,215)
Exchange gains or losses – net	**(23,378)**	4,984
Others	**11,499**	28,890
Net	**(93,727)**	18,214

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

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

	31 December 2012		31 December 2011	
	Bank borrowings	**Other borrowings**	Bank borrowings	other borrowings
Wholly repayable within five years	**729,768**	**562,391**	372,917	435,814
Not wholly repayable within five years	**57,112**	**–**	45,574	–
Total	**786,880**	**562,391**	418,491	435,814

(35). Impairment losses

	2012	2011
Provisions of bad debts	**10,368**	9,104
Provision for inventories	**27,489**	–
Total	**37,857**	9,104

(36). Non-operating income

	2012	2011
Excess of the fair value of the identifiable net assets acquired over the total consideration (note 4(2))	**18,455**	2,189
Gains on disposal of fixed assets	**227**	137
Government grants	**2,235**	435
Compensation for projects	**–**	10,000
Others	**1,539**	920
Total	**22,456**	13,681

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(37). Non-operating expense

	2012	2011
Loss on disposal of fixed assets	**5**	54
Donations	**932**	397
Sponsorship fees	**304**	850
Others	**14,509**	2,923
Total	**15,750**	4,224

(38). Gains on changes in fair value

	2012	2011
Investment properties subsequently measured at fair value	**359,760**	–

(39). Investment income

	2012	2011
Share of profit less loss of investees under equity method	**47,171**	140,489
Gains on disposal of joint ventures and associates (note 5(8))	**38,250**	–
Gains from disposal of available-for-sale financial assets – listed equity instrument	**–**	1,318
Total	**85,421**	141,807

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

In the year ended 31 December 2012, the Group has no investment income from listed securities and RMB85,421,000 from unlisted securities respectively (2011: RMB1,318,000 and RMB140,489,000).

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(40). Depreciation, amortization and other operating expenses

	2012	2011
Depreciation of fixed assets	**41,251**	41,621
Amortisation of intangible assets	**1,046**	1,046
Amortisation of long-term prepaid expenses	**1,034**	273
Employee benefits	**186,045**	191,892
Audit fees	**9,990**	8,550
Operating lease rentals	**715**	1,462

(41). Income tax expenses

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for Year 2012 (2011: nil).

PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable PRC income tax rate is 25% (2011: 25%).

Withholding income tax should be charged against income from taxable dividends of non-resident enterprises in the Mainland and investments disposal in mainland China with the tax rate of 5%-10% according to the relevant laws and regulations in the PRC.

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

	2012	2011
Current income tax	**543,476**	473,339
Deferred income tax	**21,847**	(17,487)
Total	**565,323**	455,852

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

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

	2012	2011
Total profit	**1,898,986**	1,679,407
Income tax expenses calculated at applicable tax rates (25%)	**474,747**	419,852
Share of profits less losses of joint ventures and associates	**(11,792)**	(35,122)
Expenses, costs and losses not deductible for tax purposes	**10,379**	11,272
Tax losses for which no deferred income tax asset was recognised	**62,293**	59,850
Provisions of impairment loss for which no deferred income tax asset was recognised	**2,108**	–
Impact attributable to the lower withholding income tax rate	**10,826**	–
Others	**16,762**	–
Income tax expenses	**565,323**	455,852

(42). Earnings per share

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

	2012	2011
Profit attributable to equity holders of the Company	**1,110,925**	998,578
Weighted average number of shares in issue (thousands)	**2,027,960**	2,027,960
Basic earnings per share (RMB cents per share)	**55**	49
Including:		
– Basic earnings per share relating to continuing operation	**55**	49
– Basic earnings per share relating to discontinue operation	**–**	–

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

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(43). Other Comprehensive Income

	2012	2011
Fair value income/(loss) on available-for-sale financial assets, gross	**38,169**	(64,465)
Less: Income tax arise	**(9,542)**	16,116
Fair value gains on transfer from inventories to investment properties, gross	**1,760,585**	–
Less: Income tax arise	**(440,146)**	–
Net amount of reclassifications from other comprehensive income to loss	**5**	(1,321)
Less: Income tax arise	**(1)**	330
Subtotal	**1,349,070**	(49,340)
Difference on translation of foreign currency financial statements	**(4,253)**	3,299
Total	**1,344,817**	(46,041)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(44). Notes to consolidated cash flow statements

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

	2012	2011
Net profit	**1,333,663**	1,223,555
Add: Provisions for asset impairment (note 5(35))	**37,857**	9,104
Depreciation of fixed assets (note 5(10))	**41,251**	41,621
Amortization of intangible assets (note 5(11))	**1,046**	1,046
Amortisation of long-term prepaid expenses	**1,034**	273
Gain on disposal of fixed assets, intangible assets and other long-term assets	**(222)**	(83)
Financial expenses	**(42,868)**	64,269
Investment income (note 5(39))	**(85,421)**	(141,807)
Excess of acquirer's interests in fair value of identifiable net assets over consideration (note 5(36))	**(18,455)**	(2,189)
Increase in deferred tax assets	**(100,923)**	(19,997)
Increase/(Decrease) in deferred tax liabilities	**110,840**	(406)
Increase in inventories	**(1,210,818)**	(2,934,702)
Gains on change in fair value of investment properties (note 5(38))	**(359,760)**	–
Transfer out of assets value in a business combination achieved in stages through disposal of relevant assets (note 5(28))	**73,563**	–
Increase in restricted cash (note 5(1))	**(11,161)**	(346,719)
(Decrease)/Increase in operating receivables	**(698,962)**	1,245,524
Increase in operating payables	**754,696**	430,271
Net cash flows from operating activities	**(174,640)**	(430,240)

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

(b) Net increase/(decrease) in cash

	2012	2011
Cash at end of the year	**8,076,269**	7,974,900
Less: cash at beginning of the year	**(7,974,900)**	(8,429,444)
Net increase/(decrease) in cash	**101,369**	(454,544)

(c) Cash

	2012	2011
Cash at bank and on hand (note 5(1))	**8,616,773**	8,352,243
Less: restricted cash at bank (note 5(1))	**(540,504)**	(377,343)
Cash at end of the year	**8,076,269**	7,974,900

(d) Acquisition or disposal of subsidiary

Cash flow statements of subsidiary acquired by the Group in the year ended 31 December 2012 is stated in note 4(2).

The Group did not dispose of any subsidiaries in the year ended 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

6. SEGMENT INFORMATION

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

The Group identified 6 reportable segments as follows:

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

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

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

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

– Investment property division, which is mainly engaged in the investment property operations.

