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11 April 2011

The Directors
Hui Xian Asset Management Limited (as Manager of Hui Xian REIT)
CITIC Securities Corporate Finance (HK) Limited
The Hongkong and Shanghai Banking Corporation Limited
BOCI Asia Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Hui Xian (B.V.I.) Limited ("the Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which will be injected into Hui Xian Real Estate Investment Trust ("Hui Xian REIT") upon completion of the proposed reorganisation mentioned below, for each of the three years ended 31 December 2007, 2008 and 2009 and the ten months ended 31 October 2010 (the "Relevant Periods") for inclusion in the offering circular dated 11 April 2011 (the "Offering Circular") to be issued in connection with the initial public offering and the listing of the units in Hui Xian REIT on the Main Board of The Stock Exchange of Hong Kong Limited pursuant to the Code on Real Estate Investment Trusts (the "Proposed Listing").

Hui Xian REIT is a collective investment scheme constituted as a unit trust by a trust deed dated 1 April 2011 between DB Trustees (Hong Kong) Limited (the "Trustee") and Hui Xian Asset Management Limited ("the Manager") (the "Trust Deed") and authorised under section 104 of the Securities and Futures Ordinance. Hui Xian REIT had not carried on any business since the date of its establishment until 8 April 2011 when Hui Xian (Cayman Islands) Limited has entered into a reorganisation agreement to transfer and assign to it the entire issued share capital of the Company and the interest in a portion of the total amount owing by the Company to Hui Xian (Cayman Islands) Limited (the "Proposed Reorganisation").

Pursuant to the Reorganisation Agreement as more fully explained in the sections headed "Structure and Organisation" and "Material Agreements and Other Documents Relating to Hui Xian REIT" in the Offering Circular (the "Group Reorganisation"), Hui Xian REIT will become the holding entity of the companies comprising the Group upon the completion of the Proposed Reorganisation.

At the date of this report and during the Relevant Periods, the particulars of the companies comprising the Group, all of which are companies with limited liabilities, are as follows:

Name of company	Date of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Principal activities	Name of property held
Incorporated in the British Virgin Islands ("BVI"):				
Hui Xian (B.V.I.) Limited	7 June 1994	1 share of US$1	Investment holding in Hui Xian Investment Limited	—
Incorporated in Hong Kong:				
Hui Xian Investment Limited ("Hui Xian Investment")	18 August 1992	10,000 shares of US$1 each	Investment holding in Beijing Oriental Plaza Co., Ltd.	—
Incorporated in the People's Republic of China (the "PRC"):				
Beijing Oriental Plaza Co., Ltd. ("BOP")	25 January 1999	Registered – US$600,000,000 Paid up – US$600,000,000	Property investment and hotel and serviced suites operations in Beijing, China	Oriental Plaza

Note: BOP is set up pursuant to a co-operative joint venture contract entered into by Hui Xian Investment and a PRC joint venture partner ("Domestic JV Partner") in 1998. The entire capital of BOP was contributed by Hui Xian Investment. The term of BOP is 50 years until 24 January 2049.

Under the joint venture documents relating to BOP, Hui Xian Investment is entitled to appoint 9 out of the 12 directors of BOP whereas the Domestic JV Partner is entitled to appoint the remaining 3 directors of BOP. All resolutions can be passed by simple majority except for certain matters that require the unanimous approval of the directors of BOP present at the relevant board meeting being obtained. Such matters include the amendments to the articles of association of BOP, the increase, reduction or transfer of the registered capital of BOP, the dissolution of BOP, the mortgage of assets of BOP, the merger, demerger or change in organisation structure of BOP, matters involving the right to use Oriental Plaza and other fixed assets ancillary to Oriental Plaza beyond the term of BOP (being 24 January 2049, unless extended), dealings with ownership of Oriental Plaza and other fixed assets ancillary to Oriental Plaza, and any other matters which may affect the interests and rights of the Domestic JV Partner or Hui Xian Investment in BOP after the expiry of the term of joint venture or specified by the relevant laws and regulations.

Pursuant to the joint venture documents, so long as the legal existence of BOP and the ownership by the Domestic JV Partner of the fixed assets as well as its interests in the distribution of the remaining assets at the expiry of the term of BOP are not jeopardised, the Domestic JV Partner shall actively support all resolutions proposed for decision at the board of directors of BOP so as to enable the business of BOP to be implemented and developed smoothly, and provided that notice of meeting of the board of BOP has been duly given in the manner as stipulated in the joint venture documents, the Domestic JV Partner will procure the directors nominated by it to attend the board meeting and support the relevant resolutions. Further details of the joint venture contract are set out in Note 19 to Section A.

All the companies comprising the Group have adopted 31 December as their financial year end date.

We acted as auditors of the Company and Hui Xian Investment while Deloitte Touche Tohmatsu CPA Ltd. Beijing Branch acted as auditors of BOP for each of the three years ended 31 December 2007, 2008 and 2009.

For the purpose of this report, the Company has prepared the consolidated financial statements of the Group for the Relevant Periods in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). The financial information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. We have undertaken our own independent audits on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and examined the Underlying Financial Statements of the Group for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by HKICPA. No adjustment was deemed necessary to the Underlying Financial Statements in preparing our report for inclusion in the Offering Circular.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issues. The Manager is responsible for the contents of the Offering Circular in which this report is included. It is our responsibilities to compile the Financial Information together with the notes thereon set out in this report from the Underlying Financial Statements, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon set out in sections A to D gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2007, 2008, 2009 and 31 October 2010 and of its results and cash flows for each of the three years ended 31 December 2007, 2008, 2009 and the ten months ended 31 October 2010.

The comparative consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the ten months ended 31 October 2009 together with the notes thereon have been extracted from the Group's unaudited consolidated financial statements for the same period (the "October 2009 Financial Information") which were prepared by the Company solely for the purpose of this report. We conducted our review in accordance with Hong Kong Standards on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the October 2009 Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the October 2009 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the October 2009 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information, which conform with Hong Kong Financial Reporting Standards.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Ten months ended 31 October	
		2007	2008	2009	2009	2010
		RMB million	RMB million	RMB million	RMB million (unaudited)	RMB million
Revenue	6	2,077	2,269	1,969	1,634	1,739
Rental related income	7	61	72	77	48	40
Other income	8	24	33	17	14	25
Foreign currency exchange gain		273	197	84	84	18
Hotel inventories consumed		(56)	(56)	(45)	(35)	(42)
Staff costs		(135)	(141)	(107)	(91)	(95)
Depreciation and amortisation		(133)	(138)	(134)	(111)	(112)
Other operating expenses	9	(659)	(484)	(544)	(439)	(460)
(Decrease) increase in fair value of investment properties		(65)	923	(16)	(27)	8,756
Finance costs	10	(159)	(83)	(82)	(70)	(53)
Profit before taxation		1,228	2,592	1,219	1,007	9,816
Income tax expense	11	(276)	(625)	(346)	(280)	(2,489)
Profit for the year/period		952	1,967	873	727	7,327
Other comprehensive income (expense)						
Exchange difference on translation of financial statements		444	425	(54)	(58)	107
Total comprehensive income for the year/period		1,396	2,392	819	669	7,434

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December 2007	At 31 December 2008	At 31 December 2009	At 31 October 2010
		RMB million	RMB million	RMB million	RMB million
Non-current assets					
Investment properties	12	11,332	11,258	11,242	19,998
Property, plant and equipment	13	2,184	2,124	2,045	1,984
Land and related costs	14	2,251	1,810	1,772	1,740
		15,767	15,192	15,059	23,722
Current assets					
Hotel inventories	15	17	20	16	17
Land and related costs	14	41	38	38	38
Trade and other receivables	16	111	76	82	72
Bank balances and cash	17	1,416	1,685	732	1,157
		1,585	1,819	868	1,284
Current liabilities					
Trade and other payables	18	(792)	(779)	(773)	(765)
Other payable	19	(121)	(1,570)	—	—
Loan from ultimate holding company	20	(7,302)	(6,832)	(6,143)	(6,019)
Tax payable		(359)	(229)	(125)	(96)
Bank borrowings	21	(756)	(707)	(846)	(405)
		(9,330)	(10,117)	(7,887)	(7,285)
Net current liabilities		(7,745)	(8,298)	(7,019)	(6,001)
Total assets less current liabilities		8,022	6,894	8,040	17,721
Non-current liabilities					
Bank borrowings	21	(1,661)	(847)	(1,100)	(1,100)
Trade and other payables	18	(558)	(520)	(518)	(507)
Other payable	19	(2,988)	—	—	—
Deferred tax liabilities	22	(597)	(917)	(993)	(3,251)
		(5,804)	(2,284)	(2,611)	(4,858)
		2,218	4,610	5,429	12,863
Capital and reserves					
Share capital	23	—	—	—	—
Exchange reserve		441	866	812	919
Retained profits		1,777	3,744	4,617	11,944
		2,218	4,610	5,429	12,863

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Exchange reserve	Retained profits	Total
	RMB million	RMB million	RMB million	RMB million
As at 1 January 2007	—	(3)	825	822
Exchange difference on translation	—	444	—	444
Profit for the year	—	—	952	952
Total comprehensive income for the year	—	444	952	1,396
As at 31 December 2007	—	441	1,777	2,218
Exchange difference on translation	—	425	—	425
Profit for the year	—	—	1,967	1,967
Total comprehensive income for the year	—	425	1,967	2,392
As at 31 December 2008	—	866	3,744	4,610
Exchange difference on translation	—	(54)	—	(54)
Profit for the year	—	—	873	873
Total comprehensive income (expense) for the year	—	(54)	873	819
As at 31 December 2009	—	812	4,617	5,429
Exchange difference on translation	—	107	—	107
Profit for the period	—	—	7,327	7,327
Total comprehensive income for the period	—	107	7,327	7,434
As at 31 October 2010	—	919	11,944	12,863
As at 1 January 2009	—	866	3,744	4,610
Exchange difference on translation	—	(58)	—	(58)
Profit for the period	—	—	727	727
Total comprehensive income (expense) for the period	—	(58)	727	669
As at 31 October 2009 (unaudited)	—	808	4,471	5,279

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Ten months ended 31 October	
	2007	2008	2009	2009	2010
	RMB million	RMB million	RMB million	RMB million (unaudited)	RMB million
Operating activities					
Profit before taxation	1,228	2,592	1,219	1,007	9,816
Adjustments for:					
Decrease (increase) in fair value of investment properties	65	(923)	16	27	(8,756)
Exchange differences	(273)	(202)	(86)	(84)	(18)
Loss on disposal of property, plant and equipment	3	1	—	—	1
Depreciation and amortisation	133	138	134	111	112
Interest income	(23)	(24)	(13)	(10)	(8)
Finance costs	159	83	82	70	53
Operating cash flows before movements in working capital	1,292	1,665	1,352	1,121	1,200
(Increase) decrease in hotel inventories	(2)	(3)	4	—	(1)
Decrease (increase) in trade and other receivables	21	35	(6)	(30)	8
Increase (decrease) in trade and other payables	134	(125)	(4)	(20)	(19)
Cash generated from operations	1,445	1,572	1,346	1,071	1,188
Profits tax paid	(409)	(475)	(350)	(321)	(269)
Net cash from operating activities	1,036	1,097	996	750	919
Investing activities					
Repayments of other payable	—	—	(1,570)	(1,570)	—
Additions of property, plant and equipment	(45)	(49)	(21)	(10)	(20)
Interest received	23	24	13	10	8
Net cash used in investing activities	(22)	(25)	(1,578)	(1,570)	(12)
Financing activities					
Repayments of bank loans	(574)	(714)	(707)	(434)	(433)
Interest paid	(158)	(81)	(81)	(63)	(48)
Repayments to ultimate holding company	—	—	(683)	(683)	—
New bank loans raised	—	—	1,100	1,100	—
Net cash used in financing activities	(732)	(795)	(371)	(80)	(481)
Increase (decrease) in cash and cash equivalents	282	277	(953)	(900)	426
Effect of changes in foreign exchange rate	(7)	(8)	—	—	(1)
Cash and cash equivalents at the beginning of the year/period	1,141	1,416	1,685	1,685	732
Cash and cash equivalents at the end of the year/period, represented by bank balances and cash	1,416	1,685	732	785	1,157

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL AND BASIS OF PREPARATION

The immediate holding company of the Company is Hui Xian (Cayman Islands) Limited, a private limited company incorporated in the Cayman Islands and the ultimate holding company of the Company is Hui Xian Holdings Limited, a private limited company incorporated in Hong Kong.