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

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

(1). Segment information for the year ended 31 December 2012 is as follows:

	Property development								
	Beijing RMB'000	Tianjin RMB'000	Chengyu RMB'000	Others RMB'000	Investment Property RMB'000	Hotel Operations RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
Revenue from external customers	3,983,155	1,575,123	2,056,181	1,277,006	–	107,188	135,401	–	9,134,054
Inter-segment revenue	–	–	–	89,019	–	–	–	(89,109)	–
Interest income	102,799	32,836	36,520	236,024	–	159	271,981	(444,874)	235,445
Interest expenses	(223,321)	–	(8,952)	(281,909)	–	(24,010)	(209,418)	594,013	(153,597)
Share of (loss)/profit of associates and joint ventures	(5,987)	12,269	–	18,274	22,615	–	–	–	47,171
Asset impairment losses	(10,368)	–	–	(27,489)	–	–	–	–	(37,857)
Depreciation and amortization	4,271	615	559	6,380	–	25,823	5,683	–	43,331
Total profit/(loss)	1,033,517	255,784	338,279	40,739	359,760	(23,298)	40,926	(146,721)	1,898,986
Income tax expenses	(296,848)	(63,948)	(83,603)	(14,152)	(89,940)	–	(8,647)	(8,185)	(565,323)
Net profit/(loss)	736,669	191,836	254,676	26,587	269,820	(23,298)	32,279	(154,906)	1,333,663
Total assets	19,600,939	10,871,312	8,148,119	33,256,713	5,822,577	563,965	16,199,515	(46,926,652)	47,536,488
Long-term equity investments on associates and joint ventures	133,647	565,921	–	851,993	148,335	–	–	–	1,699,896
Additions to non-current assets other than long-term equity investments	1,571	155	698	4,825	2,962,033	358	2,731	–	2,972,371

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

6. SEGMENT INFORMATION *(Continued)*

(1). Segment information for the year ended 31 December 2012 is as follows: *(Continued)*

For the year of 2012, no revenue from a single significant customer or foreign customers is generated in the above segments.

As at 31 December 2012, the Group has no non-current assets that are located in other countries.

(2). Segment information for the year ended 31 December 2011 is as follows:

	Property development								
	Beijing RMB'000	Tianjin RMB'000	Chengyu RMB'000	Others RMB'000	Investment Property RMB'000	Hotel Operations RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
Revenue from external customers	3,153,273	3,183,075	821,900	262,531	–	102,542	–	–	7,523,321
Inter-segment revenue	–	–	–	69,550	–	–	–	(69,550)	–
Interest income	95,077	87,476	41,103	84,872	–	214	337,322	(567,849)	78,215
Interest expenses	(186,098)	(73,508)	(6,131)	(139,440)	–	(13,008)	(270,922)	626,552	(62,555)
Share of profit of associates and joint ventures	–	2,253	–	88,619	49,617	–	–	–	140,489
Asset impairment losses	(9,104)	–	–	–	–	–	–	–	(9,104)
Depreciation and amortization	(4,612)	(442)	(749)	(4,759)	–	(25,883)	(6,222)	–	(42,667)
Total profit/(loss)	683,750	663,752	164,471	73,459	–	(15,295)	69,270	40,000	1,679,407
Income tax expenses	(226,761)	(163,608)	(39,543)	(9,143)	–	–	(6,797)	(10,000)	(455,852)
Net profit/(loss)	456,989	500,144	124,928	64,316	–	(15,295)	62,473	30,000	1,223,555
Total assets	21,483,801	8,586,513	6,546,569	23,263,733	1,422,188	586,175	18,621,612	(42,716,389)	37,794,202
Long-term equity investment on associates and joint ventures	–	524,191	–	1,060,370	125,720	–	–	–	1,710,281
Additions to current assets other than Long-term equity investment	2,701	540	216	6,576	402,577	275	3,438	–	416,323

For the year of 2011, no revenue from a single significant customer or foreign customers is generated in the above segments.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1). The parent company and subsidiaries

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

(a) General information of the parent company:

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

The Company's ultimate controlling party is Capital Group.

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

	31 December 2011	Current year additions	Current year decreases	**31 December 2012**
Capital Group	3,300,000	–	–	**3,300,000**

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

	As at 31 December 2012			As at 31 December 2011		
	Direct interest held %	**Indirect interest held %**	**Voting rights %**	Direct interest held %	Indirect interest held %	Voting rights %
Capital Group	**15.34**	**16.68**	**32.02**	15.34	16.68	32.02

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

(2). Information of joint ventures and associates

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

(3). Information of other related parties

Name of related entities	Relationship with the Company
Capital Development	Promoter of the Company
Sunshine Comprehensive	Promoter of the Company
Reco Ziyang	Non-controlling interests of subsidiaries
Recosia	Non-controlling interests of subsidiaries
Yangguang Xinye	Under significant influence by the same key management personnel and in substance constitute of a related party
Zirui Xinli	Subsidiary of Yangguang Xinye
Ruijing Yangguang	Subsidiary of Yangguang Xinye
Beijing Xingtai Real Estate Development Co, Ltd.	Subsidiary of Yangguang Xinye
Beijing Capital Fengdu Real Estate Development Co., Ltd.	Subsidiary of Yangguang Xinye
Hongcheng Zhanye	Subsidiary of Yangguang Xinye

(4). Related party transactions

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

(a) Providing consulting service

	2012	2011
Tianjin Xinming	**1,223**	7,903
Tianjin Xinqing	**6,044**	3,614
Xi'an Xinkai	**2,155**	10,267
Shenyang Jitian	**4,710**	2,676
Shenyang Xinzi	**2,679**	4,657
Total	**16,811**	29,117

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

(b) (Receive)/Provide funding

	2012	2011
Dalecheng	**(104,500)**	(385)
Capital Jiaming	**10,000**	60,000
Zirui Xinli	**(13,873)**	(5,019)
Outlets China	**–**	221,611
Financial Street	**34,847**	41,849
Tianjin Xinming	**(6,500)**	(47,000)
Tianjin Xinqing	**(216,500)**	(29,500)
Xi'an Xinkai	**549,139**	(881,843)
Shenyang Xinzi	**(78,921)**	(43,884)
Shenyang Jitian	**7,800**	(7,800)
Yangguang Xinye	**791,504**	–
Hongcheng Zhanye	**19,285**	–
GoldenNet	**3,388**	–
Huzhou Rongcheng	**224,750**	–
Huzhou Rongcheng	**(224,750)**	–
Beijing Wanzhu	**(32,391)**	–
Total	**963,278**	(691,971)

(c) Commission fee

	2012	2011
GoldenNet	**133,801**	104,504

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

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

(d) Leases

	2012	2011
GoldenNet	–	12,372

(e) Interest income/(expense)

	2012	2011
Beijing Wanzhu	12,038	–
Capital Jiaming	4,601	–
Huzhou Rongcheng	2,955	–
Xi'an Xinkai	(5,500)	–
Outlets China (i)	–	4,367
Reco Camellia (ii)	–	(1,316)
Reco Ziyang	–	(12,573)
Total	14,094	(9,522)

(i) The Group disposed Outlets China in September 2012, thus Outlets China is no longer a related party of the Group.