The Financial Information has been prepared on a going concern basis because the existing ultimate holding company of the Company has agreed to provide adequate funds to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purposes of preparing and presenting the Financial Information of the Relevant Periods, the Group has consistently applied Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations ("HK(IFRIC)(s)") which are effective for the Group's financial year beginning on 1 January 2010 throughout the Relevant Periods.

The HKICPA has issued the following new and revised standards, amendments and interpretations that are not yet effective. The Group has not early applied these new and revised standards, amendments or interpretations during the Relevant Periods.

HKFRSs (Amendments)	*Improvements to HKFRSs 2010*[1]
HKAS 12 (Amendments)	*Deferred Tax: Recovery of Underlying Assets*[5]
HKAS 24 (Revised)	*Related Party Disclosures*[2]
HKAS 32 (Amendments)	*Classification of Rights Issues*[3]
HKFRS 1 (Amendments)	*Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[6]
HKFRS 1 (Amendments)	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[7]
HKFRS 7 (Amendments)	*Disclosure-Transfers of Financial Assets*[7]
HKFRS 9	*Financial Instruments*[4]
HK(IFRIC) –Int 14 (Amendments)	*Prepayments of a Minimum Funding Requirement*[2]
HK(IFRIC) – Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[6]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 January 2011.
3 Effective for annual periods beginning on or after 1 February 2010.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 July 2010.
7 Effective for annual periods beginning on or after 1 July 2011.

The management is in the process of assessing their potential impact on the results and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for investment properties which are measured at fair value.

The Financial Information has been prepared in accordance with the following accounting policies. These policies have been consistently applied throughout the Relevant Periods. In addition, the Financial Information included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(a) Basis of consolidation

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

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

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

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts.

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

Contingent rentals, which include gross turnover rental, are recognised as revenue when it becomes receivable.

Service income is recognised when services are provided.

Revenue from room rental, food and beverage sales and other ancillary services relating to the operation of hotel and serviced suites are recognised when the relevant services have been rendered.

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

(c) Investment properties

Investment properties are properties held to earn rentals and capital appreciation.

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

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

(d) Property, plant and equipment

Hotel and serviced suite properties, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss where appropriate.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

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

(e) Hotel inventories

Hotel inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

(f) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets categorised as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables which include trade and other receivables and bank balances and cash are carried at amortised cost using the effective interest method, less any identified impairment losses.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income is recognised on an effective interest basis.

Impairment of financial assets

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

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in economic conditions that correlate with default on receivables.

The carrying amount of the trade receivables is reduced by the impairment loss through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When such receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Financial liabilities and equity

Financial liabilities and equity instruments issued are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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

Financial liabilities (including trade and other payables, other payable, bank borrowings and loan from ultimate holding company) are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period on initial recognition. Interest expense is recognised on an effective interest basis.

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

(g) Impairment losses on tangible assets

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

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

(h) Leases

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

(i) Land and related costs

Leasehold interests in land (i.e. land use rights) are classified as finance lease if substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The leasehold land is classified as property, plant and equipment when the land is qualified as finance lease. Other leasehold interests in land are accounted for as operating leases and amortised over the lease term on straight-line basis.

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(k) Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated to equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group are translated into the presentation currency of the Group (i.e. Renminbi) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

(l) Taxation

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited to profit or loss, except when it relates to items recognised in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(m) Retirement benefit costs

Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

As described in Notes 3(c) and 12, investment properties are stated at fair value based on the valuation performed by an independent professional valuer. The valuation of properties was arrived at using investment approach by capitalising net income derived from the existing tenancies with due allowance for the reversionary income potential of the properties or where appropriate, by reference to market evidence of transaction prices for similar properties in the similar locations and conditions. In relying on the valuation reports of the professional valuer, the management has exercised its judgment and is satisfied that the method of valuation is reflective of the market conditions prevailing at the end of each reporting period. Any changes in the market conditions will affect the fair value of the investment properties of the Group.

5. SEGMENT REPORTING

The management determines its operating segments based on internal reports that are regularly reviewed by the chief operating decision maker (i.e. the board of directors) for the purpose of allocating resources to segments and assessing their performance. The management has identified four operating segments:

The Malls:	Renting of the shopping mall and car parking spaces in Oriental Plaza, Beijing, the PRC.
The Tower Offices:	Renting of office buildings in Oriental Plaza, Beijing, the PRC.
The Tower Apartments:	Operation of serviced apartment towers in Oriental Plaza, Beijing, the PRC.
The Hotel:	Operation of the hotel, namely Grand Hyatt Beijing, Beijing, the PRC.

(a) Segment revenue and results

For the year ended 31 December 2007

	The Malls	The Tower Offices	The Tower Apartments	The Hotel	Consolidated
	RMB million	RMB million	RMB million	RMB million	RMB million
Segment revenue	588	614	139	736	2,077
Segment profit	471	466	78	338	1,353
Decrease in fair value of investment properties					(65)
Finance costs					(159)
Depreciation and amortisation					(110)
Unallocated income, net					209
Profit before taxation					1,228
Income tax expense					(276)
Profit for the year					952

For the year ended 31 December 2008

	The Malls	The Tower Offices	The Tower Apartments	The Hotel	Consolidated
	RMB million	RMB million	RMB million	RMB million	RMB million
Segment revenue	695	646	142	786	2,269
Segment profit	572	504	81	385	1,542
Increase in fair value of investment properties					923
Finance costs					(83)
Depreciation and amortisation					(117)
Unallocated income, net					327
Profit before taxation					2,592
Income tax expense					(625)
Profit for the year					1,967

For the year ended 31 December 2009

	The Malls	The Tower Offices	The Tower Apartments	The Hotel	Consolidated
	RMB million	RMB million	RMB million	RMB million	RMB million
Segment revenue	748	669	98	454	1,969
Segment profit	626	531	46	152	1,355
Decrease in fair value of investment properties					(16)
Finance costs					(82)
Depreciation and amortisation					(111)
Unallocated income, net					73
Profit before taxation					1,219
Income tax expense					(346)
Profit for the year					873

For the ten months ended 31 October 2009 (unaudited)