(ii) Reco Camellia was originally a non-controlling interests shareholder of Sunshine City, a significant subsidiaries of the Company. The Group purchased 100% equity interests of Reco Camellia in 2012, and relatively obtained 50% equity interests of Sunshine City held by Reco Camellia. Therefore Reco Camellia became a subsidiary of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

(f) Purchasing equity interests from non-controlling interests shareholders of subsidiaries

In January 2012, the Group entered into equity transfer agreements with Reco Ziyang to purchase 45% equity interest of Tianjin Xinchuang and Chengdu Xinzi. In January 2012, the Group purchased 100% equity interests of Reco Camellia and Reco Hibiscus, and obtained 50% equity interests of Sunshine City held by Reco Camellia and 45% equity interests of Anhua Shiji and Reco Hibiscus. Such transaction has been approved at the shareholders' meeting on 5 March 2012. As at 31 December 2012, the acquisition of 45% equity interests of Tianjin Xinchuang and Chengdu Xinzi, 50% equity interests of Sunshine City, and 45% equity interests of Anhua Shiji has completed (note 5(28)(a)).

(g) Guarantees

	2012	2011
Capital Group for the Company	**1,000,000**	1,000,000

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

	2012	2011
The Company for subsidiaries	**7,276,996**	2,060,193
Subsidiaries for the Company	**154,000**	–
Subsidiaries for subsidiaries	**2,000,000**	–

In February 2011, the Company provided irrevocable guarantee for the corporate bond amounted to RMB1,150,000,000 issued by its wholly owned subsidiary BECL. The guarantee maturity date is February, 2014.

In November 2012, the Company entered into a Keepwell Deed for the corporate bond amounted to RMB2,000,000,000 issued by its wholly owned subsidiary Central Plaza. IFC, a wholly owned subsidiary of the Company is arranged to provide guarantee for the corporate bond above.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

(h) Key management compensation

	2012	2011
Salary and other short-term employee welfare	**21,532**	22,380
Others	**437**	339
Remuneration of key management personnel	**21,969**	22,719

(5). Related party balances

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

	31 December 2012	31 December 2011
Ruijing Yangguang	**–**	60,000

(b) Advances to suppliers

	31 December 2012	31 December 2011
GoldenNet	**34,280**	36,652

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

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

	31 December 2012	31 December 2011
Financial Street (i)	**522,293**	428,177
Outlets China	**–**	175,700
Beijing Wanzhu (ii)	**–**	220,290
Total	**522,293**	824,167

(i) As at 31 December 2011, the receivables due from Financial Street, an associate of the Group, are interest free and have no fixed maturity date. The Group signed a new agreement with Financial Street. From 1 January 2013, the receivables convert into interest-bearing with interest rate of bank borrowings of the same period and have no fixed maturity date. As the Group predicted that the receivables shall not be collected within one year, the receivables are classified as long-term receivables.

(ii) The receivable due from Beijing Wanzhu was charged at the same interest rate with the bank borrowings of the same period, and is pledged by the 30% equity interest of Beijing Wanzhu held by the cooperate partner. As at 31 December 2011, as Beijing Wanzhu requires a large amount of funding for development and construction at the early stage, the Group expects the receivable cannot be collected within one year, thus such amount was classified as long-term receivables. As at 31 December 2012, Beijing Wanzhu has begun to presell, and the Group plans to collect the receivable within one year. Thus the receivable is classified as other receivables.

(d) Dividends receivables (note 5(4))

	31 December 2012	31 December 2011
Tianjin Xinming	**9,825**	–
Xi'an Xinkai	**87,422**	12,400
Total	**97,247**	12,400

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

(e) Other receivables (note 5(2)(b))

	31 December 2012	31 December 2011
Beijing Wanzhu	**205,095**	–
GoldenNet	**3,852**	464
Huzhou Rongcheng	**6,567**	–
Dalecheng	**–**	104,500
Capital Jiaming (i)	**79,202**	60,000
Chaoyang Investment	**8,020**	–
Zirui Xinli	**–**	13,873
Outlets China (note 7(4)(e)(i))	**–**	33,625
Total	**302,736**	212,462

(i) The receivables are principal and interest provided by the Group to Capital Jiaming. The principal is amounted to RMB70,000,000, with a floating interest rate of 30% higher than the interest rate of one-year bank borrowings announced by the People's Bank of China. The receivables have no fixed maturity and are unpledged and unguaranteed.

Besides the receivables due from Beijing Wanzhu (note 7(5)(c)(ii)) and Capital Jiaming, other receivables due from related parties above are all interest free, unpledged and unguaranteed and have no fixed maturity date.

(f) Other payables (note 5(21))

	31 December 2012	31 December 2011
Tianjin Xinming	**92,000**	85,500
Xi'an Xinkai (i)	**452,500**	1,001,639
Reco Ziyang	**56,714**	56,714
Shenyang Xinzi	**122,600**	43,679
Tianjin Xinqing	**246,000**	29,500
Shenyang Jitian	**–**	7,800
Yangguang Xinye	**–**	791,504
Hongcheng Zhanye	**–**	19,285
Financial Street	**377**	–
Huzhou Rongcheng	**20,000**	–
Total	**990,191**	2,035,621

(i) The payables is due to Xi'an Xinkai by the Group, and the interest rate is one year benchmark lending rate of the People's Bank of China. The payables have no fixed maturity and are unpledged and unguaranteed.

Except for Xi'an Xinkai and Reco Ziyang, stated in note 5(21)(a), other related party payables are interest free, unsecured and unguaranteed, and have no fixed maturity date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

(g) Accounts payable

	31 December 2012	31 December 2011
GoldenNet	**11,788**	–

(h) Dividends payable (note 5(20))

	31 December 2012	31 December 2011
Reco Ziyang	**262,833**	220,839
Reco Camellia (note 7(4)(e)(ii))	**–**	294,042
Reco Hibiscus (i)	**–**	285,764
Capital Group	**115,082**	55,986
Sunshine Comprehensive	**17,545**	–
Total	**395,460**	856,631

(i) Reco Hibiscus was originally a non-controlling interest shareholder of Anhua Shiji, a significant subsidiaries of the Company. The Group purchased 100% equity interests of Reco Hibiscus in 2012, and accordingly obtained 45% equity interests of Anhua Shiji held by Reco Hibiscus. Therefore Reco Hibiscus became a subsidiary of the Group.

(i) Interest payable

	31 December 2012	31 December 2011
Reco Ziyang	**13,273**	87,927
Reco Camellia (note 7(4)(e)(ii))	**–**	7,619
Total	**13,273**	95,546

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

(j) Remuneration payable to Directors

	31 December 2012	31 December 2011
Remuneration payable to Directors	**19,208**	8,868

(k) Emoluments to directors, supervisors and Chief Executive Officer

Directors', supervisors' and Chief Executive Officer's emoluments for the year ended 31 December 2012 are as follows:

Name	**Allowance**	**Salary**	**Others**	**Employer's contribution to retirement benefit scheme**	**Total**
Liu Xiaoguang	–	2,780	–	–	2,780
Tang Jun (President)	–	3,610	491	56	4,157
Zhang Juxing	–	1,720	390	56	2,166
Feng Chunqin	570	–	–	–	570
Cao Guijie	570	–	–	–	570
Zhang Shengli	570	–	–	–	570
Li Zhaojie	270	–	–	–	270
Ng Yuk Keung	270	–	–	–	270
Wang Hong	270	–	–	–	270
Liu Yongzheng	170	–	–	–	170
Fan Shubin	170	–	–	–	170
Jiang Hebin	–	708	96	56	860

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

(k) Emoluments to directors, supervisors and Chief Executive Officer *(Continued)*

Directors', supervisors' and Chief Executive Officer's emoluments for the year ended 31 December 2011 are as follows:

Name	Allowance	Salary	Others	Employer's contribution to retirement benefit scheme	Total
Liu Xiaoguang	–	2,447	–	–	2,447
Tang Jun (President)	–	3,180	487	42	3,709
Zhang Juxing	–	1,516	386	42	1,944
Feng Chunqin	505	–	–	–	505
Cao Guijie	505	–	–	–	505
Zhu Min (i)	463	–	–	–	463
Zhang Shengli (ii)	42	–	–	–	42
Ke Jianmin (i)	224	–	–	–	224
Li Zhaojie	224	–	–	–	224
Ng Yuk Keung	224	–	–	–	224
Wang Hong (ii)	20	–	–	–	20
Yu Changjian (i)	139	–	–	–	139
Wang Qi (i)	139	–	–	–	139
Wei Jianping (i)	–	502	119	39	660
Liu Yongzheng (ii)	13	–	–	–	13
Fan Shubin (ii)	13	–	–	–	13
Jiang Hebin (ii)	–	55	10	3	68

(i) Retired on 4 December of 2011.

(ii) Appointed on 5 December of 2011.

Directors, supervisors and Chief Executive Officer's emoluments above does not include long-term incentive fund.

(l) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 3 (2011: 3) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 (2011: 2) individuals during the year are as follows:

	31 December 2012	31 December 2011
Basic salaries, bonus, housing allowance, other allowances in kind	**3,789**	4,502

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

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

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

(l) Five highest paid individuals *(Continued)*

	Number of individuals	
	2012	2011
Emolument bands:		
RMB0 – 1,000,000	**–**	–
RMB1,000,001 – 4,000,000	**2**	2

The emoluments above do not include incentive fund.

(m) Long Term Incentive Fund Scheme

At the Extraordinary General Meeting on 27 September 2007, "the Long Term Incentive Fund Scheme" (the "Scheme") was approved. According to the Scheme, the company appropriate RMB50,000,000 (2011: RMB48,300,000) of incentive fund for management in the year ended 31 December 2012. The allocation of the incentive fund is in accordance with the Scheme, with 10% for the Board and 90% for senior management as well as core management and technical staff members of the company, in which, the amount for senior management accounts for 60% of the total incentive fund.

8. COMMITMENTS

(1). Capital commitments

(a) Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	31 December 2012	31 December 2011
Authorised but not contracted	**9,728,548**	8,608,543
Contracted but not paid	**5,469,610**	2,569,063

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

8. COMMITMENTS *(Continued)*

(1). Capital commitments *(Continued)*

(b) The Group's share of capital commitment of the joint venture are as follows:

	31 December 2012	31 December 2011
Authorised but not contracted	**372,541**	30,250
Contracted but not paid	**567,308**	1,350

(2). Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	31 December 2012	31 December 2011
Within 1 year	**2,434**	5,446
1 and 2 years	**487**	2,434
2 and 3 years	**–**	487
Total	**2,921**	8,367

(3). Investment commitments

	31 December 2012	31 December 2011
Changfeng Development Co. Ltd.	**17,500**	24,500
Capital Qinglv Culture	**29,000**	–

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

9. DISCONTINUED OPERATION

In December 2012, the Company entered into an agreement with Aotelaisi Renowned Brand Discount Store Limited, Aotelaisi Renowned Brand Discount Store Properties Limited, Worldwide Renowned Brand Discount Store Asia Limited and Aotelaisi Renowned Brand Discount Store Investment Limited to dispose its entire equity interests in Outlets Guangdong, Guangdong Rongxin, Guangdong Guansheng, and Guangdong Jingsheng. As at 31 December 2012, the Company has received equity transfer price amounted RMB60,444,000. The transfer is expected to be completed in 2013.

The operating results of the discontinued operations above are as follows:

	31 December 2012	31 December 2011
Revenue of discontinued operation	**–**	–
Less: Costs and expenses of discontinued operations	**4,740**	10,629
Total profit of discontinued operations	**4,740**	10,629
Less: income taxes of discontinued operations	**(1,185)**	(2,657)
Net losses of discontinued operations	**3,555**	7,972
Including: net losses of discontinued operations attributable to ordinary shareholders of the Company	**1,841**	4,389

10. FINANCIAL GUARANTEES

The Group has arranged bank financing for certain customers and had provided guarantees to secure obligations of these customers for repayments.

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will be expired when relevant property ownership certificates are lodged with the various banks by the purchasers.

As at 31 December 2012, outstanding guarantees amounted to RMB3,822,872,000 (31 December 2011: RMB3,028,311,000).