	The Malls	The Tower Offices	The Tower Apartments	The Hotel	Consolidated
	RMB million	RMB million	RMB million	RMB million	RMB million
Segment revenue	617	563	82	372	1,634
Segment profit	514	445	41	121	1,121
Decrease in fair value of investment properties					(27)
Finance costs					(70)
Depreciation and amortisation					(92)
Unallocated income, net					75
Profit before taxation					1,007
Income tax expense					(280)
Profit for the period					727

For the ten months ended 31 October 2010

	The Malls	The Tower Offices	The Tower Apartments	The Hotel	Consolidated
	RMB million	RMB million	RMB million	RMB million	RMB million
Segment revenue	679	542	74	444	1,739
Segment profit	572	417	33	160	1,182
Increase in fair value of investment properties					8,756
Finance costs					(53)
Depreciation and amortisation					(91)
Unallocated income, net					22
Profit before taxation					9,816
Income tax expense					(2,489)
Profit for the period					7,327

The accounting policies of the operating segments are the same as the accounting policies described in Note 3. Segment profit is the measure reported to the board of directors for the purposes of resource allocation and performance assessment.

(b) Segment assets

The following is an analysis of the Group's assets by operating segment:

	At 31 December			At 31 October
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
The Malls	4,948	5,334	5,497	9,948
The Tower Offices	6,452	5,966	5,778	10,069
The Tower Apartments	1,945	1,708	1,662	1,629
The Hotel	2,688	2,404	2,277	2,233
Total segment assets	16,033	15,412	15,214	23,879
Bank balances and cash	1,277	1,544	646	996
Other assets	42	55	67	131
Consolidated assets	17,352	17,011	15,927	25,006

For the purposes of monitoring segment performances and resources allocation, all investment properties, land and related costs, hotel inventories, certain bank balances and cash, certain property, plant and equipment (mainly buildings) and trade and other receivables are allocated to operating segments. Other corporate assets (including remaining bank balances and cash, certain equipment and other receivables) are unallocated.

(c) Geographical information

All of the Group's revenue is derived from activities and customers located in the PRC and the Group's non-current assets are all located in Beijing, the PRC.

The Group did not have any major customers as no single customer contributed more than 10% of the Group's revenue during the Relevant Periods.

(d) Other segment information

For the year ended 31 December 2007

	The Malls	The Tower Offices	The Tower Apartments	The Hotel	Segment Total
	RMB million	RMB million	RMB million	RMB million	RMB million
Capital additions	13	1	1	15	30
Depreciation of property, plant and equipment	5	8	1	9	23

For the year ended 31 December 2008

	The Malls	The Tower Offices	The Tower Apartments	The Hotel	Segment Total
	RMB million	RMB million	RMB million	RMB million	RMB million
Capital additions	6	3	1	23	33
Depreciation of property, plant and equipment	6	4	1	10	21

For the year ended 31 December 2009

	The Malls	The Tower Offices	The Tower Apartments	The Hotel	Segment Total
	RMB million	RMB million	RMB million	RMB million	RMB million
Capital additions	2	—	1	6	9
Depreciation of property, plant and equipment	6	4	1	12	23

For the ten months ended 31 October 2009 (unaudited)

	The Malls	The Tower Offices	The Tower Apartments	The Hotel	Segment Total
	RMB million	RMB million	RMB million	RMB million	RMB million
Capital additions	2	—	1	2	5
Depreciation of property, plant and equipment	5	3	1	10	19

For the ten months ended 31 October 2010

	The Malls	The Tower Offices	The Tower Apartments	The Hotel	Segment Total
	RMB million	RMB million	RMB million	RMB million	RMB million
Capital additions	8	1	1	7	17
Depreciation of property, plant and equipment	6	3	1	11	21

6. REVENUE

	Year ended 31 December			Ten months ended 31 October	
	2007	2008	2009	2009	2010
	RMB million	RMB million	RMB million	RMB million (unaudited)	RMB million
Gross rental from investment properties	1,202	1,341	1,417	1,180	1,221
Income from hotel operation	736	786	454	372	444
Income from serviced apartments operation	139	142	98	82	74
Total	2,077	2,269	1,969	1,634	1,739

The gross rental from investment properties includes contingent rents of RMB35 million, RMB32 million, RMB23 million and RMB19 million (unaudited) and RMB20 million for the years ended 31 December 2007, 2008, 2009 and ten months ended 31 October 2009 and 2010 respectively.

The direct operating expense from investment properties amounting to RMB265 million, RMB265 million, RMB260 million and RMB221 million (unaudited) and RMB232 million for the years ended 31 December 2007, 2008, 2009 and ten months ended 31 October 2009 and 2010 respectively.

7. RENTAL RELATED INCOME

	Year ended 31 December			Ten months ended 31 October	
	2007	2008	2009	2009	2010
	RMB million	RMB million	RMB million	RMB million (unaudited)	RMB million
Service income	33	40	39	32	33
Forfeited tenant deposits	14	9	20	—	—
Renovation income from tenants	7	13	6	5	2
Interest income from tenants	1	1	2	1	1
Others	6	9	10	10	4
Total	61	72	77	48	40

8. OTHER INCOME

	Year ended 31 December			Ten months ended 31 October	
	2007	2008	2009	2009	2010
	RMB million	RMB million	RMB million	RMB million (unaudited)	RMB million
Bank interest income	23	24	13	10	8
Others	1	9	4	4	17
Total	24	33	17	14	25

9. OTHER OPERATING EXPENSES

	Year ended 31 December			Ten months ended 31 October	
	2007	2008	2009	2009	2010
	RMB million	RMB million	RMB million	RMB million (unaudited)	RMB million
Advertising and promotion	11	13	18	12	12
Audit fee	1	1	1	1	1
Business tax	107	117	102	84	89
Insurance	6	5	5	4	4
Lease agency fee	34	37	22	16	19
Legal and other professional fee	1	3	3	2	1
Loss on disposal of property, plant and equipment	3	1	—	—	1
Property management fees	53	53	30	25	27
Repairs and maintenance and other miscellaneous expenses	221	48	165	132	142
Stamp duty	2	2	1	1	1
Urban land use tax	2	2	2	2	2
Urban real estate tax	87	87	87	72	74
Utilities	131	115	108	88	87
Valuation fees (paid to principal valuer)	—	—	—	—	—
	659	484	544	439	460

10. FINANCE COSTS

	Year ended 31 December			Ten months ended 31 October	
	2007	2008	2009	2009	2010
	RMB million	RMB million	RMB million	RMB million (unaudited)	RMB million
Interest expense on secured bank loans wholly repayable within five years	159	83	82	70	53

11. INCOME TAX EXPENSE

	Year ended 31 December			Ten months ended 31 October	
	2007	2008	2009	2009	2010
	RMB million	RMB million	RMB million	RMB million (unaudited)	RMB million
The income tax expense comprises:					
Current tax—PRC enterprise income tax	409	305	270	222	231
Deferred taxation (Note 22)	(133)	320	76	58	2,258
	276	625	346	280	2,489

No provision for Hong Kong profits tax was made as the Group's profits neither arose in, nor was derived from, Hong Kong.

PRC enterprise income tax was provided at the applicable enterprise income tax rate of 33% on the estimated assessable profits of a PRC subsidiary of the Group for the year ended 31 December 2007.

Pursuant to the PRC Enterprise Income Tax Law (the "EIT Law") promulgated on 16 March 2007, the enterprise income taxes for both domestic and foreign-invested enterprises have been unified at the rate of 25% effective from 1 January 2008.

The EIT Law also required withholding tax to be levied on distribution of profits earned by a PRC entity to a non-PRC resident company for profits generated after 1 January 2008 at the rate of 5%. As at 31 December 2008, 31 December 2009 and 31 October 2010, deferred taxation was provided for in full in respect of the temporary differences attributable to such profits.

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

	Year ended 31 December			Ten months ended 31 October	
	2007	2008	2009	2009	2010
	RMB million	RMB million	RMB million	RMB million (unaudited)	RMB million
Profit before taxation	1,228	2,592	1,219	1,007	9,816
Tax at the applicable income tax rate 33% for 2007, 25% for 2008, 2009 and ten months ended 2009 and 2010	405	648	305	252	2,454
Tax effect of expenses not deductible/income not taxable for tax purpose	17	(23)	6	1	1
Deferred tax on undistributed earnings of a PRC subsidiary	—	15	34	29	34
Decrease in deferred tax liabilities resulting from a decrease in applicable tax rate	(177)	—	—	—	—
Others	31	(15)	1	(2)	—
Tax charge for the year/period	276	625	346	280	2,489

12. INVESTMENT PROPERTIES

	At 31 December			At 31 October
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
FAIR VALUE				
At the beginning of the year/period	11,397	11,332	11,258	11,242
Cost adjustment (Note 19)	—	(997)	—	—
(Decrease) increase in fair value of investment properties	(65)	923	(16)	8,756
At the end of the year/period	11,332	11,258	11,242	19,998

(a) The Group's investment properties held under operating leases are located in Beijing, the PRC under medium-term leases and are measured using the fair value model.

(b) Investment properties were revalued on 31 December 2007, 2008, 2009 and 31 October 2010 by DTZ Debenham Tie Leung Limited, independent valuer having appropriate professional qualifications and experiences in the valuation of similar properties in the relevant locations. The valuation of the properties was arrived at using the investment approach by capitalising net income derived from the existing tenancies with due allowance for the reversionary income potential of the properties or where appropriate, by reference to market evidence of transaction prices for similar properties in the similar locations and conditions.

(c) The investment properties have been pledged to secure bank borrowings of the Group.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings				
	Hotel	Serviced apartments	Plant and machinery	Others	Total
	RMB million	RMB million	RMB million	RMB million	RMB million
COST					
At 1 January 2007	1,325	884	262	339	2,810
Additions	—	—	—	35	35
Disposals	—	—	—	(27)	(27)
At 31 December 2007	1,325	884	262	347	2,818
Additions	—	—	—	38	38
Disposals	—	—	—	(9)	(9)
At 31 December 2008	1,325	884	262	376	2,847
Additions	—	—	—	17	17
Disposals	—	—	—	(7)	(7)
At 31 December 2009	1,325	884	262	386	2,857
Additions	—	—	—	20	20
Disposals	—	—	—	(8)	(8)
At 31 October 2010	1,325	884	262	398	2,869
ACCUMULATED DEPRECIATION					
At 1 January 2007	(179)	(78)	(61)	(239)	(557)
Depreciation	(34)	(23)	(13)	(31)	(101)
Eliminated on disposals	—	—	—	24	24
At 31 December 2007	(213)	(101)	(74)	(246)	(634)
Depreciation	(34)	(23)	(13)	(27)	(97)
Eliminated on disposals	—	—	—	8	8
At 31 December 2008	(247)	(124)	(87)	(265)	(723)
Depreciation	(34)	(23)	(13)	(26)	(96)
Eliminated on disposals	—	—	—	7	7
At 31 December 2009	(281)	(147)	(100)	(284)	(812)
Depreciation	(28)	(19)	(11)	(22)	(80)
Eliminated on disposals	—	—	—	7	7
At 31 October 2010	(309)	(166)	(111)	(299)	(885)
CARRYING AMOUNTS					
At 31 December 2007	1,112	783	188	101	2,184
At 31 December 2008	1,078	760	175	111	2,124
At 31 December 2009	1,044	737	162	102	2,045
At 31 October 2010	1,016	718	151	99	1,984

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method on the following basis:

Hotel and serviced apartments	2.6% per annum
Plant and machinery	5% per annum
Others (comprising of furniture and fixtures and computer equipment)	18%-33 1/3% per annum

Hotel and serviced apartments, which are situated in Beijing, PRC are held under medium-term leases. Hotel and serviced apartments and plant and machinery have been pledged to secure bank borrowings of the Group.

14. LAND AND RELATED COSTS

The carrying amount of prepaid lease payments and other related costs for land use rights held in the PRC under medium-term leases is analysed as follows:

	At 31 December			At 31 October
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
Non-current asset	2,251	1,810	1,772	1,740
Current asset	41	38	38	38
	2,292	1,848	1,810	1,778

The land use rights have been pledged to secure bank borrowings of the Group.