As at 31 December 2012, other than guarantees provided for borrowings refer to note 7(4)(f), the Group had no material external guarantee.

The Group believes that the guarantees above will not have a significant impact on its financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

11. FINANCIAL INSTRUMENT AND RISK

The Group's activities expose it to a variety of financial risks, market risk (primarily currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(1). Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities such as cash and cash equivalents, trade and other payables, and borrowings. (The majority of the Group's foreign currency transactions and balances are dominated in Hong Kong dollars ("HKD") and United States dollars ("USD").) The Group's finance department of headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies. The management of the Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. In the year ended 31 December 2012 and 2011, the Group did not enter into any forward exchange contracts or currency swap contracts.

As at 31 December 2012 and 31 December 2011, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarized below:

	31 December 2012			
	USD	**HKD**	**EUR**	**Total**
Cash at bank and on hand	**309,960**	**774,392**	**541**	**1,084,893**
Long-term borrowings	**292,873**	**–**	**–**	**292,873**
Interest payables	**6,655**	**–**	**–**	**6,665**

	31 December 2011			
	USD	HKD	EUR	Total
Cash at bank and on hand	69,417	1,587,514	–	1,656,931
Long-term borrowings	293,427	–	–	293,427
Current portion of non-current liabilities	205,882	–	–	205,882
Interest payables	82,273	–	–	82,273

As at 31 December 2012, for all USD, HKD and EUR denominated financial assets and liabilities, if RMB had increased/decreased by 5% against USD, HKD or EUR with all other variables held constant, post-tax profit for the year would have been decrease/increase by approximately RMB29,451,000 (31 December 2011: decrease/increase RMB40,326,000).

11. FINANCIAL INSTRUMENT AND RISK *(Continued)*

(1). Market risk *(Continued)*

(b) Interest rate risk

The Group's interest rate risk arises from long-term interest-bearing borrowings including long-term borrowings. The Group has exposed to interest rate risk due to the fluctuation of the prevailing market interest rate on borrowings which carry at prevailing market interest rates. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group determines the contracts proportions of fixed rate and floating rate depending on the market conditions. As at 31 December 2012, the Group's long-term interest bearing borrowings were mainly RMB- and USD-denominated with floating rates, amounting to RMB11,389,133,000 (31 December 2011: RMB7,562,307,000).

Increases in interest rates will increase the cost of new borrowing and the interest expenses of to the Group's outstanding floating rate borrowings, and therefore could have a material adverse impact on the Group's financial position. The Group's finance department of its headquarters continuously monitors the interest rate position of the Group and makes decisions with reference to the latest market conditions. The management of the Group may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. In the year ended 31 December 2012 and 2011, the Group did not enter into any interest rate swap agreements.

As at 31 December 2012, if interest rates on the floating rate borrowings increased/decreased 50 basis points with all other variables held constant, the financial expenses of the Group would increased/decreased by approximately RMB56,946,000 (31 December 2010: RMB37,812,000).

(2). Credit risk

Credit risk is managed by portfolio classification. Credit risk mainly arises from cash at bank and on hand, accounts receivable, and other receivables.

The Group expects that credit risk on cash at bank since they are deposited at state-owned banks and other medium or large size listing banks. Management does not expect that there will be any significant losses arise from non-performance by these counterparties.

In addition, the Group has policies to control the credit risk exposure on accounts receivable, and other receivables. The Group assesses the credit qualification of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit record of the customers is regularly monitored by the Group. For customers with a poor credit history, the Group will apply written payment reminders, shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited under control.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

11. FINANCIAL INSTRUMENT AND RISK *(Continued)*

(3). Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department of its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The following table details the Group's contractual maturity for its financial assets, base on undiscounted contractual cash flows:

	31 December 2012				
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Financial assets –					
Cash	**8,616,773**	**–**	**–**	**–**	**8,616,773**
Receivables	**3,256,789**	**–**	**–**	**–**	**3,256,789**
Long-term receivables	**31,338**	**1,377,335**	**–**	**–**	**1,408,673**
Total	**11,904,900**	**1,377,335**	**–**	**–**	**13,282,235**

	31 December 2011				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial assets –					
Cash	8,352,243	–	–	–	8,352,243
Receivables	980,051	–	–	–	980,051
Long-term receivables	17,570	899,712	–	–	917,282
Total	9,349,864	899,712	–	–	10,249,576

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

11. FINANCIAL INSTRUMENT AND RISK *(Continued)*

(3). Liquidity risk *(Continued)*

	31 December 2012				
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Financial liabilities –					
Short-term borrowings	**568,309**	**–**	**–**	**–**	**568,309**
Payables	**7,096,795**	**–**	**–**	**–**	**7,096,795**
Debentures payables	**268,598**	**2,344,216**	**2,092,336**	**–**	**4,705,150**
Long-term borrowings	**843,102**	**8,746,069**	**2,127,909**	**1,158,613**	**12,875,693**
Current portion of non-current liabilities	**3,113,874**	**–**	**–**	**–**	**3,113,874**
Total	**11,890,678**	**11,090,285**	**4,220,245**	**1,158,613**	**28,359,821**

	31 December 2011				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial liabilities –					
Short-term borrowings	1,340,278	–	–	–	1,340,278
Payables	6,733,009	–	–	–	6,733,009
Debentures payables	118,769	118,769	2,203,884	–	2,441,422
Long-term borrowings	395,173	2,932,991	2,666,611	1,312,169	7,306,944
Current portion of non-current liabilities	3,722,055	–	–	–	3,722,055
Total	12,309,284	3,051,760	4,870,495	1,312,169	21,543,708

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

11. FINANCIAL INSTRUMENT AND RISK *(Continued)*

(3). Liquidity risk *(Continued)*

Bank and other borrowings are analysed by repayment terms as follows:

	31 December 2012		31 December 2011	
	Bank borrowings	**Other borrowings**	Bank borrowings	Other borrowings
Wholly repayable within five years	**10,570,733**	**3,024,166**	6,542,307	2,857,620
Not wholly repayable within five years	**1,135,000**	**–**	1,235,000	–
Total	**11,705,733**	**3,024,166**	7,777,307	2,857,620

(4). Fair value

(a) Financial instruments not measured in fair value

Financial assets and liabilities not measured in fair value mainly include receivables, short-term borrowings, payables, Long-term borrowings, current portion of non-current liabilities and debentures payables.

Except financial assets and liabilities listed below, the carrying amount of financial assets and liabilities not measured in fair value is a reasonable approximation of their fair value:

	31 December 2012		31 December 2011	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Long-term borrowings	**2,520,600**	**2,127,701**	1,812,620	1,783,575
Debentures payables	**4,108,020**	**4,088,667**	2,134,974	2,073,091
Total	**6,628,620**	**6,216,368**	3,947,594	3,856,666

The fair value of long-term borrowings and payables not quoted in an active market is the present value of the contractually determined future cash flows discounted at comparable interest rate.

(b) Financial instruments measured in fair value

Based on the lowest level input that is significant to the fair value measurement in its entirety, the fair value is divided into the following levels:

Level 1, Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

11. FINANCIAL INSTRUMENT AND RISK *(Continued)*

(4). Fair value *(Continued)*

(b) Financial instruments measured in fair value *(Continued)*

As at 31 December 2012, the financial assets measured at fair value by the above three levels are analysed below,

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets – Available-for-sale financial assets	**150,653**	**–**	**50,000**	**200,653**

As at 31 December 2011, the financial assets measured at fair value by the above three levels are analysed below,

	Level 1	Level 2	Level 3	Total
Financial assets – Available-for-sale financial assets	112,479	–	1	112,480

12. EVENTS AFTER THE BALANCE SHEET DATE

	Amount
Proposed distributed dividend (a)	324,474
Declared distributed dividend proposed by the Board of Directors	324,474

(a) In accordance with the resolution at the Board of Directors' meeting dated on 28 February 2013, the Board of Directors proposed a dividend in the amount of RMB324,474,000 to the shareholders, which is not recorded as liability in the financial statements for the current year (note 5 (30)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS

(1). Cash

	31 December 2012	31 December 2011
Cash on hand	**112**	722
Cash at bank	**400,639**	1,365,359
Total	**400,751**	1,366,081

As at 31 December 2012, there is no cash at bank (31 December 2011: RMB100,000,000) has been pledged for certain bank borrowings.

(2). Accounts receivable and other receivables

(a) Accounts receivable

	31 December 2012	31 December 2011
Accounts receivable	**160**	160
Less: provisions for bad debts	**–**	–
Receivables – net	**160**	160

The ageing analysis of the accounts receivables are as follows:

	31 December 2012	31 December 2011
Over 3 years	**160**	160

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

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

(b) Other receivables

	31 December 2012	31 December 2011
Amounts due from subsidiaries (i)	**11,858,769**	13,805,809
Amounts due from associates	**–**	2,363
Amounts due from joint ventures	**213,115**	–
Land deposits and other guarantee deposits	**10,000**	10,000
Others	**21,833**	33,544
Total	**12,103,717**	13,851,716
Less: provisions for bad debts	**(24,000)**	(24,000)
Receivables – net	**12,079,717**	13,827,716

(i) As at 31 December of 2012, balance of loans from the Company to the subsidiaries is RMB1,854,876,000 (31 December of 2011: RMB4,249,646,000), and the interest rates range from 6.34% to 15%. The loans have no fixed maturity date and are unsecured and unguaranteed. Other receivables due from subsidiaries except for the loans above are interest free, unsecured and unguaranteed and have no fixed maturity date.

The Company has not recognised or written off bad debt provision for other receivables in the year ended 31 December 2012.

The analysis of other receivables and the related provisions are as follows:

	31 December 2012				31 December 2011			
	Amount	**% of total balance %**	**Provision**	**% of the provision %**	Amount	% of total balance %	Provision	% of the provision %
Within 1 year	**12,078,939**	**100**	**–**	**–**	13,816,876	100	–	–
1 to 2 years	**178**	**–**	**–**	**–**	–	–	–	–
2 to 3 years	**–**	**–**	**–**	**–**	10,240	–	–	–
Over 3 years	**24,600**	**–**	**(24,000)**	**98**	24,600	–	(24,000)	98
Total	**12,103,717**	**100**	**(24,000)**	**–**	13,851,716	100	(24,000)	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(3). Inventories

(a) Inventories are classified as follows:

	As at 31 December 2012			As at 31 December 2011		
	Book balance	**Provisions of inventory**	**Book value**	Book balance	Provisions of inventory	Carrying value
Inventories and properties held for sale	**44,076**	**–**	**44,076**	44,076	–	44,076

(b) Movement in book value of inventories are analysed as follows:

	31 December 2011	Current year additions	Current year reductions	**31 December 2012**
Cost – Inventories and properties held for sale	44,076	–	–	**44,076**
	44,076			**44,076**

(4). Dividends Receivable

	31 December 2011	Current year additions	Current year reductions	**31 December 2012**
Xi'an Xinkai	12,400	–	–	**12,400**

(5). Available-for-sale Financial Assets

	31 December 2012	31 December 2011
Available-for-sale equity instrument	**162,583**	73,961
Less: Provision of available-for-sale financial assets	**–**	–
Net	**162,583**	73,961
In which, market value of listed security – Mainland China	**112,583**	73,961
Non-listed equity instrument	**50,000**	–
Total	**162,583**	73,961

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(6). Long-term receivables

	31 December 2012	31 December 2011
Financial Street	**412,565**	184,307
Beijing Wanzhu (note 7(5)(c)(ii))	**–**	220,290
Total	**412,565**	404,597

(7). Long-term Equity Investments

	31 December 2012	31 December 2011
Subsidiaries (a) – non-listed companies	**2,881,524**	2,761,524
Joint ventures (b) – non-listed companies	**26,464**	–
Associates (c) – non-listed companies	**155,159**	133,434
Total	**3,063,147**	2,894,958

The Company has no significant limitation on realisation of long-term investment or collection of investment income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