15. HOTEL INVENTORIES

	At 31 December			At 31 October
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
Food and beverage	5	5	3	3
Other consumables	12	15	13	14
	17	20	16	17

16. TRADE AND OTHER RECEIVABLES

	At 31 December			At 31 October
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
Trade receivables	61	30	26	20
Deposits and prepayments	33	27	34	43
Advance to suppliers	7	3	6	3
Other receivables	10	16	16	6
	111	76	82	72

Aging analysis of the Group's trade receivables by invoice dates at the end of each reporting period is as follows:

	At 31 December			At 31 October
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
Less than or equal to 1 month	52	22	22	7
More than 1 month but less than or equal to 3 months	4	4	3	12
Over 3 months	5	4	1	1
	61	30	26	20

There is no credit period given on billing for rental properties, including the malls, tower offices, tower apartments and the hotel, except that a maximum credit period of 30 days is granted to the travel agencies and corporate customers of the hotel. Interest is charged immediately on overdue balance at the rate of 0.05% to 0.4% per day.

Hotel revenue is normally settled by cash or credit card.

Included in the Group's trade receivable balance are debtors with a carrying amount of RMB14 million, RMB8 million, RMB6 million and RMB13 million as at 31 December 2007, 2008, 2009 and 31 October 2010 respectively which were past due at the reporting dates on which the Group did not provide for doubtful debts as there were not a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral over these balances. The average age of these past due receivables for the Relevant Periods is 66 days, 85 days, 61 days and 11 days at 31 December 2007, 2008, 2009 and 31 October 2010 respectively.

Aging of trade receivables which are past due but not impaired is as follows:

	At 31 December			At 31 October
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
Overdue:				
Less than or equal to 1 month	6	2	2	10
More than 1 month but less than or equal to 3 months	4	2	3	2
Over 3 months	4	4	1	1
	14	8	6	13

Movement in the allowance for doubtful debts is as follows:

	At 31 December			At 31 October
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
At the beginning of year/period	1	—	—	—
Reversal during the year/period	(1)	—	—	—
At the end of year/period	—	—	—	—

Trade and other receivables are denominated in the following currencies:

	At 31 December			At 31 October
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
Renminbi ("RMB")	106	75	81	72
United States dollars ("US$")	5	1	1	—
	111	76	82	72

17. BANK BALANCES AND CASH

	At 31 December			At 31 October
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
Cash at bank and in hand	329	471	228	395
7 days notice bank deposits	980	1,100	165	550
Fixed deposits with banks	107	114	339	212
	1,416	1,685	732	1,157

Average interest rate per annum is as follows:

	Year ended 31 December			Ten months ended 31 October 2010
	2007	2008	2009	
	%	%	%	%
Bank deposits				
—7 days notice	1.67	1.65	1.35	1.35
Fixed deposits with banks				
—1 to 90 days	2.12	1.10	1.44	1.91

Bank balances and cash are denominated in the following currencies:

	At 31 December			At 31 October
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
Hong Kong dollars ("HK$")	49	59	10	10
RMB	1,290	1,554	669	1,082
US$	77	72	53	65
	1,416	1,685	732	1,157

18. TRADE AND OTHER PAYABLES

	At 31 December			At 31 October
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
Trade payables	51	63	53	46
Tenants' deposits	424	431	435	443
Rental received in advance	144	122	124	126
Demolition cost payables (Note (b))	560	522	520	509
Others	171	161	159	148
Total	1,350	1,299	1,291	1,272
Less: Amount due after one year shown under non-current liabilities	(558)	(520)	(518)	(507)
	792	779	773	765

Trade and other payables comprise:

(a) deposits refundable to tenants upon termination of operating lease arrangements and amounts outstanding for ongoing costs. Tenants' deposits are refundable to tenants within 30 days upon termination of the relevant tenancy agreements.

(b) In 1994, the predecessor of BOP entered into a demolition compensation agreement with a PRC party for demolition of structures at and clearance of a site for the development of Oriental Plaza, Beijing. BOP was obligated to pay a compensation of US$79 million by 47 annual instalments to that PRC party.

Tenants' deposits amounting to RMB174 million, RMB152 million, RMB129 million and RMB133 million were related to leases which would expire within twelve months after 31 December 2007, 2008, 2009 and 31 October 2010 respectively based on the respective lease terms.

Trade and other payables are denominated in the following currencies:

	At 31 December			At 31 October
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
RMB	766	761	758	751
US$	584	538	533	521
	1,350	1,299	1,291	1,272

19. OTHER PAYABLE

In 1998, Hui Xian Investment entered into a co-operative joint venture contract with the Domestic JV Partner to set up BOP.

Pursuant to the joint venture contract and articles of association of BOP, the Domestic JV Partner was responsible for assisting BOP in application for the grant of land use rights for a term of 50 years for the use of development of Oriental Plaza, Beijing and demolition of structures at and clearance of such site, while Hui Xian Investment was responsible for contributing the entire capital of BOP. Under the joint venture contract and articles of association of BOP, the Domestic JV Partner was entitled to US$1,755 million (the "Compensation Amount") by 50 annual installments from BOP but not any profit distribution of BOP. Upon the expiration of the joint venture period of BOP (i.e. in 2049 unless extended) and after the repayment of BOP's liabilities and the full recovery of the injected investment amounts of Hui Xian Investment, property, plant and equipment of BOP will belong to the Domestic JV Partner for no consideration and all other remaining assets, if any, of BOP will be distributed between Hui Xian Investment and the Domestic JV Partner in the respective ratio of 60:40. The Compensation Amount payable in 50 annual installments were discounted at prevailing market rate which was 6% at initial recognition and accounted for as a payable.

The aforesaid joint venture contract and the articles of association were amended and supplemented by supplemental agreements thereto respectively entered into between the parties in 2008. Following the amendments made pursuant to the aforesaid supplemental arrangements, the Domestic JV Partner would be entitled to US$271 million (the "Remaining Relevant Amount"), which was determined based on the present value of remaining Compensation Amount at 2006, as a lump sum settlement of all the outstanding Compensation Amount. During the year ended 31 December 2008, those supplemental agreements became effective upon the fulfillment of certain stipulated conditions.

US$54 million of the Remaining Relevant Amount was paid in 2006 and the remaining balance was fully settled in 2009. As at 31 December 2007, RMB3,109 million represented the amortised cost of the Compensation Amount. As at 31 December 2008, the amount outstanding reduced to RMB1,570 million after adjusting for the impact of the supplemental agreements which became effective in 2008. Reduction in payable to the Domestic JV Partner included as a cost adjustment to the carrying amount of investment properties and land and related costs amounted to RMB997 million and RMB403 million respectively.

20. LOAN FROM ULTIMATE HOLDING COMPANY

Loan from ultimate holding company is denominated in US$, unsecured, interest-free and with no fixed repayment term.

21. BANK BORROWINGS

	At 31 December			At 31 October
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
Secured term loans	2,417	1,554	1,946	1,505
Carrying amount repayable:				
Within one year	756	707	846	405
More than one year, but not more than five years	1,661	847	1,100	1,100
	2,417	1,554	1,946	1,505
Less: Amount due within one year shown under current liabilities	(756)	(707)	(846)	(405)
	1,661	847	1,100	1,100

Bank borrowings are denominated in the following currencies:

	At 31 December			At 31 October
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
US$	2,417	1,554	846	405
RMB	—	—	1,100	1,100
	2,417	1,554	1,946	1,505

As at 31 December 2007, 2008 and 2009 and 31 October 2010, the Group had a US$430 million term loan banking facility. In addition, as at 31 December 2009 and 31 October 2010, the Group obtained an additional RMB1,100 million term loan banking facility.

The terms and conditions of the facilities are as follows:

(i) US$430 million term loan bears interest at floating interest rate of LIBOR+0.55% per annum and is repayable by instalments until November 2010.

(ii) RMB1,100 million term loan bears interest at 90% of the benchmark interest rate quoted by the People's Bank of China ("PBOC") and is repayable in full in 2014.

The amounts being utilised under the facilities are set out above.

The effective interest rate is ranged from 5.33% to 5.99%, 2.08% to 5.66%, 0.84% to 5.18% and 0.96% to 5.18% per annum for the years ended 31 December 2007, 2008, 2009 and ten months ended 31 October 2010 respectively.

The bank loans are secured by the land use rights, investment properties, hotel and serviced apartments and plant and machinery of the Group as at 31 December 2007, 2008, 2009 and 31 October 2010.

The fair value of the Group's borrowings approximate to the carrying amounts.

22. DEFERRED TAX LIABILITIES

The followings are the major components of deferred tax liabilities (assets) recognised and movements therein during the Relevant Periods:

	Accelerated tax depreciation	Pre-operating expenses	Fair value of investment properties	Withholding tax on retained profits to be distributed	Total
	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2007	569	(9)	170	—	730
Charge (credit) to profit or loss	57	3	(16)	—	44
Effect of change in tax rate	(142)	2	(37)	—	(177)
At 31 December 2007	484	(4)	117	—	597
Charge to profit or loss	71	3	231	15	320
At 31 December 2008	555	(1)	348	15	917
Charge (credit) to profit or loss	45	1	(4)	34	76
At 31 December 2009	600	—	344	49	993
Charge to profit or loss	35	—	2,189	34	2,258
At 31 October 2010	635	—	2,533	83	3,251

23. SHARE CAPITAL

	As at 31 December 2007, 2008, 2009 and 31 October 2010
	RMB million
Authorised:	
1 share of US$1	—
Issued and fully paid:	
1 share of US$1	—

24. CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

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

The capital structure of the Group consists of net debt, which includes bank borrowings, net of cash and cash equivalents and equity of the Company, comprising share capital, exchange reserve and retained profits.

The management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital, and take appropriate actions to balance its overall capital structure.

The management's strategy remained unchanged during the Relevant Periods.

25. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	At 31 December			At 31 October
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
Financial assets				
Loans and receivables				
Trade and other receivables	71	46	42	26
Bank balances and cash	1,416	1,685	732	1,157
	1,487	1,731	774	1,183
Financial liabilities				
Amortised cost				
Trade and other payables	777	744	729	682
Other payable	3,109	1,570	—	—
Loan from ultimate holding company	7,302	6,832	6,143	6,019
Bank borrowings	2,417	1,554	1,946	1,505
	13,605	10,700	8,818	8,206
Tenants' deposits	424	431	435	443

b. Financial risk management objectives and policies

The risks associated with the Group's financial instruments include interest rate risk, foreign currency risk, credit risk and liquidity risk.

The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. The Group is also exposed to fair value interest rate risk relates to the 7 days notice bank deposits and certain fixed deposits with banks. Interest rate risk is managed by the management on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the Group's exposure to interest rates for bank borrowings assuming that the bank borrowings outstanding at the end of each reporting period were outstanding for the whole year/period. A range of 25 – 75 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the effect from possible change in interest rates.

If the interest rates have been higher or lower and all other variables were held constant, the Group's post-tax profit for the year/period would decrease or increase accordingly. This is mainly attributable to the Group's exposure to LIBOR and benchmark interest rate quoted by PBOC. The following analysis shows the Group's sensitivity to interest rates exposure:

Increase in interest rate basis points by:

	Decrease in the Group's profit				
	Year ended 31 December			Ten months ended 31 October	
	2007	2008	2009	2009	2010
	RMB million	RMB million	RMB million	RMB million (unaudited)	RMB million
25 basis points	(4)	(3)	(4)	(3)	(2)
50 basis points	(8)	(6)	(7)	(7)	(5)
75 basis points	(12)	(9)	(11)	(10)	(7)

Conversely, if the interest rates were to decline, the effect on the Group would be an increase in the Group's post-tax profit for the year/period by the amount shown above.

Foreign currency risk

The Group collected all of its revenue in RMB and most of the expenditures including expenditures incurred in property investment as well as capital expenditures are also denominated in RMB.

The Group undertook certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

At the end of each reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	At 31 December			At 31 October
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
Assets				
US$	25	18	5	2
HK$	49	59	10	10

	At 31 December			At 31 October
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
Liabilities				
US$	8,532	5,967	3,065	2,607

The foreign currency risk is managed by the management on an ongoing basis as well as by minimising the net debt in US$ and asset in HK$.

As HK$ is currently pegged to US$, the management considers that the exposure to exchange fluctuation between HK$ and US$ is limited. The Group is therefore mainly exposed to currency risk between RMB and US$.