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

(a) Subsidiaries

	Attributable interest held	Attributable vote held	31 December 2011	Additions	Disposals	**31 December 2012**
S. C.	100%	100%	734,095	–	–	**734,095**
Rongjin Company	59.5%	59.5%	21,968	–	–	**21,968**
Central Company	100%	100%	79,433	–	–	**79,433**
Central Plaza Xinrong	100%	100%	90,437	–	–	**90,437**
IFC	100%	100%	20,480	–	–	**20,480**
Central Plaza	100%	100%	39,466	–	–	**39,466**
Jindu Company	100%	100%	369,970	–	–	**369,970**
Beijing Xinzi	100%	100%	642,625	–	–	**642,625**
Anhua Shiji	55%	55%	136,303	–	–	**136,303**
Shangboya	100%	100%	30,000	–	–	**30,000**
Shangbodi	51%	51%	15,300	–	–	**15,300**
Jiangsu Capital	100%	100%	60,375	–	–	**60,375**
Capital Chengdu	100%	100%	150,000	–	–	**150,000**
Sunshine City (note4(1)(i))	50%	60%	82,766	–	–	**82,766**
Wuxi Xindong	100%	100%	100,000	–	–	**100,000**
Capital (Chengdu) Investment Co., Ltd.	100%	100%	5,000	–	–	**5,000**
Capital (Tianjin) Real Estate Management Co., Ltd.	100%	100%	5,000	–	–	**5,000**
Beijing Ruiyuan Fengxiang Real Estate Development Co., Ltd.	100%	100%	10,000	–	–	**10,000**
Ruiyuan Fengji	100%	100%	10,000	–	–	**10,000**
Chuangxin Jianye	100%	100%	50,000	–	–	**50,000**
Beijing Xinyuan Chengye Consultant Co., Ltd.	100%	100%	1,000	–	–	**1,000**
Capital Nanjing Investment Co., Ltd.	100%	100%	5,000	–	–	**5,000**
Capital Guoxin (ii)	100%	100%	–	100,000	–	**100,000**
Haikou Capital Xinye Investment Co., Ltd.	100%	100%	10,000	–	–	**10,000**
BECL	100%	100%	67,296	–	–	**67,296**
Tianjin Yongyuan Investment Co., Ltd.	0.03%	0.03%	10	–	–	**10**
Beijing Chuangyuan Bodao Architectural Design & Consulting Co., Ltd	100%	100%	5,000	–	–	**5,000**
Beijing Xinyuan Huafu Investment Co., Ltd.	100%	100%	5,000	–	–	**5,000**
Beijing Zhongrui Kaihua Investment Co., Ltd. (i)	100%	100%	5,000	–	(5,000)	**–**
Beijing Yongyuan Jintai Investment Co., Ltd. (i)	100%	100%	5,000	–	(5,000)	**–**
Beijing Hengyuan Yinxing Investment Co., Ltd.	100%	100%	5,000	–	–	**5,000**
Beijing Dongqi Jin zhao Infrastructure Investment Co., Ltd. (ii)	100%	100%	–	30,000	–	**30,000**
Total			2,761,524	130,000	(10,000)	**2,881,524**

(i) In 2012, the Company transferred all equity interests of the subsidiaries above to other subsidiaries held by the Group.

(ii) The above companies are wholly-owned subsidiaries set up by the Company in 2012.

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

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

(b) Joint ventures

	31 December 2011	Additional investment cost	Net profit adjusted according to the equity method	Cash dividends	Reduction by disposal	**31 December 2012**
Tonghua Qiangyu	–	4,000	(6)	–	–	**3,994**
Beijing Wanzhu	–	25,500	(3,030)	–	–	**22,470**
Total	–	29,500	(3,036)	–	–	**26,464**

(c) Associates

	31 December 2011	Additional investment cost	Net profit adjusted according to the equity method	Cash dividends	Reduction by disposal	**31 December 2012**
GoldenNet	7,659	–	705	(1,540)	–	**6,824**
SCJF	55	–	–	–	(55)	**–**
Yang Guang Yuan	125,720	–	22,615	–	–	**148,335**
Total	133,434	–	23,320	(1,540)	(55)	**155,159**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(8). Investment Properties

	31 December 2012	31 December 2011
Investment properties subsequently measured at fair value (a)	**1,958**	1,958
Less: Provision for Impairment Loss	**–**	–
Total	**1,958**	1,958

(a) Investment properties subsequently measured at the fair value model

	Buildings and land use right
Cost	
31 December 2011	1,958
Additions	–
Purchase	–
Others	–
Disposals	–
Transfer to inventories	–
Others	–
31 December 2012	1,958
Change in fair value	
31 December 2011	–
Increase	–
Gains/losses on change in fair value	–
Others	–
Decrease	
Transfer to inventories	–
Others	–
31 December 2012	–
Carrying amount	
31 December 2012	1,958
31 December 2011	1,958

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(9). Fixed Assets

	Buildings	Motor Vehicles	Office Equipment	Total
Cost				
31 December 2011	72,925	8,297	18,576	99,798
Additions	–	2,157	574	2,731
Disposals	–	–	–	–
31 December 2012	**72,925**	**10,454**	**19,150**	**102,529**
Accumulated Depreciation				
31 December 2011	(10,501)	(7,429)	(10,573)	(28,503)
Depreciation	(1,741)	(1,126)	(2,816)	(5,683)
Disposal	–	–	–	–
31 December 2012	**(12,242)**	**(8,555)**	**(13,389)**	**(34,186)**
Provision for impairment loss				
31 December 2011	–	–	–	–
Charges	–	–	–	–
31 December 2012	–	–	–	–
Net Book Value				
31 December 2012	**60,683**	**1,899**	**5,761**	**68,343**
31 December 2011	62,424	868	8,003	71,295

In the year ended 31 December 2012, depreciation expense charged in administrative expenses amounted to RMB5,683,000 (2011: RMB6,222,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(10). Accounts payable

The ageing analysis of accounts payable is as follows:

	31 December 2012	31 December 2011
Within 1 year	**–**	–
Over 1 year	**10,783**	10,783
Total	**10,783**	10,783

(11). Other payables

	31 December 2012	31 December 2011
Payables to subsidiaries	**6,119,936**	8,622,718
Others	**19,756**	19,332
Total	**6,139,692**	8,642,050

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(12). Long-term borrowings

	Currency	**31 December 2012**	31 December 2011
Credit loans	RMB	**28,000**	30,000
Secured loans:			
– Pledged	RMB	**1,550,000**	2,550,000
– Trust	RMB	**1,795,000**	500,000
– Mortgaged	RMB	**154,000**	100,000
Subtotal		**3,527,000**	3,180,000
Less: long-term borrowings due within one year:			
Credit loans	RMB	**(3,000)**	(2,000)
Secured loans:			
– Pledged	RMB	**(600,000)**	(1,000,000)
– Trust	RMB	**(302,000)**	(500,000)
– Guaranteed, mortgaged	RMB	**(154,000)**	–
Subtotal		**(1,059,000)**	(1,502,000)
Net		**2,468,000**	1,678,000

The analysis of repayable dates of bank borrowings and other borrowings are as follows:

	31 December 2012		31 December 2011	
	Bank borrowings	**Other borrowings**	Bank borrowings	Other borrowings
Wholly repayable within five years	**1,732,000**	**1,795,000**	2,680,000	500,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(13). Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	As at 31 December 2012		As at 31 December 2011	
	Deferred tax assets	**Deductable temporary differences**	Deferred tax assets	Deductable temporary differences
Provision for asset impairment	**6,000**	**24,000**	6,000	24,000
Accrued salary and other expenses	**44,513**	**178,052**	38,965	155,860
Internal unrealised profits elimination	**–**	**–**	4,271	17,084
Total	**50,513**	**202,052**	49,236	196,944

(b) Deferred tax liabilities before offsetting

	As at 31 December 2012		As at 31 December 2011	
	Deferred tax liabilities	**Taxable temporary differences**	Deferred tax liabilities	Taxable temporary differences
Change in fair value of available-for-sale financial assets	**17,904**	**71,622**	8,250	33,001

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

	31 December 2012	31 December 2011
Deferred tax assets, net	**32,609**	40,986
Deferred tax liabilities, net	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(14). Taxes payable

	31 December 2012	31 December 2011
Enterprise income tax payable	**–**	14,640
LAT payable	**20**	20
Business tax payable	**30,870**	21,999
Others	**3,053**	4,255
Total	**33,943**	40,914

(15). Capital surplus

	31 December 2011	Current year additions	Reductions	**31 December 2012**
Capital premium	987,446	–	–	**987,446**
Other capital surplus, including:				
Change in fair value of available-for-sale financial assets	316,419	28,966	–	**345,385**
Total	1,303,865	28,966	–	**1,332,831**

	31 December 2010	Current year additions	Current year reductions	31 December 2011
Capital premium	987,446	–	–	987,446
Other capital surplus, including:				
Change in fair value of available-for-sale financial assets	365,926	–	(49,507)	316,419
Total	1,353,372	–	(49,507)	1,303,865

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(16). Revenue and cost of sales

	2012	2011
Main operating revenue (a)	**134,583**	117,315
Other operating revenue	**818**	12,732
Total	**135,401**	130,047
Other operating costs	**–**	–

(a) Revenue and cost of sales

	2012		2011	
	Main operating revenue	**Main operating cost**	Main operating revenue	Main operating cost
Sale of properties	**–**	**–**	1,562	–
Consulting services	**134,583**	**–**	115,753	–
Total	**134,583**	**–**	117,315	–

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(17). Financial income – Net

	2012	2011
Interest expenses	**234,746**	264,316
Bank loans	**166,902**	194,796
Corporate bonds	**67,844**	67,662
Other loans	**–**	1,858
Financial cost	**234,746**	264,316
(Reversal)/Recognisation of long-term receivables discounts	**(25,328)**	6,606
Financial income	**(271,981)**	(337,322)
Exchange gains or losses-net	**2,046**	(1,443)
Others	**3,875**	4,155
Net	**(56,642)**	(63,688)

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

	31 December 2012		31 December 2011	
	Bank borrowings	**Other borrowings**	Bank borrowings	Other borrowings
Wholly repayable within five years	**166,902**	**67,844**	194,796	69,520

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(18). Investment income

	2012	2011
Share of profit/(loss) of investees under equity method	**20,284**	56,285
Dividends declared by investees under cost method	**–**	1,780,516
Loss from disposal of subsidiaries	**–**	(1,019)
Gain from disposal of subsidiaries	**–**	14,601
Gain from disposal of associates and joint ventures (a)	**989**	60,679
Gain from disposal of available-for-sale financial assets	**–**	1,318
Total	**21,273**	1,912,380

The Company has no significant limitation on realisation of investment income.

Investment income from listed investments and non-listed investments in the year ended 31 December 2012 amount to zero and RMB21,273,000 respectively (2011: RMB1,318,000 and RMB1,911,062,000).

(a) In 2012, the Company disposed 49% equity interests of SCJF, an associate of the Company, and recognised related investment income (note 5(8)(b)(iv)).

In 2011, the company transferred the equity interests of some joint ventures and associates to other subsidiaries wholly owned by the Group and recognised the difference between the considerations and the costs of the long-term equity investments as investment income.

(19). Income tax expenses

	2012	2011
Current income tax	**10,134**	18,524
Deferred income tax	**(1,487)**	(11,727)
Total	**8,647**	6,797

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

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

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

	2012	2011
Total profit	**40,927**	1,892,284
Income tax expenses calculated at applicable tax rates (25%)	**10,232**	473,071
Income not subject to tax	**(5,071)**	(466,659)
Expenses, costs and losses not deductible for tax purposes	**715**	385
Others	**2,771**	–
Income tax expenses	**8,647**	6,797

(20). Notes to company cash flow statements

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

	2012	2011
Net profit	**32,280**	1,892,284
Add: Depreciation of fixed assets (note 13(9))	**5,683**	6,222
Financial expenses	**(39,723)**	269,479
Investment income (note (13)(19))	**(21,273)**	(1,912,380)
Increase in deferred tax assets	**(7,819)**	(11,727)
Decrease/(Increase) in restricted cash	**100,000**	(100,000)
Decrease/(Increase) in operating receivables	**1,526,614**	(2,754,226)
(Increase)/Decrease in operating payables	**(2,501,208)**	3,894,690
Net cash flows from operating activities	**(905,446)**	1,284,342

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Amounts are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.)

13. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(20). Notes to company cash flow statements *(Continued)*

(b) Net increase/(decrease) in cash

	2012	2011
Cash at end of the year	**400,751**	1,266,081
Less: cash at beginning of the year	**(1,266,081)**	(2,795,108)
Net decrease in cash	**(865,330)**	(1,529,027)

(c) Cash

	31 December 2012	31 December 2011
Cash at bank and on hand (note 13(1))	**400,751**	1,366,081
Less: restricted cash at bank	**–**	(100,000)
Cash at end of the year	**400,751**	1,266,081

14. NET CURRENT ASSETS

	31 December 2012 Consolidated	31 December 2011 Consolidated	**31 December 2012 Company**	31 December 2011 Company
Current assets	**37,818,579**	32,944,175	**12,537,338**	15,261,533
Less: Current liabilities	**(21,822,841)**	(21,205,573)	**(7,497,258)**	(10,375,381)
Net current assets	**15,995,738**	11,738,602	**5,040,080**	4,886,152

15. TOTAL ASSETS LESS CURRENT LIABILITIES

	31 December 2012 Consolidated	31 December 2011 Consolidated	**31 December 2012 Company**	31 December 2011 Company
Total assets	**47,536,488**	37,794,202	**16,339,943**	18,749,288
Less: Current liabilities	**(21,822,841)**	(21,205,573)	**(7,497,258)**	(10,375,381)
Total assets less current liabilities	**25,713,647**	16,588,629	**8,842,685**	8,373,907

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