If RMB were to strengthen against US$ by 5%, 10% and 15%, the Group's post-tax profit and equity would increase by:

	Increase in the Group's profit			
	Year ended 31 December			Ten months ended 31 October
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
5%	205	138	52	35
10%	410	275	104	69
15%	614	412	155	104

	Increase in the Group's equity			
	Year ended 31 December			Ten months ended 31 October
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
5%	81	86	63	63
10%	162	173	126	126
15%	243	259	190	189

Conversely, if RMB were to weaken against US$, there would be an equal and opposite effect on the Group's profit and equity for the year/period.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

To mitigate the risk of financial loss from default, tenants of the rental properties are required to pay two to three months deposits upon entering into leases with the Group. The Group has the right to offset the deposits against the outstanding receivables should the tenants default rental payments.

There is no credit period given to the tenants of the rental properties. Rental is payable in advance and interest is charged immediately on overdue balance at the rate of 0.05% to 0.4% per day. In addition, the management is responsible for follow up action to recover the overdue debt. The management also reviews the recoverable amount of each individual trade debtor regularly to ensure that adequate impairment losses are recognised for irrecoverable debts.

There is a maximum credit period of 30 days granted to corporate customers and travel agents of the hotel. The Group has no significant concentration of credit risk over these debtors, with exposure spread over a number of counterparties and customers. The management reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk on liquid funds is limited because cash, bank deposits and fixed deposits with banks are placed with reputable financial institutions which are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

The management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations. As at 31 December 2007, 2008, 2009 and 31 October 2010, the Group had net current liabilities of RMB7,745 million, RMB8,298 million, RMB7,019 million and RMB6,001 million respectively. Taking into account of the internally generated funds and the financial support from the ultimate holding company set out in Note 1, the Group will be able to meet its financial obligation when they fall due.

Liquidity risk analysis

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The undiscounted cash flows for borrowings are derived from the interest rate on period end date for borrowings at variable interest rate.

	Weighted average interest rate	On demand and less than 3 months	3 months to 1 year	1 year to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount at 31 December 2007
	%	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Non-derivative financial liabilities							
Trade and other payables	—	219	—	2	556	777	777
Other payable	6.00	—	121	64	11,871	12,056	3,109
Tenants' deposits	—	84	90	63	187	424	424
Bank borrowings	5.51	496	373	828	934	2,631	2,417
Loan from ultimate holding company	—	7,302	—	—	—	7,302	7,302
		8,101	584	957	13,548	23,190	14,029

	Weighted average interest rate	On demand and less than 3 months	3 months to 1 year	1 year to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount at 31 December 2008
	%	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Non-derivative financial liabilities							
Trade and other payables	—	224	—	2	518	744	744
Other payable	—	1,570	—	—	—	1,570	1,570
Tenants' deposits	—	60	92	81	198	431	431
Bank borrowings	2.90	445	299	864	—	1,608	1,554
Loan from ultimate holding company	—	6,832	—	—	—	6,832	6,832
		9,131	391	947	716	11,185	11,131

	Weighted average interest rate	On demand and less than 3 months	3 months to 1 year	1 year to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount at 31 December 2009
	%	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Non-derivative financial liabilities							
Trade and other payables	—	211	—	2	516	729	729
Tenants' deposits	—	44	85	90	216	435	435
Bank borrowings	3.47	450	460	58	1,216	2,184	1,946
Loan from ultimate holding company	—	6,143	—	—	—	6,143	6,143
		6,848	545	150	1,948	9,491	9,253

	Weighted average interest rate	On demand and less than 3 months	3 months to 1 year	1 year to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount at 31 October 2010
	%	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Non-derivative financial liabilities							
Trade and other payables	—	175	—	2	505	682	682
Tenants' deposits	—	64	69	141	169	443	443
Bank borrowings	4.10	419	43	58	1,169	1,689	1,505
Loan from ultimate holding company	—	6,019	—	—	—	6,019	6,019
		6,677	112	201	1,843	8,833	8,649

c. Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the financial statements approximate to their corresponding fair values.

26. RETIREMENT BENEFIT PLANS

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

The Group recognised the retirement benefit costs of RMB7,308,000, RMB7,309,000, RMB7,540,000, RMB6,329,000 (unaudited) and RMB6,217,000 for the years ended 31 December 2007, 2008, 2009 and the ten months ended 31 October 2009 and 2010 respectively.

27. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking facilities granted to the Group at the end of each reporting period:

	At 31 December			At 31 October
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
Investment properties	11,332	11,258	11,242	19,998
Land and related costs	2,292	1,848	1,810	1,778
Plant and machinery	188	175	162	151
Hotel and serviced apartments	1,895	1,838	1,781	1,734
	15,707	15,119	14,995	23,661

28. OPERATING LEASE COMMITMENTS

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

	At 31 December			At 31 October
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
Within one year	990	1,034	1,131	1,271
In the second to fifth years inclusive	2,159	1,928	1,879	1,618
Over five years	176	50	19	7
Total	3,325	3,012	3,029	2,896

The Group rents out its investment properties in the PRC under operating leases. Operating lease income represents rentals receivable by the Group for its investment properties. Leases are negotiated for term ranging from 1 month to 9 years with monthly fixed rental, except for certain leases of the mall of which contingent rents are charged based on the percentage of sales ranged from 5% to 25%.

B. SIGNIFICANT RELATED PARTY TRANSACTIONS

During the Relevant Periods, the Group entered into the following transactions with related parties:

	Note	At 31 December			At 31 October
		2007	2008	2009	2010
		RMB million	RMB million	RMB million	RMB million
Bank borrowing from a related company					
Bank of China Limited	(a)	2,417	1,554	1,946	1,505
Loan from ultimate holding company					
Hui Xian Holdings Limited		7,302	6,832	6,143	6,019

Notes:

(a) Bank of China Limited is the intermediate holding company of Bank of China Group Investment Limited, a shareholder of Hui Xian Holdings Limited, the ultimate holding company of the Company.

The Group's key management personnel are all directors. No directors' emoluments were paid or are payable by the Group for the years ended 31 December 2007, 2008, 2009 and the ten months ended 31 October 2009 and 2010, respectively.

C. SUBSEQUENT EVENT

On 20 January 2011, BOP entered into an agreement ("early settlement agreement") with the PRC party for early settlement of the demolition cost payable as disclosed in Note 18. Pursuant to the early settlement agreement, BOP was obligated to pay US$11 million, which was determined based on the present value of the outstanding balance of demolition cost payable at the end of 2010. The early settlement payment was made on 28 January 2011.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements for any of the companies comprising the Group have been prepared in respect of any period subsequent to 31 October 2010.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong