THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Beijing Capital Land Ltd., you should at once hand this circular together with the enclosed reply slips and forms of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through which the sale or transfer was effected for transmission to the purchaser or transferee.

首創置業股份有限公司
BEIJING CAPITAL LAND LTD.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2868)

MAJOR AND CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED ACQUISITIONS OF 100% EQUITY INTEREST IN RECO CAMELLIA PRIVATE LIMITED; 100% EQUITY INTEREST IN RECO HIBISCUS PRIVATE LIMITED; 45% EQUITY INTEREST IN CHENGDU CAPITAL XINZI REAL ESTATE DEVELOPMENT LIMITED AND 45% EQUITY INTEREST IN TIANJIN XINCHUANG LAND LIMITED AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

SUNWAH KINGSWAY
新華滙富

Kingsway Capital Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 5 to 36 of this circular. A letter from the Independent Board Committee containing its recommendation in respect of the Agreements and the transactions contemplated thereunder is set out on pages 37 to 38 of this circular. A letter from Kingsway containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder is set out on pages 39 to 53 of this circular.

A notice convening the EGM to be held on Monday, 5 March 2012, 9:00 a.m. at F17, Red Goldage, No.2, Guang Ning Bo Street, Beijing, People's Republic of China, together with the reply slips and forms of proxy are enclosed herein.

If you intend to attend the EGM, please complete and return the enclosed reply slips and forms of proxy in accordance with the instruction printed thereon as soon as possible, and in any event no later than Monday, 27 February 2012 for the reply slips and no less than 24 hours before the time appointed for the meetings or any adjourned meetings thereof for the forms of proxy.

Completion and return of the forms of proxy will not preclude you from attending and voting in person at the meetings or any adjourned meetings thereof and, in such event, the relevant form of proxy shall be deemed to be revoked.

13 February 2012

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisitions"	the acquisitions of certain interests in the Target Companies by the Company through its wholly owned subsidiaries in accordance with the terms and conditions of the Agreements
"Agreements"	the Camellia S&P Agreement, the Hibiscus S&P Agreement, the Xinchuang Equity Transfer Agreement and the Xinzi Equity Transfer Agreement
"Anhua Shiji"	北京安華世紀房地產開發有限公司 (Beijing Anhua Shiji Real Estate Development Company Limited), a Chinese-foreign Contractual joint venture company
"Articles"	the articles of association of the Company
"associate"	has the meaning ascribed to it under the Listing Rules
"Best Crystal"	Best Crystal Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company
"Board"	the board of Directors
"Camellia S&P Agreement"	the sale and purchase agreement in relation to Reco Camellia entered into between Recosia China and the Company on 19 January 2012
"Chengdu Xinzi"	成都首創新資置業有限公司(Chengdu Capital Xinzi Real Estate Development Limited), a sino-foreign cooperative joint venture company
"Company"	Beijing Capital Land Ltd., a joint stock company incorporated in the PRC with limited liability and whose H Shares are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Crown Smart"	Crown Smart Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company
"Directors"	the directors of the Company

"Domestic Promoter Shares"	the ordinary shares of RMB1.00 each in the share capital of the Company, which are subscribed for in Renminbi by the PRC promoters of the Company
"EGM"	the extraordinary general meeting of the Company to be held at F17, Red Goldage, No.2, Guang Ning Bo Street, Beijing, PRC, on Monday, 5 March 2012 at 9:00 a.m.
"Enlarged Group"	the Company and its subsidiaries immediately following completion of the Agreements
"Foreign Promoter Shares"	the ordinary shares of RMB1.00 each in the share capital of the Company, which are subscribed for in a currency other than Renminbi by the foreign promoters of the Company
"Group"	the Company and its subsidiaries (for the avoidance of doubt, the transactions as disclosed in the announcement of the Company dated 20 October 2011 for the acquisitions of Qingdao Yangguang Binhai Properties Company Limited, Qingdao Qianqianshu Properties Company Limited, Yantai Yuangguang Lidu Real Estate Development Company Limited, Yantai Yuangguang Lizhen Real Estate Development Company Limited and Yantai Yuangguang Xinye Real Estate Development Company Limited were completed in December 2011 and as at the Latest Practicable Date, the above named companies were subsidiaries of the Company)
"H Shares"	the ordinary shares of RMB1.00 each in the share capital of the Company, which are issued outside the PRC, listed on the Stock Exchange and traded in Hong Kong
"Hibiscus S&P Agreement"	the sale and purchase agreement in relation to Reco Hibiscus entered into between Recosia China and the Company on 19 January 2012
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board comprising the independent non-executive directors of the Company, namely Mr. Li Zhaojie, Mr. Ng Yuk Keung and Mr. Wang Hong, to consider and advise the Independent Shareholders with regard to the Acquisitions
"Independent Shareholders"	the Shareholders other than Reco Ziyang, Recosia China and their respective associates

"Kingsway"	Kingsway Capital Limited, a licenced corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as set out in schedule 5 of the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder
"Latest Practicable Date"	9 February 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Reco Camellia"	Reco Camellia Private Limited, a company incorporated in Singapore with limited liability
"Reco Hibiscus"	Reco Hibiscus Private Limited, a company incorporated in Singapore with limited liability
"Reco Ziyang"	Reco Ziyang Pte Ltd, the substantial shareholder of various subsidiaries of the Company as at the Latest Practicable Date
"Recosia China"	Recosia China Pte Ltd, an associate of Reco Ziyang
"RMB"	Renminbi yuan, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance
"Sale Interest (Camellia)"	the entire issued and paid-up share capital in Reco Camellia owned by Recosia China
"Sale Interest (Hibiscus)"	the entire issued and paid-up share capital in Reco Hibiscus owned by Recosia China
"Sale Interest (Xinzi)"	45% equity interest in Chengdu Xinzi beneficially owned by Reco Ziyang

"Sale Interest (Xinchuang)"	45% equity interest in Tianjin Xinchuang beneficially owned by Reco Ziyang
"Savills"	Savills Valuation and Professional Services Limited, an independent property valuer
"Shareholders"	the shareholders of the Company
"Shares"	Domestic Promoter Shares, Foreign Promoter Shares and H Shares (as appropriate)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Sun Shine City"	北京陽光城房地產有限公司(Beijing Sun Shine City Real Estate Development Company Limited), a sino-foreign cooperative joint venture company
"Target Companies"	Reco Hibiscus, Reco Camellia, Chengdu Xinzi, and Tianjin Xinchuang
"Tianjin Xinchuang"	天津市新創置業有限公司 (Tianjin Xinchuang Land Limited), a sino-foreign cooperative joint venture company
"Xinchuang Equity Transfer Agreement"	the equity transfer agreement in relation to Tianjin Xinchuang entered into between Reco Ziyang and Crown Smart on 19 January 2012
"Xinzi Equity Transfer Agreement"	the equity transfer agreement in relation to Chengdu Xinzi entered into between Reco Ziyang and Best Crystal on 19 January 2012
"S$"	Singapore Dollar, the legal currency of Singapore
"US$"	United States Dollar, the legal currency of the United States of America
"%"	per cent.

The English names of the PRC entities are translations of their Chinese names and are included for identification purpose only.

首創置業股份有限公司
BEIJING CAPITAL LAND LTD.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2868)

Executive Directors:
Liu Xiaoguang *(Chairman)*
Tang Jun
Zhang Juxing

Non-executive Directors:
Feng Chunqin
Cao Guijie
Zhang Shengli

Independent non-executive Directors:
Li Zhaojie
Ng Yuk Keung
Wang Hong

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

Place of business in the PRC:
F15, Red Goldage
No.2, Guang Ning Bo Street
Beijing
PRC

Place of business in Hong Kong:
Suites 5806-08
Two International Finance Centre
8 Finance Street
Central
Hong Kong

13 February 2012

To the Shareholders,

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED ACQUISITIONS OF 100% EQUITY INTEREST IN RECO CAMELLIA PRIVATE LIMITED; 100% EQUITY INTEREST IN RECO HIBISCUS PRIVATE LIMITED; 45% EQUITY INTEREST IN CHENGDU CAPITAL XINZI REAL ESTATE DEVELOPMENT LIMITED AND 45% EQUITY INTEREST IN TIANJIN XINCHUANG LAND LIMITED AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

On 19 January 2012 (after trading hours), the Group entered into the following agreements with Recosia China and Reco Ziyang (as the case may be):–

(i) the Hibiscus S&P Agreement between Recosia China and the Company pursuant to which the Company (through one of its wholly owned subsidiaries) has conditionally agreed to acquire, and Recosia China has conditionally agreed to dispose of, the entire issued and paid-up share capital of Reco Hibiscus for a consideration of RMB195,395,822 subject to the terms and conditions of the Hibiscus S&P Agreement;

(ii) the Camellia S&P Agreement between Recosia China and the Company pursuant to which the Company (through one of its wholly owned subsidiaries) has conditionally agreed to acquire, and Recosia China has conditionally agreed to dispose of, the entire issued and paid-up share capital in Reco Camellia for a consideration of RMB340,546,916 subject to the terms and conditions of the Camellia S&P Agreement;

(iii) the Xinzi Equity Transfer Agreement between Reco Ziyang and Best Crystal, an indirect wholly owned subsidiary of the Company, pursuant to which Best Crystal has conditionally agreed to acquire, and Reco Ziyang has conditionally agreed to dispose of, 45% equity interest in Chengdu Xinzi for a consideration of RMB120,371,885 subject to the terms and conditions of the Xinzi Equity Transfer Agreement; and

(iv) the Xinchuang Equity Transfer Agreement between Reco Ziyang and Crown Smart, an indirect wholly owned subsidiary of the Company, pursuant to which Crown Smart has conditionally agreed to acquire, and Reco Ziyang has conditionally agreed to dispose of, 45% equity interest in Tianjin Xinchuang for a consideration of RMB104,708,700 subject to the terms and conditions of the Xinchuang Equity Transfer Agreement.

The purpose of this circular is to provide the Shareholders with further information on the Agreements, the recommendation of the Independent Board Committee, a letter of advice from Kingsway and the notice of the EGM and other information as required by the Listing Rules.

THE AGREEMENTS

(I) The Hibiscus S&P Agreement

Date

19 January 2012

Parties

The Hibiscus S&P Agreement was entered into between:

(A) Recosia China; and

(B) the Company.

Assets to be acquired

The Sale Interest (Hibiscus), being the entire issued and paid-up share capital of Reco Hibiscus.

Consideration and payment terms

The consideration payable for the Sale Interest (Hibiscus) is RMB195,395,822 and will be settled by cash by the Company upon completion of the Hibiscus S&P Agreement.

The consideration for the Sale Interest (Hibiscus) shall be payable by the Company in US$, which amount shall be calculated based on the mid-price exchange rate published by the People's Bank of China on the business day preceding the payment date, or such other rate as may be agreed by the parties in writing. The Group intends to finance the payment of the consideration for the Sale Interest (Hibiscus) by its internal resources and the Group may also seek external bank financing.

The consideration for the Sale Interest (Hibiscus) was determined after arm's length negotiations between Recosia China and the Company taking into consideration of (i) the net asset value of Anhua Shiji as at 31 October 2011; (ii) the net asset value of Reco Hibiscus as at 31 October 2011 and (iii) the appraised value by Savills of the properties held by Anhua Shiji. According to the valuation report prepared by Savills, the appraised value of the properties held by Anhua Shiji as at 30 November 2011 was RMB700,300,000 and details of the valuation report are set out in Appendix IX to this circular.

The Directors consider the consideration for the Sale Interest (Hibiscus) is fair and reasonable and on normal commercial terms and in the interest of the Shareholders as a whole.

Conditions precedent

Completion of the Hibiscus S&P Agreement and the transactions contemplated thereunder is conditional upon, among other things, the fulfillment of the following conditions:

(i) confirmatory due diligence by the Company up to the date of the EGM to verify solely the accuracy of the representations and warranties of Recosia China set out in the Hibiscus S&P Agreement; and

(ii) the approval by the Shareholders of the Hibiscus S&P Agreement and the transactions contemplated thereunder at the EGM.

Other material terms

The Company further agrees and undertakes to Recosia China that it shall, within 20 business days of completion of the Hibiscus S&P Agreement, change the name of Reco Hibiscus to remove any reference to the word "Reco" and will not at any time thereafter in relation to any trade, business or company use a name including such word or derivations thereof, in such a way as to be capable of being or likely to be confused with the names, logos or trademarks of Recosia China and its subsidiaries and related corporations from time to time.

Completion

Completion shall take place on the date falling five business days following the notification by the Company to Recosia China of the fulfillment of the conditions precedent set out in the Hibiscus S&P Agreement.

Upon completion of the Hibiscus S&P Agreement, Reco Hibiscus will become an indirect wholly owned subsidiary of the Company whose results will be consolidated into the accounts of the Group.

(II) The Camellia S&P Agreement

Date

19 January 2012

Parties

The Camellia S&P Agreement was entered into between:

(A) Recosia China; and

(B) the Company.

Assets to be acquired

The Sale Interest (Camellia), being the entire issued and paid-up share capital of Reco Camellia.

Consideration and payment terms

The consideration payable for the Sale Interest (Camellia) is RMB340,546,916 and will be settled by cash by the Company upon completion of the Camellia S&P Agreement.

The consideration for the Sale Interest (Camellia) shall be payable by the Company in US$, which amount shall be calculated based on mid-price exchange rate published by the People's Bank of China on the business day preceding the payment date, or such other rate as may be agreed by the parties in writing. The Group intends to finance the payment of the consideration for the Sale Interest (Camellia) by its internal resources and the Group may also seek external bank financing.

The consideration for the Sale Interest (Camellia) was determined after arm's length negotiations between Recosia China and the Company taking into consideration of (i) the net asset value of Sun Shine City as at 31 October 2011; (ii) net asset value of Reco Camellia as at 31 October 2011 and (iii) the appraised value by Savills of the properties held by Sun Shine City. According to the valuation report prepared by Savills, the appraised value of the properties held by Sun Shine City as at 30 November 2011 was RMB1,455,770,000 and details of the valuation report are set out in Appendix IX to this circular.

The Directors consider the consideration for the Sale Interest (Camellia) is fair and reasonable and on normal commercial terms and in the interest of the Shareholders as a whole.

Conditions precedent

Completion of the Camellia S&P Agreement and the transactions contemplated thereunder is conditional upon, among other things, the fulfillment of the following conditions:

(i) confirmatory due diligence by the Company up to the date of the EGM to verify solely the accuracy of the representations and warranties of Recosia China set out in the Camellia S&P Agreement; and

(ii) the approval by the Shareholders of the Camellia S&P Agreement and the transactions contemplated thereunder at the EGM.

Other material terms

The Company further agrees and undertakes to Recosia China that it shall, within 20 business days of completion of the Camellia S&P Agreement, change the name of Reco Camellia to remove any reference to the word "Reco" and will not at any time thereafter in relation to any trade, business or company use a name including such word or derivations thereof, in such a way as to be capable of being or likely to be confused with the names, logos or trademarks of Recosia China and its subsidiaries and related corporations from time to time.

Completion

Completion shall take place on the date falling five business days following the notification by the Company to Recosia China of the fulfillment of the conditions precedent set out in the Camellia S&P Agreement.

Upon completion of the Camellia S&P Agreement, Reco Camellia will become an indirect wholly owned subsidiary of the Company whose results will be consolidated into the accounts of the Group.

(III) The Xinzi Equity Transfer Agreement

Date

19 January 2012

Parties

The Xinzi Equity Transfer Agreement was entered into between:

(A) Reco Ziyang; and

(B) Best Crystal, an indirect wholly owned subsidiary of the Company.

Assets to be acquired

The Sale Interest (Xinzi), being 45% equity interest in Chengdu Xinzi.

Consideration and payment terms

The consideration payable for the Sale Interest (Xinzi) is RMB120,371,885 and will be settled by cash in the manner set out below:–

(a) RMB60,185,942.50, being 50% of the consideration for the Sale Interest (Xinzi), shall be paid by Best Crystal to Reco Ziyang within 5 days upon the receipt of the new certificate of approval for establishment of enterprises with foreign investment in the PRC in relation to Chengdu Xinzi; and

(b) RMB60,185,942.50, being the remaining consideration, shall be paid by Best Crystal to Reco Ziyang within 5 days upon the receipt of the new corporate business licence of Chengdu Xinzi.

The consideration for the Sale Interest (Xinzi) shall be payable by the Group in US$ equivalent at the mid-price exchange rate for RMB and US$ published by the People's Bank of China on the payment date. The Group intends to finance the payment of the consideration for the Sale Interest (Xinzi) by its internal resources and the Group may also seek external bank financing.

The consideration for the Sale Interest (Xinzi) was determined after arm's length negotiations between Reco Ziyang and Best Crystal taking into consideration of (i) the net asset value of Chengdu Xinzi as at 31 October 2011 and (ii) the appraised value by Savills of the properties held by Chengdu Xinzi. According to the valuation report prepared by Savills, the appraised value of the properties held by Chengdu Xinzi as at 30 November 2011 was RMB33,070,000 and details of the valuation report are set out in Appendix IX to this circular.

The Directors consider the consideration for the Sale Interest (Xinzi) is fair and reasonable and on normal commercial terms and in the interest of the Shareholders as a whole.

Conditions precedent

Completion of the Xinzi Equity Transfer Agreement and the transactions contemplated thereunder is conditional upon the parties having obtained all relevant approvals and authorizations in accordance with the applicable laws and rules and the articles of Chengdu Xinzi, including the approval by the Shareholders of the Xinzi Equity Transfer Agreement and the transactions contemplated thereunder at the EGM in compliance with the requirements of the Listing Rules.

Completion

The Xinzi Equity Transfer Agreement shall be completed when the relevant amendments to the commerce and industry registrations have been completed and Chengdu Xinzi has obtained its new corporate business licence.

Upon completion of the Xinzi Equity Transfer Agreement, Chengdu Xinzi will become an indirect wholly owned subsidiary of the Company whose results will be consolidated into the accounts of the Group.

(IV) The Xinchuang Equity Transfer Agreement

Date

19 January 2012

Parties

The Xinchuang Equity Transfer Agreement was entered into between:

(A) Reco Ziyang; and

(B) Crown Smart, an indirect wholly owned subsidiary of the Company.

Assets to be acquired

The Sale Interest (Xinchuang), being 45% equity interest in Tianjin Xinchuang.

Consideration and payment terms

The consideration payable for the Sale Interest (Xinchuang) is RMB104,708,700 and will be settled by cash in the manner set out below:–

(a) RMB52,354,350, being 50% of the consideration for the Sale Interest (Xinchuang), shall be paid by Crown Smart to Reco Ziyang within 5 days upon the receipt of the new certificate of approval for establishment of enterprises with foreign investment in the PRC in relation to Tianjin Xinchuang; and

(b) RMB52,354,350, being the remaining consideration, shall be paid by Crown Smart to Reco Ziyang within 5 days upon the receipt of the new corporate business licence of Tianjin Xinchuang.

The consideration for the Sale Interest (Xinchuang) shall be payable by the Group in US$ equivalent at the mid-price exchange rate for RMB and US$ published by the People's Bank of China on the payment date. The Group intends to finance the payment of the consideration for the Sale Interest (Xinchuang) by its internal resources and the Group may also seek external bank financing.

The consideration for the Sale Interest (Xinchuang) was determined after arm's length negotiations between Reco Ziyang and Crown Smart taking into consideration of (i) the net asset value of Tianjin Xinchuang as at 31 October 2011 and (ii) the appraised value by Savills of the properties held by Tianjin Xinchuang. According to the valuation report prepared by Savills, the appraised value of the properties held by Tianjin Xinchuang as at 30 November 2011 was RMB933,000 and details of the valuation report are set out in Appendix IX to this circular.

The Directors consider the consideration for the Sale Interest (Xinchuang) is fair and reasonable and on normal commercial terms and in the interest of the Shareholders as a whole.

Conditions precedent

Completion of the Xinchuang Equity Transfer Agreement and the transactions contemplated thereunder is conditional upon the parties having obtained all relevant approvals and authorizations in accordance with the applicable laws and rules and the articles of Tianjin Xinchuang, including the approval by the Shareholders of the Xinchuang Equity Transfer Agreement and the transactions contemplated thereunder at the EGM in compliance with the requirements of the Listing Rules.

Completion

The Xinchuang Equity Transfer Agreement shall be completed when the relevant amendments to the commerce and industry registrations have been completed and Tianjin Xinchuang has obtained its new corporate business licence.

Upon completion of the Xinchuang Equity Transfer Agreement, Tianjin Xinchuang will become an indirect wholly owned subsidiary of the Company whose results will be consolidated into the accounts of the Group.

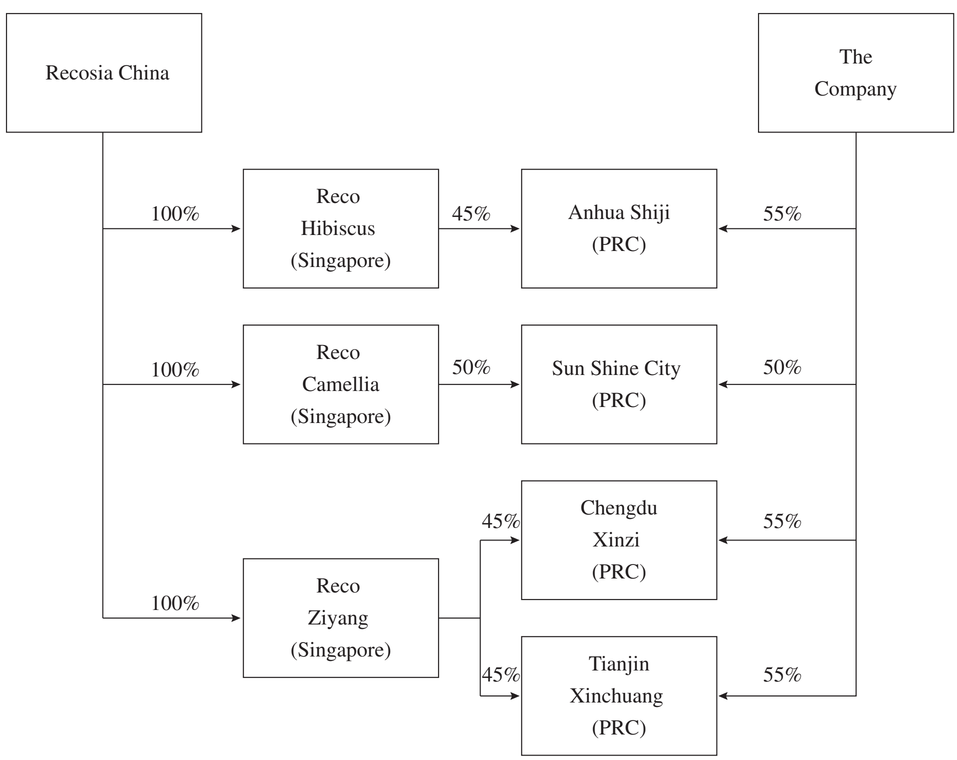
(V) Aggregate consideration under the Agreements

The aggregate consideration of the Acquisitions under the Agreements shall be RMB761,023,323.

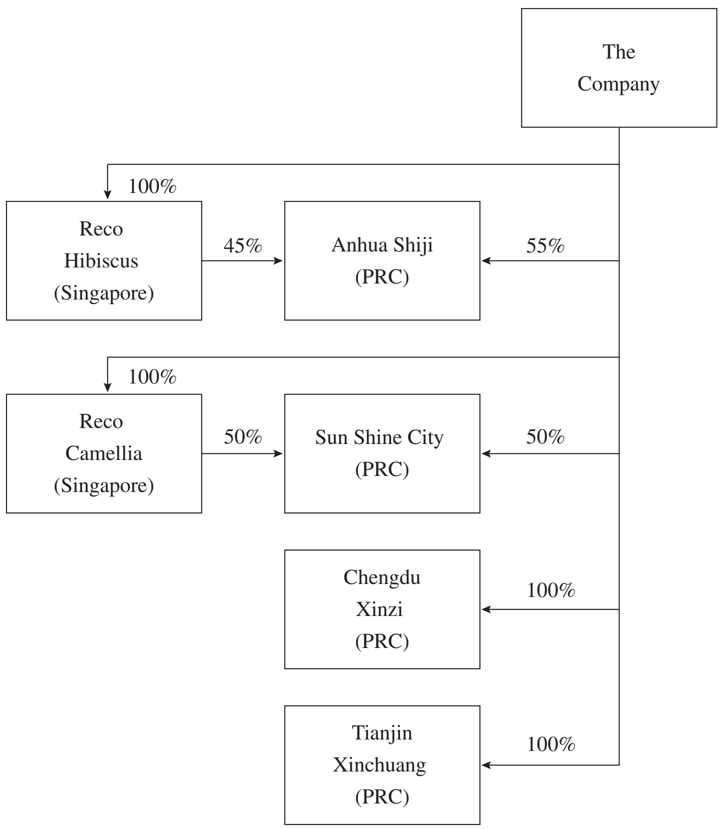
SHAREHOLDING STRUCTURE OF THE TARGET COMPANIES

Set out below are the simplified shareholding structure of the Target Companies as at the Latest Practicable Date and immediately after completion of the Acquisitions:

As at the Latest Practicable Date:



Immediately after completion of the Acquisitions:



INFORMATION ON THE TARGET COMPANIES

Reco Hibiscus

Reco Hibiscus is an investment holding company incorporated under the laws of Singapore on 21 March 2003 with limited liability. Reco Hibiscus is wholly owned by Recosia China and has a nominal issued and paid-up share capital of S$2 comprising 2 ordinary shares. Reco Hibiscus holds 45% equity interest in Anhua Shiji. The remaining 55% equity interest in Anhua Shiji is directly held by the Company.

Anhua Shiji is a limited liability company incorporated under the laws of the PRC on 25 April 2002 and is principally engaged in property development. As at the Latest Practicable Date, Anhua Shiji was held by the Company as to 55% and Reco Hibiscus as to 45% and was accounted for as a subsidiary of the Company. The registered capital of Anhua Shiji is US$30,000,000 which was contributed by the Group and Reco Hibiscus in proportion to their respective shareholdings in Anhua Shiji.

Anhua Shiji is the developer of The Reflections which is situated at the core government district in western Beijing, the PRC. The Reflections comprises residential buildings and ancillary commercial facilities of a total gross floor area of approximately 150,000 square meters and the construction was completed in February 2009.

Reco Camellia

Reco Camellia is an investment holding company incorporated under the laws of Singapore on 20 March 2003 with limited liability. Reco Camellia is wholly owned by Recosia China and has a nominal issued and paid-up share capital of S$2 comprising 2 ordinary shares. Reco Camellia holds 50% equity interest in Sun Shine City. The remaining 50% equity interest in Sun Shine City is directly held by the Company.

Sun Shine City is a limited liability company incorporated under the laws of the PRC on 1 July 2002 and is principally engaged in property development. As at the Latest Practicable Date, Sun Shine City was held as to 50% by each of the Company and Reco Camellia respectively. Since the Group holds majority seats in the board of directors of Sun Shine City pursuant to the articles of association of Sun Shine City, Sun Shine City is accounted for as a subsidiary of the Company. The registered capital of Sun Shine City is US$20,000,000 which was contributed by the Group and Reco Camellia in proportion to their respective shareholdings in Sun Shine City.

Sun Shine City is the developer of Urban Town which is situated at Heping Lane of the North and East Third Ring Roads of Beijing, the PRC. Urban Town comprises residential buildings and ancillary commercial facilities of a total gross floor area of approximately 309,000 square meters and the construction is expected to be completed by 2012.

Chengdu Xinzi

Chengdu Xinzi is a limited liability company incorporated under the laws of the PRC on 23 May 2006 and is principally engaged in property development. As at the Latest Practicable Date, Chengdu Xinzi was held by the Company (through its wholly owned subsidiary) as to 55% and Reco Ziyang as to 45% and was accounted for as a subsidiary of the Company. The registered capital of Chengdu Xinzi is US$30,000,000 which was contributed by the Group and Reco Ziyang in proportion to their respective shareholdings in Chengdu Xinzi.

Chengdu Xinzi is the developer of Chengdu A-Z Town which is situated at the junction of East Second Ring Road and Jian She Lu in Chengdu, the PRC. Chengdu A-Z Town comprises residential buildings and ancillary commercial facilities of a total gross floor area of approximately 370,000 square meters and the construction was completed in April 2010.

Tianjin Xinchuang

Tianjin Xinchuang is a limited liability company incorporated under the laws of the PRC on 29 November 2005. As at the Latest Practicable Date, Tianjin Xinchuang was held by the Company (through its wholly owned subsidiary) as to 55% and Reco Ziyang as to 45% and was accounted for as a subsidiary of the Company. The registered capital of Tianjin Xinchuang is US$25,000,000 which was contributed by the Group and Reco Ziyang in proportion to their respective shareholdings in Tianjin Xinchuang.

Tianjin Xinchuang is the developer of Butchart Garden which is situated at Ruijing Residential Area, Beichen District, Tianjin, the PRC. Butchart Garden comprises residential buildings and ancillary commercial facilities of a total gross floor area of approximately 485,000 square meters. The construction was completed at the end of 2009 and all the residential properties of Butchart Garden were sold out.

Set out below is the key financial information of the Target Companies, together with Anhua Shiji and Sun Shine City, for the relevant financial periods immediately preceding the Acquisitions which is prepared in accordance with Accounting Standards for Business Enterprises of PRC:–

	Reco Hibiscus	Reco Camellia	Chengdu Xinzi	Tianjin Xinchuang	Anhua Shiji	Sun Shine City
Net profit/(loss) before income tax and extraordinary items for the year ended 31 December 2009 (RMB)	99,866,000	136,959,000	138,858,000	143,775,000	282,543,000	354,889,000
Net profit/(loss) after income tax and extraordinary items for the year ended 31 December 2009 (RMB)	94,583,000	129,924,000	104,143,000	107,831,000	210,127,000	266,167,000
Net profit/(loss) before income tax and extraordinary items for the year ended 31 December 2010 (RMB)	39,809,000	14,755,000	(48,060,000)	(10,821,000)	109,143,000	23,447,000
Net profit/(loss) after income tax and extraordinary items for the year ended 31 December 2010 (RMB)	37,967,000	14,184,000	(69,127,000)	(8,116,000)	81,857,000	17,585,000
Net profit/(loss) before income tax and extraordinary items for the 10 months ended 31 October 2011 (RMB)	71,571,000	15,990,000	11,490,000	36,500,000	180,473,000	3,623,000
Net profit/(loss) after income tax and extraordinary items for the 10 months ended 31 October 2011 (RMB)	68,526,000	15,812,000	5,679,000	27,375,000	135,355,000	2,717,000
Net asset value as at 31 December 2010 (RMB)	258,384,000	330,888,000	261,813,000	230,043,000	305,463,000	231,045,000
Net asset value as at 31 October 2011 (RMB)	120,661,000	107,985,000	267,492,000	232,686,000	318,787,000	233,762,000

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANIES

Reco Hibiscus is an investment holding company established in Singapore on 21 March 2003 with a registered capital of S$2. Recosia China held the entire equity interests of Reco Hibiscus as at the Latest Practicable Date. As a financial investor, Reco Hibiscus holds 45% equity interests in Anhua Shiji. Since its establishment and as of the Latest Practicable Date, save for the long-term investments in Anhua Shiji, Reco Hibiscus did not have other investments.

Reco Camellia is an investment holding company established in Singapore on 20 March 2003 with a registered capital of S$2. Recosia China held the entire equity interests of Reco Camellia as at the Latest Practicable Date. As a financial investor, Reco Camellia holds 50% equity interests in Sun Shine City. Since its establishment and as of the Latest Practicable Date, save for the long-term investments in Sun Shine City, Reco Camellia did not have other investments.

(1) Operating performance

Anhua Shiji

Anhua Shiji was incorporated in Beijing on 25 April 2002 with a registered capital of US$30,000,000. It is principally engaged in the development and management of The Reflections. The Company holds 55% equity interests in Anhua Shiji and is responsible for the daily operation and management of it. Anhua Shiji is a subsidiary of the Company and has been consolidated into the Group's financial statement. Reco Hibiscus holds 45% equity interests in Anhua Shiji.

Anhua Shiji recorded a profit of approximately RMB317,131,000, RMB210,127,000 and RMB81,857,000 for each of the three years ended 31 December 2008, 2009 and 2010 respectively. Anhua Shiji recorded a profit of RMB48,833,000 and RMB135,355,000 for the ten months period ended 31 October 2010 and 2011 respectively. Anhua Shiji recorded a profit during the above periods, which mainly due to the superior geographical location of the project, the rareness of product and achieve better sales performance.

There is no information on business segment as Anhua Shiji was only engaged in the development of The Reflections since its establishment and as of the Latest Practicable Date.

Sun Shine City

Sun Shine City was incorporated in Beijing on 1 July 2002 with a registered capital of US$20,000,000. It is principally engaged in the development and management of Urban Town. The Company holds 50% equity interests in Sun Shine City and is responsible for the daily operation and management of it. Sun Shine City is a subsidiary of the Company and has been consolidated into the Group's financial statement. Reco Camellia holds 50% equity interests in Sun Shine City.

Sun Shine City recorded a profit of approximately RMB200,863,000, RMB266,167,000 and RMB17,585,000 for each of the three years ended 31 December 2008, 2009 and 2010 respectively. Sun Shine City recorded a profit of RMB14,101,000 and RMB2,717,000 for the ten months period ended 31 October 2010 and 2011 respectively. Sun Shine City recorded a profit during the above periods, which mainly due to the better geographical location of Urban Town at Third Ring in Beijing and achieve better sales performance.

There is no information on business segment as Sun Shine City was only engaged in the development of Urban Town since its establishment and as of the Latest Practicable Date.

Chengdu Xinzi

Chengdu Xinzi was incorporated in Chengdu on 23 May 2006 with a registered capital of US$30,000,000. It is principally engaged in the development and management of A-Z Town in Chengdu. The Company holds 55% equity interests in Chengdu Xinzi through its wholly owned subsidiary and is responsible for the daily operation and management of it. Chengdu Xinzi is a subsidiary of the Company and the statements of has been into the Group's financial statement. Reco Ziyang holds 45% equity interests in Chengdu Xinzi.

Chengdu Xinzi recorded a profit of approximately RMB123,091,000 (mainly due to satisfactory sales performance of project), a profit of approximately RMB104,143,000 (mainly due to satisfactory sales performance of project) and a loss of approximately RMB69,127,000 (mainly due to the selling of car parking spaces with a lower gross margin accounted for over 60% of total sales during the period and the net profit was decreased, and the adjustment and recognition of the difference of land appreciation tax) for each of the three years ended 31 December 2008, 2009 and 2010 respectively. Chengdu Xinzi recorded a loss of RMB66,465,000 (mainly due to the selling of car parking spaces with a lower gross margin accounted for over 60% during the period and the net profit was decreased, and the adjustment and recognition of the difference of land appreciation tax) and profit of approximately RMB5,679,000 (mainly due to the settlement of project, the decrease in the recognised income and costs and the recognition of interest income of approximately RMB20,575,000) for the ten months period ended 31 October 2010 and 2011.

There is no information on business segment as Chengdu Xinzi was only engaged in the development of A-Z Town in Chengdu since its establishment and as of the Latest Practicable Date.

Tianjin Xinchuang

Tianjin Xinchuang was incorporated in Tianjin on 29 November 2005 with a registered capital of US$25,000,000. It is principally engaged in the development and management of Butchart Garden. The Company holds 55% equity interests in Tianjin Xinchuang through its wholly owned subsidiary and is responsible for the daily operation and management of it. Tianjin Xinchuang is a subsidiary of the Company and the statements has been consolidated into the Group's financial statement. Reco Ziyang holds 45% equity interests in Tianjin Xinchuang.

Tianjin Xinchuang recorded a profit of approximately RMB72,505,000 (mainly due to satisfactory sales performance of project), a profit of approximately RMB107,831,000 (mainly due to satisfactory sales performance of project) and a loss of approximately RMB8,116,000 (mainly due to the decrease in the saleable area to about 4,700 sq.m. during the year and the adjustment and recognition of the difference of land appreciation tax) for each of the three years ended 31 December 2008, 2009 and 2010 respectively. Tianjin Xinchuang recorded a loss of approximately RMB10,012,000 (mainly due to the decrease in the saleable area to about 4,000 sq.m. during the period and the adjustment and recognition of the difference of land appreciation tax) and a profit of approximately RMB27,375,000 (mainly due to recognition of sales revenue) for the ten months period ended 31 October 2010 and 2011.

There is no information on business segment as Tianjin Xinchuang was only engaged in the development of Butchart Garden since its establishment and as of the Latest Practicable Date.

(2) Substantial acquisitions and disposals

Save as the interests in The Reflections, Urban Town, A-Z Town in Chengdu and Butchart Garden respectively, Anhua Shiji, Sun Shine City, Chengdu Xinzi and Tianjin Xinchuang do not have any material investments, substantial acquisitions and disposals since 1 January 2008 and up to the Latest Practicable Date.

(3) Litigation

Each of the Target Companies, Anhua Shiji and Sun Shine City was not engaged in any litigation of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any of the Target Companies, Anhua Shiji or Sun Shine City as at the Latest Practicable Date.

(4) Financial resources, liquidity and gearing ratio

Anhua Shiji

As at 31 December 2008, 2009 and 2010, the audited total liabilities of Anhua Shiji amounted to approximately RMB1,302,991,000, RMB1,105,554,000 and RMB1,337,620,000 respectively. Cash and bank balance amounted to approximately RMB30,862,000, RMB657,741,000 and RMB746,935,000 respectively. Anhua Shiji financed its operation through shareholder's loan and presale deposits generally.

As at 31 December 2008, the Company and Reco Hibiscus provided shareholder's loans, with principal amount of US$24,450,000 (principal amount of US$13,450,000 (denominated in RMB) provided by the Company and principal amount of US$11,000,000 provided by Reco Hibiscus) to Anhua Shiji, which was in proportion to their respective shareholdings and charged at a interest rate of 10% higher than the interest rate of bank borrowings of the same period and were repayable in December 2009. The shareholder's loan was not guaranteed, charged or secured, and repaid in July 2010.

For each of the three years ended 31 December 2008, 2009 and 2010, advances for properties sold of Anhua Shiji amounted to approximately RMB370,767,000, RMB320,896,000 and RMB457,216,000. For the ten months ended 31 October 2011, advances for properties sold amounted to approximately RMB136,628,000. Presale deposits provided Anhua Shiji with stable working capital.

For each of the three years ended 31 December 2008, 2009 and 2010, and as of 31 October 2011, Anhua Shiji did not have any bank borrowings and its gearing ratio was zero.

Sun Shine City

For each of the three years ended 31 December 2008, 2009 and 2010, the audited total liabilities of Sun Shine City amounted to approximately RMB1,550,918,000, RMB755,209,000 and RMB1,633,144,000 respectively. Cash and bank balance amounted to approximately RMB305,822,000, RMB120,824,000 and RMB601,576,000 respectively. Sun Shine City financed its operation through shareholder's loan, bank borrowings and presale deposits generally.

As at 31 December 2008, the Company and Reco Camellia provided shareholder's loans, with principal amount of US$18,500,000 (principal amount of US$9,250,000 provided by the Company and principal amount of US$9,250,000 provided by Reco Camellia) to Sun Shine City, which was in proportion to their respective shareholdings, among which, the loan with principal amount of US$12,500,000 (principal amount of US$6,250,000 provided by the Company and principal amount of US$6,250,000 provided by Reco Camellia) was interest-bearing at a interest rate of 10% higher than the interest rate of bank borrowings of the same period and the loan with principal amount of US$6,000,000 (principal amount of US$3,000,000 provided by the Company and principal amount of US$3,000,000 provided by Reco Camellia) was interest-bearing at 6.336%, the principal amount and interest was required to be repayable in 2009. As of 31 December 2009, Sun Shine City repaid the shareholder's loans with principal amount of US$12,500,000 (principal amount of US$6,250,000 provided by the Company and principal amount of US$6,250,000 provided by Reco Camellia) and a shareholder's loan extension agreements was signed by the Company and Reco Camellia in relation to the balance with principal amount of US$6,000,000 (principal amount of US$3,000,000 provided by the Company and principal amount of US$3,000,000 provided by Reco Camellia), pursuant that the principal amount and interest was repayable on 31 December 2011 after the extension. The shareholder's loan was not guaranteed, charged or secured. The shareholder's loan with principal amount of US$3,000,000 were repayable to Reco Camellia prior to the settlement date of the Acquisitions.

The above shareholder's loan provided by the Company to Sun Shine City was denominated in RMB.

As at 31 October 2011, Sun Shine City had a bank borrowing of RMB153,120,000 (bank borrowing as of 31 December 2010 was RMB245,000,000; no bank borrowings for each of the two years ended 31 December 2008 and 2009), which referred to the floating rate contract pledged over the land use right of Urban Town and the construction in progress thereof and floated at a benchmark rate for one to three year's period and subject to adjustment every six months. Interest was payable every month and the principal amount will be repayable in full before March 2013 which the repayment schedule will be in line with the development and sales plan of Urban Town.

For each of the three years ended 31 December 2008, 2009 and 2010, advances for properties sold of Sun Shine City amounted to approximately RMB516,171,000, RMB32,750,000 and RMB506,781,000. For the ten months ended 31 October 2011, advances for properties sold amounted to approximately RMB1,102,574,000. Presale deposits provided Sun Shine City with stable working capital.

For each of the three years ended 31 December 2008, 2009 and 2010 and as of 31 October 2011, Sun Shine City was in a net cash position and its gearing ratio was zero.

Chengdu Xinzi

For each of the three years ended 31 December 2008, 2009 and 2010, the audited total liabilities of Chengdu Xinzi amounted to approximately RMB975,541,000, RMB480,109,000 and RMB396,145,000 respectively. Cash and bank balance amounted to approximately RMB151,127,000, RMB330,532,000 and RMB143,339,000 respectively. Chengdu Xinzi financed its operation through shareholder's loan, bank borrowings and presale deposits generally.

As of 31 December 2008, 2009 and 2010 and 31 October 2011, the Company provided a shareholder's loan, with principal amount of RMB69,631,000, RMB69,631,000, RMB69,631,000 and RMB90,280,000 respectively to Chengdu Xinzi, and charged at a interest rate same as the interest rate of bank borrowings of the same period from 1 January 2008 to 31 December 2010, and at a interest rate of 10% higher than the interest rate of bank borrowings of the same period from 1 January 2011. The shareholder's loan did not have a fixed repayment term and was not guaranteed or secured.

As of 31 December 2008, 2009 and 2010 and 31 October 2011, Reco Ziyang provided a shareholder's loan with principal amount of RMB56,714,000 respectively to Chengdu Xinzi. The shareholder's loan did not have a fixed repayment term and was not guaranteed or secured. During 1 January 2008 to 31 December 2009, the shareholder's loan was charged at a interest rate same as the interest rate of bank borrowings of the same period. From 1 January 2010, the shareholder's loan was not interest-bearing.

As at 31 December 2008, Chengdu Xinzi had a bank borrowing of RMB192,000,000, which was pledged over the land use right of A-Z Town in Chengdu and was interest-bearing at a interest rate of 10% lower the interest rate of bank borrowings of the same period and the principal amount was repaid in April 2009 on schedule. As at 31 December 2009 and 2010 and 31 October 2011, bank borrowings amounted to RMB nil respectively.

For each of the three years ended 31 December 2008, 2009 and 2010, advances for properties sold of Chengdu Xinzi amounted to approximately RMB322,258,000, RMB23,227,000 and RMB7,358,000. For the ten months ended 31 October 2011, advances for properties sold amounted to approximately RMB13,373,000.

For the year ended 31 December 2008 the gearing ratio of Chengdu Xinzi, (calculated by bank borrowings less cash and bank balance and divided by equity attributable to equity holder of Chenghu Xinzi) were approximately 0.15 times and for each of the year ended 31 December 2009 and 2010 and as of 31 October 2011, Chengdu Xinzi was in a net cash position and its gearing ratio was zero.

Tianjin Xinchuang

For each of the three years ended 31 December 2008, 2009 and 2010, the audited total liabilities of Tianjin Xinchuang amounted to approximately RMB1,599,996,000, RMB885,570,000 and RMB980,922,000 respectively. Cash and bank balance amounted to approximately RMB25,635,000, RMB110,777,000 and RMB26,307,000 respectively. Tianjin Xinchuang financed its operation through shareholder's loan, bank borrowings and presale deposits generally.

As of 31 December 2008, the Company and Reco Ziyang provided shareholder's loans, with principal amount of US$65,944,444 (principal amount of US$36,269,444 provided by the Company and principal amount of US$29,675,000 provided by Reco Ziyang) to Tianjin Xinchuang, in proportion to their respective shareholdings in Tianjing Xinchuang, among which, the loan with principal amount of US$27,500,000 (principal amount of US$15,125,000 provided by the Company and principal amount of US$12,375,000 provided by Reco Ziyang) was interest-bearing at 6.336% and the loan with principal amount of US$38,444,444 (principal amount of US$21,144,444 provided by the Company and principal amount of US$17,300,000 provided by Reco Ziyang) at 6.633% and were repayable in 2009 according to the original contract but subsequently extended to 31 December 2011. The shareholder's loan was not guaranteed, charged or secured. The shareholder's loan with principal amount of US$29,675,000 was repayable to Reco Ziyang prior to the settlement date of the Acquisitions.

The above shareholder's loan provided by the Company to Tianjin Xinchuang was denominated in RMB.

As at 31 December 2008, Tianjin Xinchuang had a bank borrowing of RMB200,000,000, which was interest-bearing at a interest rate of 10% lower than the interest rate of bank borrowings of the same period. Such bank borrowing was repaid in May 2009 on schedule. As at 31 December 2009 and 2010 and 31 December 2011, Tianjin Xinchuang had no bank borrowings.

For each of the three years ended 31 December 2008, 2009 and 2010, advances for properties sold of Tianjin Xinchuang amounted to approximately RMB196,211,000, RMB28,447,000 and RMB33,966,000. For the ten months ended 31 October 2011, advances for properties sold amounted to approximately RMB936,000.

For the year ended 31 December 2008, the gearing ratio of Tianjin Xinchuang were approximately 0.74 times, (calculated by bank borrowings less cash and bank balance and divided by equity attributable to equity holder of Tianjin Xinchuang) and for each of the year ended 31 December 2009 and 2010 and as of 31 October 2011, Tianjin Xinchuang was in a net cash position and its gearing ratio was zero.

(5) Charge on assets

As at 31 October 2011, Anhua Shiji, Chengdu Xinzi and Tianjin Xinchuang did not have any charges on assets.

As at 31 October 2011, Sun Shine City had a bank borrowing of RMB153,120,000 (bank borrowing as of 31 December 2010 was RMB245,000,000 and no bank borrowings for each of the two years ended 31 December 2008 and 2009), which was pledged over the land use right of Urban Town and the construction in progress thereof.

(6) Capital commitments

As at 31 October 2011, Anhua Shiji, Chengdu Xinzi and Tianjin Xinchuang did not have capital commitments.

As at 31 October 2011, Sun Shine City had a capital commitment contracted but not provided for of RMB94,932,000 and a capital commitment authorised but not contracted for of RMB81,039,000.

The Directors are of the view that the capital commitments of Sun Shine City are in line with the development of Urban Town.

(7) Contingent liabilities

Anhua Shiji

For each of the three years ended 31 December 2008, 2009 and 2010, Anhua Shiji had an outstanding guarantee amount of approximately RMB379,528,000, RMB488,215,000 and RMB257,096,000. As of 31 October 2011, the outstanding guarantee amount of approximately RMB273,612,000. Such guarantee was provided by Anhua Shiji for the loans granted by banks to property buyers. Such guarantee will be released upon obtaining real estate ownership certificate and filing mortgage registration of the property by property buyers. Save for such guarantee, Anhua Shiji does not have any other material contingent liabilities.

Sun Shine City

For each of the three years ended 31 December 2008, 2009 and 2010, Sun Shine City had an outstanding guarantee amount of approximately RMB435,544,000, RMB522,046,000 and RMB275,146,000. As of 31 October 2011, the outstanding guarantee amount of approximately RMB128,282,000. Such guarantee was provided by Sun Shine City for the loans granted by banks to property buyers. Such guarantee will be released upon obtaining real estate ownership certificate and filing mortgage registration of the property by property buyers. Save for such guarantee, Sun Shine City does not have any other material contingent liabilities.

Chengdu Xinzi

For each of the three years ended 31 December 2008, 2009 and 2010, Chengdu Xinzi had an outstanding guarantee amount of approximately RMB313,318,000, RMB358,497,000 and RMB372,721,000. As of 31 October 2011, the outstanding guarantee amount of approximately RMB331,356,000. Such guarantee was provided by Chengdu Xinzi for the loans granted by banks to property buyers. Such guarantee will be released upon obtaining real estate ownership certificate and filing mortgage registration of the property by property buyers. Save for such guarantee, Chengdu Xinzi do not have any other material contingent liabilities.

Tianjin Xinchuang

For each of the three years ended 31 December 2008, 2009, 2010 and as of 31 October 2011, Tianjin Xinchuang did not have any material contingent liabilities.

The Directors are of the view that the above guarantees are provided for the needs of the normal business development of the Company and will not have a material impact on the financial condition of the Company.

(8) Employees and remuneration's policy

Employee remuneration is determined with reference to market terms, performance, qualifications and experience of each employee. Project companies within the same city are under common daily operation and management from their respective city quarter and the personnel are not employed independently by project companies. Therefore, it is not practical to identify the number of employees in a particular project company.

Anhua Shiji, Sun Shine City, Chengdu Xinzi and Tianjin Xinchuang are companies in the business combination of the Group, and the key management of them are designated by the Company and the remuneration are borne by them respectively.

The bonus and remuneration of the key management which allocated to the respective project companies were as follows:

i) for Anhua Shiji, the remuneration for each of the three years ended 31 December 2008, 2009 and 2010 were RMB6,792,000, RMB3,393,000 and RMB Nil;

ii) for Sun Shine City, the remuneration for each of the three years ended 31 December 2008, 2009 and 2010 were RMB7,085,000, RMB5,663,000 and RMB3,410,000;

iii) for Chengdu Xinzi, the remuneration for each of the three years ended 31 December 2008, 2009 and 2010 were RMB5,210,000, RMB5,851,000 and RMB5,660,000;

iv) for Tianjin Xinchuang, the remuneration for each of the three years ended 31 December 2008, 2009 and 2010 were RMB5,912,000, RMB4,802,000 and RMB3,210,000.

The bonus and remuneration of the other employees which allocated to the respective project companies were as follows:

i) for Anhua Shiji, the remuneration for each of the three years ended 31 December 2008, 2009 and 2010 were RMB6,526,000, RMB3,132,000 and RMB3,409,000;

ii) for Sun Shine City, the remuneration for each of the three years ended 31 December 2008, 2009 and 2010 were RMB4,924,000, RMB5,021,000 and RMB2,790,000;

iii) for Chengdu Xinzi, the remuneration for each of the three years ended 31 December 2008, 2009 and 2010 were RMB5,210,000, RMB5,401,000 and RMB4,822,000;

iv) for Tianjin Xinchuang, the remuneration for each of the three years ended 31 December 2008, 2009 and 2010 were RMB6,154,000, RMB4,090,000 and RMB3,341,000.

The training expenses which allocated to the respective project companies were as follows:

i) for Anhua Shiji, the training expenses for each of the three years ended 31 December 2008, 2009 and 2010 were RMB74,000, RMB6,000 and RMB7,000;

ii) for Sun Shine City, the training expenses for each of the three years ended 31 December 2008, 2009 and 2010 were RMB7,000, RMB9,000 and RMB27,000;

iii) for Chengdu Xinzi, the training expenses for each of the three years ended 31 December 2008, 2009 and 2010 were RMB38,000, RMB43,000 and RMB93,000;

iv) for Tianjin Xinchuang, there were no training expenses allocated for each of the three years ended 31 December 2008, 2009 and 2010.

There were no share option schemes for each of Anhua Shiji, Sun Shine City, Chengdu Xinzi and Tianjin Xinchuang.

Upon completion of the transaction, there will be no material changes on employees and remuneration's policy.

(9) Foreign currency risk

The principal business of Anhua Shiji, Sun Shine City, Chengdu Xinzi and Tianjin Xinchuang are located in the PRC and settled with Renminbi. Foreign currency risk mainly arises from the recognised foreign currency liabilities.

Anhua Shiji

Reco Hibiscus provided a shareholder's loan of US$11,000,000 to Anhua Shiji in 2008, which was repaid in 2010. Where Renminbi appreciates/depreciates 10% against US Dollar with other factors being constant, there will be an increase/decrease in gain on foreign currency of Anhua Shiji of approximately RMB9,598,000 and RMB10,056,000 as at 31 December 2008 and 2009. As at 31 December 2010 and 31 October 2011, there was no foreign currency differences arising from liabilities denominated in U.S. Dollar.

Sun Shine City

Reco Camellia provided a shareholder's loan of US$9,250,000 to Sun Shine City in 2008, among which, US$6,250,000 was repaid in 2009. Where Renminbi appreciates/ depreciates 10% against US Dollar with other factors being constant, there will be an increase/decrease in gain on foreign currency of Sun Shine City of approximately RMB9,380,000, RMB2,611,000 and RMB2,660,000 as at 31 December 2008, 2009 and 2010. As at 31 October 2011, where Renminbi appreciates/depreciates 10% against US Dollar with other factors being constant, there will be an increase/decrease in gain on foreign currency of Sun Shine City of approximately RMB2,543,000.

Chengdu Xinzi

Chengdu Xinzi is not exposed to the foreign currency risk as its principal business are settled with Renminbi and there is no recognised foreign currency liabilities.

Tianjin Xinchuang

Reco Ziyang provided a shareholder's loan of US$29,675,000 to Tianjin Xinchuang in 2008. Where Renminbi appreciates/depreciates 10% against US Dollar with other factors being constant, there will be an increase/decrease in gain on foreign currency of Tianjin Xinchuang of approximately RMB23,839,000, RMB25,154,000 and RMB25,843,000 as at 31 December 2008, 2009 and 2010. As at 31 October 2011, where Renminbi appreciates/ depreciates 10% against US Dollar with other factors being constant, there will be an increase/decrease in gain on foreign currency of Tianjin Xinchuang of approximately RMB25,919,000.

(10) Prospect

Anhua Shiji

Upon the completion of acquisition, Anhua Shiji will become a wholly owned subsidiary of the Company and the Company will hold 100% equity interests in The Reflections.

The Reflections is located at the north of Chang'an Avenue, west of Diaoyutai, along the Yu Yuan Tan Park, the core section of Beijing Administrative Region, which is a very rare location. The project has an area of 18,000 sq.m. and a total gross area of 150,000 sq.m., among which, there is a saleable area of 136,000 sq.m. and 300 saleable residential units. The project was first launched in October 2008 and completed in February 2009. As of 31 October 2011, there is a contracted area of 130,000 sq.m. with a sales rate of 95% and contracted amount of approximately RMB3,638,000,000. The saleable area of the remaining units is 6,235 sq.m., among which, there are 8 residential units with an area of 3,742 sq.m and 1,718 sq.m. for car park and 775 sq.m. for commercial use.

Due to the superior geographical location and the rareness of the product form of The Reflections, it is anticipated that there is very limited room for downward adjustment of the sales price of the remaining units in the market.

Sun Shine City

Upon the completion of acquisition, Sun Shine City will become a wholly owned subsidiary of the Company and the Company will hold 100% equity interests in Urban Town.

Urban Town is located at the southeast of Tai Yang Gong Qiao, East and North Third Ring, Beijing and adjacent to Jing Cheng High and Guang Xi Men Station of Light Rail No.13. The project has an area of 75,000 sq.m., a total gross area of 309,000 sq.m. and a total saleable area of 254,000 sq.m.. It was first launched in April 2006 and is expected to be completed in May 2012. As of 31 October 2011, there is a contracted area of 228,000 sq.m. with a sales rate of 90% and a contracted amount of approximately RMB4,021,000,000. There is a remaining saleable area of 26,000 sq.m., among which, 2,674 sq.m. for residential use, 10,261 sq.m. for office use, 3,590 sq.m. for commercial use, 2,350 sq.m. for basement for commercial use and 6,993 sq.m. for car parking.

As Urban Town is advantageously located within Third Ring in Beijing, it is anticipated that there is very limited room for downward adjustment of the sales price of the remaining units in the market.

Chengdu Xinzi

Upon the completion of acquisition, Chengdu Xinzi will become a wholly owned subsidiary of the Company and the Company will hold 100% equity interests in A-Z Town in Chengdu.

A-Z Town in Chengdu is located at Chenghua District in the eastern part of Chengdu City. The project has an area of 68,000 sq.m., a total gross area of 370,000 sq.m. and a total saleable area of 360,000 sq.m., it was first launched in May 2007 and completed in April 2010. As of 31 October 2011, there is a contracted area of 353,000 sq.m. with a sales rate of 98% and a contracted amount of approximately RMB1,920,000,000. There is a remaining saleable area of 7,569 sq.m., among which, 1,264 sq.m. for residential use and 6,305 sq.m. for car park. Chengdu Xinzi has completed the settlement of the project.

Tianjin Xinchuang

Upon the completion of acquisition, Tianjin Xinchuang will become a wholly owned subsidiary of the Company and the Company will hold 100% equity interests in Butchart Garden.

Butchart Garden is located at Ruijing Residential Area, Ding Zi Gu No.3 Road Extension Line, Beichen District, Tianjin City. The project has an area of 311,000 sq.m., a total gross area of 485,000 sq.m. and a total saleable area of 451,000 sq.m. it was first launched in April 2006 and completed in December 2009. As of 31 October 2011, the project has a contracted area of 451,000 sq.m. with a sales rate of 100% and a contracted amount of approximately RMB2,721,000,000, which was recognised as revenue.

The Directors believe that, as the Reflections, Urban Town, A-Z Town in Chengdu and Butchart Garden are in the final stage of selling, substantial costs and income are basically recognised and it is expected that it will making profit in the coming two years while reducing market risk effectively, so as to increase the net profit attributable to the Company. In addition, as the four project companies have ample capital at book value, the transaction will increase the available cash for the Group, enhance the overall liquidity, lower the overall capital cost of the Company and strengthen the capability and advantageous position for accumulating quality resources amid the adjustment period in the industry.

STATEMENT OF RECONCILIATION

Savills has valued the properties of Chengdu Xinzi, Tianjin Xinchuang, Anhua Shiji and Sun Shine City as at 30 November 2011. The full text of the letter with a summary of values and valuation certificates with regard to values of such properties are set out in Appendix IX to this circular.

The table below shows the reconciliation of the carrying values of the properties of Chengdu Xinzi, Tianjin Xinchuang, Anhua Shiji and Sun Shine City from the audited financial statements as at 31 October 2011 to their market value as at 30 November 2011 as stated in Appendix IX to this circular.

	Chengdu Xinzi	**Tianjin Xinchuang**	**Anhua Shiji**	**Sun Shine City**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying value of the properties as at 31 October 2011	32,643	582	326,816	453,341
Additions for property construction	–	–	–	30,702
Carrying value of the properties as at 30 November 2011	32,643	582	326,816	484,043
Valuation surplus	427	351	373,484	971,727
Market value of the properties as at 30 November 2011	33,070	933	700,300	1,455,770

INFORMATION ON THE GROUP, RECOSIA CHINA AND RECO ZIYANG

The Group is a large property developer in the PRC, focusing primarily on developing medium to high-end residential properties, quality/high-end office buildings and commercial properties. Each of Best Crystal and Crown Smart is an investment holding company indirectly wholly-owned by the Company.

Each of Recosia China and Reco Ziyang is principally engaged in property investment in the PRC. As at the Latest Practicable Date, Reco Ziyang was the substantial shareholder of various subsidiaries of the Company and Recosia China was an associate of Reco Ziyang.

REASONS FOR AND BENEFITS FROM THE ACQUISITIONS

The Agreements were made so that the Company could acquire at reasonable cost (primarily negotiated based on the net asset value of companies and the appraised value by Savills of the properties held in each of The Reflections, Urban Town, Chengdu A-Z Town and Butchart Garden projects) the entire interest in Reco Hibiscus and Reco Camellia and the remaining interest in Chengdu Xinzi and Tianjin Xinchuang and as such, the Company is able to obtain the entire interest in each of The Reflections, Urban Town, Chengdu A-Z Town and Butchart Garden projects and to capture higher yield and return and secure future profits for the Shareholders. Properties in Chengdu A-Z Town and Butchart Garden projects are almost sold out while The Reflections and Urban Town projects are now proceeding to their final stage of selling. Substantial cost and revenue in the projects have been recognised which effectively help to reduce market risks associated with the Acquisitions. In addition, each of the Target Companies has a strong working capital position. Through the Acquisitions, the Group would increase its liquidity, enhance the efficiency and overall utilization of capital and reduce its overall financing costs, which in turn would strengthen the Group's capabilities under the current stage of industry consolidation. The Board also considers that the Acquisitions are in conformity with the aligned interests of the Group and its Shareholders as a whole. The Directors believe that the terms of the Acquisitions are made on an arm's length basis and on normal commercial terms, and are made in the ordinary and usual course of business of the Group and are fair and reasonable and in the interest of the Shareholders as a whole. The Directors consider that it will be in the interest of the Company to adopt the terms of the Agreements.

FINANCIAL EFFECTS OF THE ACQUISITIONS ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE COMPANY

Upon completion of the Agreements, the Target Companies will become the wholly-owned subsidiaries of the Company whose financial results will be consolidated into the financial statements of the Group.

As set out in the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group, details of which is set out in Appendix VIII to this circular, assuming that the Acquisitions were completed as at 30 June 2011, the total assets will decrease by approximately RMB761,023,000 to RMB35,643,319,000 on a pro forma basis and the total liabilities will decreased by approximately RMB33,760,000 to approximately RMB28,858,282,000 on a pro forma basis. As the Reflections, Urban Town, A-Z Town in Chengdu and Butchart Garden are in the final stage of selling, substantial costs and revenue are basically recognized and it is expected that following the Acquisitions, there will be no non-controlling interests associated with those target companies and the Group will capture the entire earnings of those target companies so as to increase the net profit attributable to the Company. The Directors believe that the Acquisitions will bring positive contribution to the earnings of the Enlarged Group.

IMPLICATIONS UNDER THE LISTING RULES

For the purpose of Chapter 14 of the Listing Rules, as one or more than one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisitions, in aggregate, exceed 25% and less than 100%, the transactions contemplated under the Agreements constitute a major transaction for the Company which is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Reco Ziyang was the substantial shareholder of various subsidiaries of the Company and Recosia China was an associate of Reco Ziyang. Reco Pearl Private Limited, being an associate of Recosia China and Reco Ziyang, was also interested in 165,070,000 H Shares (approximately 8.14% of total issued share capital of the Company) as at the Latest Practicable Date. Accordingly, Recosia China and Reco Ziyang are connected persons of the Company pursuant to the Listing Rules and the Acquisitions also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, and are subject to, among other things, the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Reco Ziyang, Recosia China and its respective associates will abstain from voting at the EGM in respect of the ordinary resolutions to approve the Agreements and the transactions contemplated thereunder.

EGM

Set out on pages 342 to 345 of this circular is a notice of the EGM to be held on Monday, 5 March 2012, 9:00 a.m. at F17, Red Goldage, No.2, Guang Ning Bo Street, Beijing, PRC for the purpose of considering and, if thought fit, passing the ordinary resolutions to approve, confirm and ratify the Agreements and the transactions contemplated thereunder.

The Independent Board Committee, comprising Mr. Li Zhaojie, Mr. Ng Yuk Keung and Mr. Wang Hong, who are all independent non-executive Directors and do not have an interest in the Agreements have been appointed to advise the Independent Shareholders on whether or not the terms of the Agreements and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Independent Shareholders and the Company as a whole. Kingsway has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Agreements.

The Shareholders whose names appeared on the register of members of the Company at the close of business of Monday, 27 February 2012 are entitled to attend and vote at the EGM. The register of members of the Company will be closed from Tuesday, 28 February 2012 to Monday, 5 March 2012, both days inclusive, during which period no share transfer will be registered.

The Articles provide that those Shareholders who intend to attend any Shareholders' meeting shall send a written reply to the Company 7 days before the date of the meeting (the "Reply Date"). In case the written replies received from the Shareholders indicating their intention to attend the EGM represent holders of less than one half of the total number of Shares with voting rights, the Company shall within 5 days after the Reply Date inform the Shareholders in the form of a public announcement the matters to be considered at the EGM, and the date and place of the meeting. The relevant general meeting may be convened after such announcement has been published.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, please complete the form of proxy and return the same to the Company's place of business in the PRC (for holders of Domestic Promoter Shares and Foreign Promoter Shares) or Hong Kong (for holders of H Shares) no later than 24 hours before the time appointed for the meetings.

In view of the above requirements in respect of the meeting convened by the notice of the EGM, you are urged to complete and return the form of proxy and the reply slip enclosed, whether or not you intend to attend the EGM. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meetings thereof should you desire and in such event, the relevant form of proxy shall be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the resolutions proposed at the EGM to approve the Agreements and the transactions contemplated thereunder will be voted by poll.

RECOMMENDATION

Your attention is drawn to (a) the letter from the Independent Board Committee set out on pages 37 to 38 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Agreements and (b) the letter from Kingsway set out on pages 39 to 53 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Agreements, the principal factors and reasons considered by Kingsway in arriving at its recommendations.

The Independent Board Committee, having taken into account the advice of Kingsway, considered that the terms of the Agreements are fair and reasonable and are in the interest of the Shareholders and the Company as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Agreements and all the matters contemplated thereunder to be proposed at the EGM.

The Directors (including the independent non-executive Directors) believe that the terms of the Agreements and the transactions contemplated thereunder are fair and reasonable and are in the interest of the Independent Shareholders and the Company as a whole and therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Agreements and all the matters contemplated thereunder to be proposed at the EGM. None of the Directors have any material interest in the Agreements and accordingly none of the Directors abstained from voting on the board resolutions considering the same.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Liu Xiaoguang
Chairman

首創置業股份有限公司
BEIJING CAPITAL LAND LTD.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2868)

13 February 2012

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RESPECT OF THE PROPOSED ACQUISITIONS OF
100% EQUITY INTEREST IN RECO CAMELLIA PRIVATE LIMITED;
100% EQUITY INTEREST IN RECO HIBISCUS PRIVATE LIMITED;
45% EQUITY INTEREST IN CHENGDU CAPITAL
XINZI REAL ESTATE DEVELOPMENT LIMITED
AND
45% EQUITY INTEREST IN TIANJIN XINCHUANG LAND LIMITED**

We refer to the circular of the Company dated 13 February 2012 of which this letter forms part (the "Circular"). Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As independent non-executive Directors, we have been appointed by the Board as the Independent Board Committee to advise you as to whether the terms of the Agreements and all the matters contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and as to whether the Independent Shareholders should approve or disapprove the ordinary resolutions in relation to the Agreements and the transactions contemplated thereunder to be proposed at the EGM. Details of the Agreements are set out in the letter from the Board contained in the Circular of which this letter forms part.

We wish to draw your attention to the advice of Kingsway in respect of the Agreements and the transactions contemplated thereunder as set out in the letter from Kingsway in the Circular.

Having considered the Agreements and the advice and opinion of Kingsway in relation thereto, we are of the opinion that the terms of the Agreements and all the matters contemplated thereunder are fair and reasonable and are in the interest of the Independent Shareholders and the Company as a whole. We therefore recommend that you vote in favour of the ordinary resolutions to be proposed at the EGM to approve, confirm and ratify the Agreements and all the matters contemplated thereunder.

Yours faithfully,
For and on behalf of
The Independent Board Committee
Li Zhaojie **Ng Yuk Keung** **Wang Hong**
Independent non-executive Directors

The following is the full text of a letter received from Kingsway setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreements and the transactions contemplated thereunder for inclusion in the Circular.

SUNWAH KINGSWAY
新華滙富

5/F, Hutchison House,
10 Harcourt Road,
Central, Hong Kong
Tel. No.: (852) 2877-1830
Fax. No.: (852) 2283-7722

13 February 2012

To the Independent Board Committee and
the Independent Shareholders of
Beijing Capital Land Ltd.

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTION
IN RESPECT OF THE PROPOSED ACQUISITIONS OF
100% EQUITY INTEREST IN RECO CAMELLIA PRIVATE LIMITED;
100% EQUITY INTEREST IN RECO HIBISCUS PRIVATE LIMITED;
45% EQUITY INTEREST IN CHENGDU CAPITAL XINZI REAL ESTATE DEVELOPMENT LIMITED
AND
45% EQUITY INTEREST IN TIANJIN XINCHUANG LAND LIMITED**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee in respect of the Acquisitions, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 13 February 2012 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 19 January 2012, the Group entered into the Agreements with Recosia China and Reco Ziyang (as the case may be) to acquire the Sale Interest (Hibiscus), the Sale Interest (Camellia), the Sale Interest (Xinzi) and the Sale Interest (Xinchuang) respectively.

Immediately prior to completion of the Acquisitions, Reco Hibiscus holds 45% equity interest in Anhua Shiji and the remaining 55% equity interest in Anhua Shiji is directly held by the Company. Reco Camellia holds 50% equity interest in Sun Shine City and the remaining 50% equity interest in Sun Shine City is directly held by the Company. Each of Chengdu Xinzi and Tianjin Xinchuang is owned as to 45% by Reco Ziyang and indirectly owned as to 55% by the Company. Upon completion of the Agreements, Reco Hibiscus, Reco Camellia, Anhua Shiji, Sun Shine City, Chengdu Xinzi and Tianjin Xinchuang will become wholly owned subsidiaries of the Company and the financial results of which will be consolidated into the financial statements of the Group.

As one or more than one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisitions, in aggregate, exceed 25% and less than 100%, the transactions contemplated under the Agreements constitute a major transaction for the Company which is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Reco Ziyang was the substantial shareholder of various subsidiaries of the Company and Recosia China was an associate of Reco Ziyang. Reco Pearl Private Limited, being an associate of Recosia China and Reco Ziyang, was also interested in 165,070,000 H Shares (approximately 8.14% of total issued share capital of the Company) as at the Latest Practicable Date. Accordingly, Recosia China and Reco Ziyang are connected persons of the Company pursuant to the Listing Rules and the Acquisitions also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, and are subject to, among other things, the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Reco Ziyang, Recosia China and its respective associates will abstain from voting at the EGM in respect of the ordinary resolutions to approve the Agreements and the transactions contemplated thereunder.

The Independent Board Committee comprising the independent non-executive Directors has been established to consider and advise the Independent Shareholders in respect of the Acquisitions. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to provide the Independent Board Committee and the Independent Shareholders with an independent opinion and recommendation as to whether the terms of the Agreements and the transactions contemplated thereunder is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our view and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the information, opinions and representations contained or referred to in the Circular and provided to us by the Company, the Directors and the management of the Company, which the Directors consider to be complete, accurate and relevant. We have assumed that all the information, opinions and representations contained or referred to in the Circular were true, accurate and complete at the time they were made and continue to be true and accurate as at the date of the Circular. We have also assumed that all the statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We have no reason to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance, which would render the information provided and representations and opinions made to us by the Company, the Directors and the management of the Company untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view. The Directors have confirmed that no material facts or representations have been withheld or omitted from the information provided and referred to in the Circular. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group, Recosia China and Reco Ziyang or any of their associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions, we have considered the following principal factors and reasons:

1. Background to and reasons for the Acquisitions

(i) Background information of Anhua Shiji, Sun Shine City, Chengdu Xinzi and Tianjin Xinchuang

Anhua Shiji, Sun Shine City, Chengdu Xinzi and Tianjin Xinchuang are principally engaged in property development in the PRC. Set out below are particulars of the properties developed by them and the portion of completed properties sold or pre-sold as at 31 October 2011 as advised by the Company:

Companies	Projects	Region	Types	Total gross floor area for sale *(square meters)*	Approximate % sold/pre-sold as at 31 October 2011
Anhua Shiji	The Reflections	Beijing	Residential buildings and ancillary commercial facilities	136,000	95%
Sun Shine City	Urban Town (Phase I, II and III)	Beijing	Residential buildings and ancillary commercial facilities	254,000 *(Note)*	90%
Chengdu Xinzi	Chengdu A-Z	Chengdu	Residential buildings and ancillary commercial facilities	360,000	98%
Tianjin Xinchuang	Butchart Garden	Tianjin	Residential buildings and ancillary commercial facilities	451,000	100%

Note: Including the properties in Phase III under construction.

As stated in the table above, 90% or above of the properties for sale developed by Anhua Shiji, Sun Shine City, Chengdu Xinzi and Tianjin Xinchuang have been sold or pre-sold. As stated in the valuation report (the "**Valuation Report**") prepared by Savills, an independent property valuer, as set out in Appendix IX of the Circular and further advised by the Directors, Phase III of Urban Town is under construction and is scheduled to be completed in May 2012. Properties in such phase will be developed into a complex development comprising mainly high-rise residential, office, commercial properties and car parks.

As stated in the Letter from the Board, the Agreements were made so that the Company could acquire at reasonable cost (primarily negotiated based on the net asset value of companies and the appraised value by Savills of the properties held in each of The Reflections, Urban Town, Chengdu A-Z Town and Butchart Garden projects) the entire interest in Reco Hibiscus and Reco Camellia and the remaining interest in Chengdu Xinzi and Tianjin Xinchuang and as such, the Company is able to obtain the entire interest in each of The Reflections, Urban Town, Chengdu A-Z Town and Butchart Garden projects and to capture higher yield and return and secure future profits for the Shareholders.

Properties in Chengdu A-Z Town and Butchart Garden projects are almost sold out while The Reflections and Urban Town projects are now proceeding to their final stage of selling. Substantial cost and revenue in the projects have been recognised which effectively help to reduce market risks associated with the Acquisitions.

In addition, cash held by Anhua Shiji, Sun Shine City, Chengdu Xinzi and Tianjin Xinchuang amounted to approximately RMB2.3 billion in total as at 31 October 2011. The Directors expect that, through the Acquisitions, the Group would increase its liquidity, enhance its efficiency and overall utilization of capital and reduce its overall financing costs, which in turn would strengthen the Group's capabilities under the current stage of industry consolidation. The Board also considers that the Acquisitions are in conformity with the aligned interests of the Group and its Shareholders as a whole.

(ii) Property development industry in the PRC

According to National Bureau of Statistics of China, the investment in real estate development in the PRC for the first eleven months of 2011 was RMB5,548.3 billion, representing a year-on-year growth of 29.9%. Specifically, sales of commodity housing grew by 16% as compared to the same period last year, amounting to approximately RMB4,904.7 billion. Over 82% of such sales was attributable to residential housing which recorded a year-on-year growth of 13.7%. Over the same period, the floor space of commodity housing sold increased by 8.5%, amounting to 895.9 million square meters. Over 88% of such amount of floor space sold was attributable to residential buildings which recorded a year-on-year growth of 7.5%.

The State Council has promulgated property austerity measures in recent years. Pursuant to《國務院關於堅決遏制部分城市房價過快上漲的通知》(the Notice of the State Council on Resolutely Curbing the Soaring of Housing Prices in Some Cities) and《國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知》(the Notice of the General Office of the State Council on Further Strengthening the Regulation of the Real Estate Market) issued by the State Council of the PRC on 17 April 2010 and 26 January 2011 respectively, the PRC government shall, among others, resolutely curb irrational demands for housing, implement more strict differentiated housing credit policies, give play to the role of tax policies in regulating housing consumption and real estate income as well as increase effective supply of residential land.

According to the National Bureau of Statistics of China, the sales price indices of newly constructed residential buildings in each of Beijing, Tianjin and Chengdu recorded a slight increase in November 2011 as compared to November 2010, while there was a slight decrease in such sales price indices in November 2011 compared to that in October 2011.

We noted from the Letter from the Board that the respective appraised value of the properties held by Anhua Shiji, Sun Shine City Chengdu Xinzi and Tianjin Xinchuang as at 30 November 2011 are higher than their respective carrying value as at 30 November 2011. In particular, the appraised value of the properties in The Reflections project as at 30 November 2011 was approximately RMB700.3 million, representing around 2.1 times of the carrying value of those properties as at 30 November 2011 of approximately RMB326.8 million. The appraised value of the properties in the Urban Town project was approximately RMB1,455.8 million as at 30 November 2011, representing around 3.0 times of the carrying value of those properties as at 30 November 2011 of approximately RMB484.0 million. We have discussed with Savills and understood that they have valued the unsold completed properties by making reference to comparable market transactions as available in the markets assuming sale with vacant possession, and the properties under development by making reference to comparable market transactions and taken into account the costs to be expended to complete the development.

We have interviewed Savills and reviewed their terms of engagement. We understood from Savills that they are experienced property valuers and are third parties independent from the Company, Recosia China, Reco Ziyang and their respective connected persons. As stated in the Valuation Report, Savills confirmed that they have carried out inspections, made relevant enquiries and obtained such further information as they consider necessary for the purpose of providing their opinion of values of the properties held by Anhua Shiji, Sun Shine City, Chengdu Xinzi and Tianjin Xinchuang situated in the PRC as at 30 November 2011. We have also discussed and understood from the management of the Company that the Directors are optimistic about the demand for, and the selling price of, the unsold properties in The Reflections and the Urban Town, and those to be developed in Urban Town taking into consideration of (a) the satisfactory historical sales record of The Reflections and the Urban Town and (b) the prime location in Beijing at which the projects are situated where the supply of similar residential buildings and ancillary commercial facilities is limited.

(iii) Business strategy of the Group

The Group is a large property developer in the PRC, focusing primarily on developing medium to high-end residential properties, quality/high-end office buildings and commercial properties.

As stated in the interim report of the Company for the six months ended 30 June 2011 (the "**2011 Interim Report**") and further advised by Directors, they believe that it is highly possible that the potential supply of housing will increase further across the nation during the first half of 2012. As stated in Appendix I of the Circular, under the continuing stringent control on real estate, competition will become fiercer in the market and the industry is entering the complete integration and diversification stage, as such, a single property development will no longer satisfy the demand of the increasing integration and diversification. Enterprises with ample capital will capture the opportunities for strategic expansion during the integration and diversification stage. In light of the intensive competition and the property austerity measures, it is the strategy of the Group to accelerate its asset turnover and increase its operation scale and market share by acquiring entities engaging in similar line of business. As stated in the circular of the Company dated 10 November 2011, the Company acquired certain entities in late 2011 (the "**2011 Transaction**"), all of which are principally engaged in property development and construction, in order to increase land banks and strengthen market share of the Group in the property market. The Directors advise that the Group will maintain this strategy in the foreseeable future.

Having considered the above, we concur with the Directors' view that the entering into of the Agreements is in line with the business strategy of the Group.

2. Principal terms of the Acquisitions

(i) The Hibiscus S&P Agreement

On 19 January 2012, the Company entered into the Hibiscus S&P Agreement with Recosia China to acquire the Sale Interest (Hibiscus), being the entire issued and paid-up share capital of Reco Hibiscus. Upon completion, Reco Hibiscus will become an indirect wholly owned subsidiary of the Company and the results of which will be consolidated into the accounts of the Group.

Basis of consideration

The consideration payable for the Sale Interest (Hibiscus) was determined after arm's length negotiations between Recosia China and the Company taking into consideration of (i) the net asset value of Anhua Shiji as at 31 October 2011; (ii) the net asset value of Reco Hibiscus as at 31 October 2011; and (iii) the appraised value of approximately RMB700,300,000 as at 30 November 2011 by Savills of the properties held by Anhua Shiji.

The Directors consider the consideration for the Sale Interest (Hibiscus) is fair and reasonable and on normal commercial terms and in the interest of the Shareholders as a whole.

Payment terms

The consideration payable for the Sale Interest (Hibiscus) is RMB195,395,822 and will be settled by cash by the Company upon completion of the Hibiscus S&P Agreement. The consideration for the Sale Interest (Hibiscus) shall be payable by the Company in US$, which amount shall be calculated based on the mid-price exchange rate published by the People's Bank of China on the business day preceding the payment date, or such other rate as may be agreed by the parties in writing.

Set out below is the net asset value of Reco Hibiscus as at 31 October 2011, and the appraised value of the properties unsold in The Reflections project as at 30 November 2011, which were extracted from the financial statements of Reco Hibiscus and the Valuation Report as set out in Appendix II and IX of the Circular:

Target company	Project	Net asset value of Reco Hibiscus as at 31 October 2011 ("A")	Appraised value of unsold properties in the project as at 30 November 2011 ("B")	Inventories held by Anhua Shiji as at 30 November 2011 ("C")	Valuation surplus (D=B-C)	Portion of valuation surplus enjoyed by Reco Hibiscus (E=D*45%)	Value to be acquired by the Company (F=A+E)	Consideration
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reco Hibiscus	The Reflections	120,661	700,300	326,816	373,484	168,068	288,729	195,396

As shown in the table above, the consideration for the Sale Interest (Hibiscus) represents a discount to the value of Reco Hibiscus to be acquired by the Company.

(ii) The Camellia S&P Agreement

On 19 January 2012, the Company entered into the Camellia S&P Agreement with Recosia China to acquire the Sale Interest (Camellia), being the entire issued and paid-up share capital of Reco Camellia. Upon completion, Reco Camellia will become an indirect wholly owned subsidiary of the Company and the results of which will be consolidated into the accounts of the Group.

Basis of consideration

The consideration for the Sale Interest (Camellia) was determined after arm's length negotiations between Recosia China and the Company taking into consideration of (i) the net asset value of Sun Shine City as at 31 October 2011; (ii) net asset value of Reco Camellia as at 31 October 2011; and (iii) the appraised value of approximately RMB1,455,770,000 as at 30 November 2011 by Savills of the properties held by Sun Shine City.

The Directors consider the consideration for the Sale Interest (Camellia) is fair and reasonable and on normal commercial terms and in the interest of the Shareholders as a whole.

Payment terms

The consideration payable for the Sale Interest (Camellia) is RMB340,546,916 and will be settled by cash by the Company upon completion of the Camellia S&P Agreement. The consideration for the Sale Interest (Camellia) shall be payable by the Company in US$, which amount shall be calculated based on the mid-price exchange rate published by the People's Bank of China on the business day preceding the payment date, or such other rate as may be agreed by the parties in writing.

Set out below is the net asset value of Reco Camellia as at 31 October 2011, and the appraised value of the properties unsold and/or under construction in the Urban Town project as at 30 November 2011, which were extracted from the financial statements of Reco Camellia and the Valuation Report as set out in Appendix III and IX of the Circular:

Target company	Project	Net asset value of Reco Camellia as at 31 October 2011 ("A")	Appraised value of unsold properties/ properties under construction in the project as at 30 November 2011 ("B")	Inventories held by Sun Shine City as at 30 November 2011 ("C")	Valuation surplus (D=B-C)	Portion of valuation surplus enjoyed by Reco Camellia (E=D*50%)	Value to be acquired by the Company (F=A+E)	Consideration
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reco Camellia	Urban Town (Phase I, II and III)	107,985	1,455,770	484,043	971,727	485,864	593,849	340,547

As shown in the table above, the consideration for the Sale Interest (Camellia) represents a discount to the value of Reco Camellia to be acquired by the Company.

(iii) The Xinzi Equity Transfer Agreement

On 19 January 2012, the Company entered into the Xinzi Equity Transfer Agreement with Reco Ziyang to acquire the Sale Interest (Xinzi), being 45% equity interest in Chengdu Xinzi. Upon completion, Chengdu Xinzi will become a wholly owned subsidiary of the Company.

Basis of consideration and payment terms

The consideration payable for the Sale Interest (Xinzi) is RMB120,371,885 in cash, of which 50% will be settled within 5 days upon the receipt of the new certificate of approval for establishment of enterprises with foreign investment in the PRC in relation to Chengdu Xinzi, and the remaining 50% will be settled within 5 days upon the receipt of the new corporate business licence of Chengdu Xinzi. The consideration for the Sale Interest (Xinzi) shall be payable by the Group in US$ equivalent at the mid-price exchange rate for RMB and US$ published by the People's Bank of China on the payment date.

The consideration for the Sale Interest (Xinzi) was determined after arm's length negotiations between Reco Ziyang and Best Crystal taking into consideration of (i) the net asset value of Chengdu Xinzi as at 31 October 2011 and (ii) the appraised value of approximately RMB33,070,000 as at 30 November 2011 of the properties held by Chengdu Xinzi. The Directors consider the consideration for the Sale Interest (Xinzi) is fair and reasonable and on normal commercial terms and in the interest of the Shareholders as a whole.

Set out below is the net asset value of Chengdu Xinzi as at 31 October 2011, and the appraised value of the properties unsold in Chengdu A-Z Town as at 30 November 2011, which were extracted from the financial statements of Chengdu Xinzi and the Valuation Report, as set out in Appendix IV and IX of the Circular:

Target company	Project	Net asset value of Chengdu Xinzi as at 31 October 2011 ("A")	Appraised value of unsold properties in the project as at 30 November 2011 ("B")	Inventories as at 30 November 2011 ("C")	Valuation surplus (D=B-C)	Value to be acquired by the Company (E=45%(A+D))	Consideration
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chengdu Xinzi	Chengdu A-Z Town	267,492	33,070	32,643	427	120,564	120,372

As shown in the table above, the consideration of the Sale Interest (Xinzi) represents a slight discount to the respective value of Chengdu Xinzi to be acquired by the Company.

(iv) ***The Xinchuang Equity Transfer Agreement***

On 19 January 2012, the Company entered into the Xinchuang Equity Transfer Agreement with Reco Ziyang to acquire the Sale Interest (Xinchuang), being 45% equity interest in Tianjin Xinchuang. Upon completion, Tianjin Xinchuang will become a wholly owned subsidiary of the Company.

Basis of the Consideration and payment terms

The consideration payable for the Sale Interest (Xinchuang) is RMB104,708,700 in cash, of which 50% will be settled within 5 days upon the receipt of the new certificate of approval for establishment of enterprises with foreign investment in the PRC in relation to Tianjin Xinchuang, and the remaining 50% will be settled within 5 days upon the receipt of the new corporate business licence of Tianjin Xinchuang. The consideration for the Sale Interest (Xinchuang) shall be payable by the Group in US$ equivalent at the mid-price exchange rate for RMB and US$ published by the People's Bank of China on the payment date.

The consideration for the Sale Interest (Xinchuang) was determined after arm's length negotiations between Reco Ziyang and Crown Smart taking into consideration of (i) the net asset value of Tianjin Xinchuang as at 31 October 2011 and (ii) the appraised value of approximately RMB933,000 as at 30 November 2011 by Savills of the properties held by Tianjin Xinchuang. The Directors consider the consideration for the Sale Interest (Xinchuang) is fair and reasonable and on normal commercial terms and in the interest of the Shareholders as a whole.

Set out below is the net asset value of Tianjin Xinchuang as at 31 October 2011, and the appraised value of the properties unsold in Butchart Garden as at 30 November 2011, which were extracted from the financial statements of Tianjin Xinchuang and the Valuation Report, as set out in Appendix V and IX of the Circular:

Target company	Project	Net asset value of Tianjin Xinchuang as at 31 October 2011 ("A")	Appraised value of unsold properties in the project as at 30 November 2011 ("B")	Inventories as at 30 November 2011 ("C")	Valuation surplus (D=B-C)	Value to be acquired by the Company (E=45%(A+D))	Consideration
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Tianjin Xinchuang	Butchart Garden	232,686	933	582	351	104,867	104,709

As shown in the table above, the consideration of the Sale Interest (Xinchuang) represents a slight discount to the respective value of Tianjin Xinchuang to be acquired by the Company.

Taking into consideration of the above, we consider that the terms of each of the Agreements are fair and reasonable, on normal and commercial terms and in the interests of the Company and the Shareholders as a whole.

3. Possible financial effects of the Acquisitions on the Enlarged Group

Prior to the Acquisitions, the results of Anhua Shiji, Sun Shine City, Chengdu Xinzi and Tianjin Xinchuang have been consolidated into the Group's financial statement. Upon completion of the Acquisitions, Reco Hibiscus, Reco Camellia, Anhua Shiji, Sun Shine City, Chengdu Xinzi and Tianjin Xinchuang will become wholly owned subsidiaries of the Company. As a result, the Company will also consolidate the results of Reco Hibiscus and Reco Camellia into the Group's financial statement. The possible financial effects of the Acquisitions on the Enlarged Group upon completion of the Acquisitions are set out below:

(a) Net asset value

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix VIII of the Circular and further advised by the Directors, taking into account the effects of the 2011 Transaction as if the completion of it had taken place on 30 June 2011, the net asset value of the Group as at 30 June 2011 amounted to approximately RMB7,512.3 million, and the net asset value attributable to equity holders of the Group as at 30 June 2011 is estimated by the Directors as approximately RMB5,103.1 million. Upon completion of the Acquisitions, the net asset value of the Enlarged Group would decease to approximately RMB6,785.0 million. As estimated by the Directors, the net asset value attributable to equity holders of the Enlarged Group would decrease to approximately RMB4,861.2 million upon completion of the Acquisitions. Such decrease is mainly due to the cash payment of the consideration of the Acquisitions of approximately RMB761.0 million, which is partly offset by the decrease in equity attributable to non-controlling interest as a result of consolidation of entire equity interest of Anhua Shiji, Sun Shine City, Chengdu Xinzi and Tianjin Xinchuang by the Enlarged Group upon completion of the Acquisitions.

(b) Earnings

Prior to completion of the Acquisitions, Anhua Shiji, Sun Shine City, Chengdu Xinzi and Tianjin Xinchuang were held as to 50% or 55% by the Group and the results of which have been consolidated into the financial statements of the Group. As stated in the Letter from the Board and further advised by the Directors, Reco Hibiscus and Reco Camellia do not have other business or other investments save for their long-term investments in Anhua Shiji and Sun Shine City respectively since their establishment and as at the Latest Practicable Date. As a result of the Acquisitions, the Enlarged Group will capture the entire earnings of the Target Companies, Anhua Shiji and Sun Shine City.

(c) Working capital

As stated in the Letter from the Board, the Group intends to finance the payment of the consideration of the Acquisitions by its internal resources and the Group may also seek external bank financing. As at 30 June 2011, the Group had cash at bank and on hand of approximately RMB8,053.3 million, taking into account the effects of the 2011 Transaction as if the completion of it had taken place on 30 June 2011. As indicated in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix VIII of the Circular, should the whole amount of consideration of the Acquisitions of RMB761.0 million be financed by internal resources of the Group, the cash position of the Enlarged Group would decrease by the same amount.

(d) Gearing ratio

As advised by the Company, taking into account the effects of the 2011 Transaction as if the completion of it had taken place on 30 June 2011, the net gearing ratio of the Company as at 30 June 2011 was approximately 91%, as calculated by the interest-bearing liabilities net of net cash and bank balances and then divided by total equity attributable to equity holders of the Company. As advised by the Directors and based on the figures in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix VIII of the Circular, it is expected that the net gearing ratio of the Enlarged Group would increase to approximately 110% upon completion of the Acquisitions which was mainly due to the decrease in cash for settling the consideration of the Acquisitions and decrease in capital surplus.

As at 31 October 2011, the cash in Anhua Shiji, Sun Shine City, Chengdu Xinzi and Tianjin Xinchuang amounted to approximately RMB2.3 billion in total. The Directors expect that, through the Acquisitions, Anhua Shiji, Sun Shine City, Chengdu Xinzi and Tianjin Xinchuang will become wholly owned subsidiaries of the Company and thus would enhance the Group's flexibility to utilize those cash and thus enhance overall utilization of capital and reduce overall financing costs, which in turn would strengthen the Group's capabilities under the current stage of industry consolidation. As such, and taking into consideration of the appraised value of the properties as stated above, we concur with the Directors' view that the decrease in net asset value and working cash position and increase in net gearing ratio as a result of the Acquisitions are acceptable.

RECOMMENDATION

Taking into consideration the abovementioned principal factors, we consider that the entering into of the Agreements is in the ordinary and usual course of business of the Group, and the terms of the Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Yours faithfully,
For and on behalf of
Kingsway Capital Limited
Chu Tat Hoi
Executive Director

1. THREE-YEAR FINANCIAL INFORMATION

The financial information of the Group for the past three years ended 31 December 2008, 2009 and 2010 has been published in the annual reports per below:

(i) the financial information of the Group for the year ended 31 December 2010 is disclosed in the annual report of the Company for the year ended 31 December 2010 published on 15 April 2011 from pages 77 to 176. Such information has been published on the website of the Stock Exchange (http://www.hkexnews.hk/listedco/listconews/sehk/20110415/LTN20110415303.pdf);

(ii) the financial information of the Group for the year ended 31 December 2009 is disclosed in the annual report of the Company for the year ended 31 December 2009 published on 26 February 2010 from pages 68 to 152. Such information has been published on the website of the Stock Exchange (http://www.hkexnews.hk/listedco/listconews/sehk/20100226/LTN20100226160.pdf); and

(iii) the financial information of the Group for the year ended 31 December 2008 is disclosed in the annual report of the Company for the year ended 31 December 2008 published on 9 March 2009 from pages 66 to 148. Such information has been published on the website of the Stock Exchange (http://www.hkexnews.hk/listedco/listconews/sehk/20090309/LTN20090309253.pdf).

All of the above information has also been published on the website of the Company (www.bjcapitalland.com)

2. UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENT OF THE GROUP

The unaudited consolidated financial information of the Group for the six months ended 30 June 2011 has been disclosed in the interim report of the Company published on 19 August 2011 from pages 31 to 150. Such information has also been published on the website of the Stock Exchange http://www.hkexnews.hk/listedco/listconews/sehk/20110905/LTN20110905686.pdf and the website of the Company.

3. INFORMATION FOR COMPANY ACQUIRED

The information for company acquired since 31 December 2010, being the date of the last published audited accounts of the Group in respect of which an accountant's report has been submitted to Shareholders was set out in a circular of the Company dated 10 November 2011. Such information has been published on the website of the Stock Exchange (http://www.hkexnews.hk/listedco/listconews/sehk/2011/1110/LTN20111110316.pdf) and the website of the Company.

4. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 December 2011, being the Latest Practicable Date for the purpose of ascertaining the indebtedness of the Enlarged Group prior to the printing of this circular, the Enlarged Group had an aggregate outstanding borrowings of approximately RMB12,767,420,000 comprising:

(a) Outstanding bank borrowings of approximately RMB7,542,289,000, among which RMB393,409,000 were secured by hotel properties and the land use rights, RMB4,498,880,000 were secured by certain relevant properties under development, RMB2,550,000,000 were secured by rights to yield on certain land use rights, RMB100,000,000 were secured by cash deposit.

(b) Trust loans of approximately RMB2,807,620,000, among which RMB500,000,000 were secured by the receivables of the Company due from subsidiaries and guaranteed by the Company, RMB825,000,000 were secured by the equity of a subsidiary, RMB400,000,000 were secured by the land use rights, RMB800,000,000 were secured by properties held for sale and RMB282,620,000 were guaranteed by a third party.

(c) Unsecured loan of approximately RMB285,297,000.

(d) Corporate bonds of approximately RMB2,132,214,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have at the close of business on 31 December 2011 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

5. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that following completion of the Acquisitions as contemplated under the Agreements, after taking into account the financial resources available to the Enlarged Group including internally generated funds and the available banking facilities, the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

6. FINANCIAL AND TRADING PROSPECTS

The Directors are optimistic about the prospect of the real estate market in the PRC in the long and medium term. On the one hand, the PRC is still experiencing a complete acceleration of industrialization and urbanization and an increasing demand for real estate with no changes on the basic condition of favorable environment for the overall industry. Domestic demand will play a significant role in the economy for a longer period in the future and the demand for real estate, constituting the most substantial part of the domestic demand, will provide support to the industry in the long run.

On the other hand, under the continuing stringent control on real estate, competition will become fiercer in the market and the industry is entering the complete integration and diversification stage, as such, a single property development will no longer satisfy the demand of the increasing integration and diversification. Enterprises with ample capital will capture the opportunities for strategic expansion during the integration and diversification stage. To enhance the earning of the Enlarged Group in the future, the Group will continue to develop its characteristics of solid financial condition and to achieve a forward-leaping development by implementing the operating strategy of "integrated operation and value operation" and through the three mature business lines of new integrated residential projects, primary land development and traditional residential development.

The Directors consider that, net profit attributable to the Company will be increased in the future as the Enlarged Group increased its equity proportion in quality project resources; meanwhile, the overall capital utilization of the Company will be increased and the overall capital cost of the Company will be decreased as the available cash of the Enlarged Group increased, which will strengthen the capability and advantages in accumulating quality resources amid the adjustment period in the industry. For the long term, the Directors consider that there will still be room for the real estate market in the PRC to grow, and the Enlarged Group, with solid financial position and ample capital, will lay a sound foundation for the sustainable development of the Group in the long run.

The following is the text of a report received from Reco Hibiscus's reporting accountant, PricewaterhouseCoopers Zhong Tian CPA Limited Company, for the purpose of incorporation in this circular.

pwc

普华永道

13 February 2012

The Directors
Beijing Capital Land Ltd.

Dear Sirs,

We report on the financial information (the "Financial Information") of Reco Hibiscus Private Limited ("Reco Hibiscus"), which comprises the balance sheets of Reco Hibiscus as at 31 December 2008, 2009 and 2010 and 31 October 2011, and the income statements, the statements of changes in equity and the cash flow statements of Reco Hibiscus for each of the years ended 31 December 2008, 2009 and 2010 and the ten months ended 31 October 2011 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This Financial Information has been prepared by the directors of Beijing Capital Land Ltd. (the "Company") and is set out in Section I below for inclusion in Appendix II to the circular of the Company dated 13 February 2012 (the "Circular") in connection with the proposed acquisition of 100% equity interest in Reco Hibiscus by the Company.

Reco Hibiscus was established in Singapore on 21 March 2003 as a company with limited liability under the Companies Law of the Singapore.

The directors of the Reco Hibiscus during the Relevant Periods are responsible for the preparation and fair presentation of the financial statements of Reco Hibiscus in accordance with the Accounting Standards for Business Enterprises of the People's Republic of China (the "PRC GAAP"), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

普华永道中天会计师事务所有限公司
PricewaterhouseCoopers Zhong Tian CPA Limited Company, 11/F PricewaterhouseCoopers Center,
2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC
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The Financial Information has been prepared based on the unaudited financial statements of Reco Hibiscus after making such adjustments as are appropriate.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with PRC GAAP and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the published unaudited interim report of the Company for the six months ended 30 June 2011.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Reco Hibiscus as at 31 December 2008, 2009 and 2010 and 31 October 2011 and of Reco Hibiscus's results and cash flows for the Relevant Periods then ended.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Section I below included in Appendix II to the Circular which comprises the income statements, the statement of changes in equity and the cash flow statement of Reco Hibiscus for the ten months ended 31 October 2010 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with PRC GAAP and accounting policies adopted by the Group as set out in the published unaudited interim report of the Company for the six months ended 30 June 2011.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with China Standards on Review Engagements 2101, "Review of Financial Statements" issued by the China Institute of Public Accountants (the "CICPA"). A review of Stub Period Comparative Financial Information consists of making inquiries, primarily of person 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 China 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.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in note 2 of Section I below.

I. FINANCIAL INFORMATION OF RECO HIBISCUS

The financial statements of Reco Hibiscus as at 31 December of 2008, 2009 and 2010 and 31 October 2011, and for each of the years ended 31 December 2008, 2009 and 2010, and the ten months ended 31 October 2010 and 2011, are prepared by the directors of the Company and presented as follows:

(A) BALANCE SHEETS

(All amounts in thousands of units of RMB unless otherwise stated.)

	Note	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Assets					
Current assets					
Dividend receivables	*I.4(1)*	285,765	230,850	99,000	99,000
Other receivables	*I.4(1)*	–	–	100,555	95,976
Total current assets		285,765	230,850	199,555	194,976
Non-current assets					
Long term investments	*I.4(2)*	107,964	108,271	210,174	115,769
Total non-current assets		107,964	108,271	210,174	115,769
Total assets		393,729	339,121	409,729	310,745
Liabilities and owner's equity					
Current liabilities					
Dividends payable	*I.4(5)*	192,693	–	–	–
Other payables	*I.4(3)*	66,084	69,191	168,019	168,133
Total current liabilities		258,777	69,191	168,019	168,133
Non-current liabilities					
Deferred tax liabilities	*I.4(4)*	14,291	11,546	13,849	8,754
Total Non-current liabilities		14,291	11,546	13,849	8,754
Total liabilities		273,068	80,737	181,868	176,887
Owners' equity					
Paid-in Capital (S$2)		–	–	–	–
Retained profits		146,342	270,509	232,542	137,959
Difference on translation of foreign currency financial statement		(25,681)	(12,125)	(4,681)	(4,101)
Total owners' equity		120,661	258,384	227,861	133,858
Total liabilities and owners' equity		393,729	339,121	409,729	310,745

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

(B) INCOME STATEMENTS

(All amounts in thousands of units of RMB unless otherwise stated.)

Item	Note	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Revenue		–	–	–	–	–
Less: Cost of sales		–	–	–	–	–
Taxes and surcharges	*I.4(8)*	–	–	–	(277)	(286)
General and administrative expenses		(21)	(43)	(51)	(43)	(43)
Financial income-net	*I.4(10)*	10,683	2,013	3,024	5,629	5,719
Add: Investment income	*I.4(9)*	60,909	21,975	36,836	94,557	142,709
Including: Share of profit of associates		60,909	21,975	36,836	94,557	142,709
Operating profit		71,571	23,945	39,809	99,866	148,099
Total profit		71,571	23,945	39,809	99,866	148,099
Less: Income tax expenses	*I.4(11)*	(3,045)	(1,099)	(1,842)	(5,283)	(7,707)
Net profit		68,526	22,846	37,967	94,583	140,392
Total comprehensive income		68,526	22,846	37,967	94,583	140,392

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

(C) CASH FLOW STATEMENTS

(All amounts in thousands of units of RMB unless otherwise stated.)

Item	*Note*	ten months ended 31 October 2011	ten months ended 31 October 2010	2010	2009	2008
			(Unaudited)			
Cash flow from operating activities						
Net cash flows from operating activities		–	–	–	–	–
Cash flow from investing activities						
Net cash flows from investing activities		–	–	–	–	–
Cash flow from financing activities						
Net cash flows from financing activities		–	–	–	–	–
Effect of foreign exchange rate changes on cash and cash equivalents		–	–	–	–	–
Net increase/(decrease) in cash		–	–	–	–	–
Cash at period/year end		–	–	–	–	–

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

(D) STATEMENTS OF CHANGES IN EQUITY

(All amounts in thousands of units of RMB unless otherwise stated.)

Item	Paid-in Capital (USD 1)	Retained profits/ (Accumulated loss)	Difference on translation of foreign currency financial statement	Total owners' equity
Balance at 1 January 2008	–	(2,433)	1,003	(1,430)
Movement for year 2008	–	140,392	(5,104)	135,288
Net profit	–	140,392	–	140,392
Other	–	–	(5,104)	(5,104)
Balance at 31 December 2008	–	137,959	(4,101)	133,858
Balance at 1 January 2009	–	137,959	(4,101)	133,858
Movement for year 2009	–	94,583	(580)	94,003
Net profit	–	94,583	–	94,583
Other	–	–	(580)	(580)
Balance at 31 December 2009	–	232,542	(4,681)	227,861
Balance at 1 January 2010	–	232,542	(4,681)	227,861
Movement for year 2010	–	37,967	(7,444)	30,523
Net profit	–	37,967	–	37,967
Other	–	–	(7,444)	(7,444)
Balance at 31 December 2010	–	270,509	(12,125)	258,384
Balance at 1 January 2011	–	270,509	(12,125)	258,384
Movement for the ten months ended 31 October 2011	–	(124,167)	(13,556)	(137,723)
Net profit	–	68,526	–	68,526
Other	–	–	(13,556)	(13,556)
Profit distribution	–	(192,693)	–	(192,693)
Balance at 31 October 2011	–	146,342	(25,681)	120,661
Balance at 1 January 2010	–	232,542	(4,681)	227,861
Movement for the ten months ended 31 October 2010	–	22,846	(50)	22,796
Net profit (unaudited)	–	22,846	(50)	22,796
Other (unaudited)	–	–	–	–
Balance at 31 October 2010 (Unaudited)	–	255,388	(4,731)	250,657

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

(All amounts hereafter in thousands of units of RMB unless otherwise stated)

1 General information

Reco Hibiscus is a limited liability company incorporated in Singapore on 21 March 2003. The registration Number is 200302624W.

The principal activity of Reco Hibiscus is to carry on the business of an investment company and to undertake all kinds of investment business, principally real estate investment.

During the Relevant Periods, the parent company of Reco Hibiscus is Recosia China Private Limited, and the ultimate holding company is Government of Singapore Investment Corporation (Realty) Private Limited. Both the parent and ultimate holding company are incorporated in Singapore.

2 Significant accounting policies and accounting estimates

(1) Basis of preparation

The financial statements of Reco Hibiscus have been prepared in accordance with the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (herein collectively referred to as "the Accounting Standards for Business Enterprises" or "CAS"), Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as well as Hong Kong Companies Ordinance.

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

The financial statements of Reco Hibiscus for year 2008, 2009, 2010 and the ten months ended 31 October 2011 truly and completely present the financial position as of 31 December 2008, 2009, 2010 and 31 October 2011 and the operating results, cash flows and other information for the year ended 31 December 2008, 2009 and 2010 and the ten months ended 31 October 2011 of Reco Hibiscus 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 United States Dollar (USD), and Renminbi ("RMB") is used by Reco Hibiscus as the reporting currency.

(5) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into USD 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 USD 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 are translated at the spot exchange rates on the balance sheet date. Among the owners' equity items, the items other than "retained profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements are translated at the average exchange rates of the reporting years/ period. The differences arising from the above translation are presented separately in the owners' equity. The cash flows 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.

(6) Financial instruments

(a) Financial assets

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 Reco Hibiscus's intention and ability to hold the financial assets. The financial assets of Reco Hibiscus are receivables.

Receivables

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

Receivables comprise dividend and other receivables. Receivables are initially recognised at the fair value of the contractual collectable amount. And receivables are presented at amortised cost net of provision using the effective interest method.

Receivables that are individually significant are subject to separate impairment assessment. If there is objective evidence that Reco Hibiscus 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.

(b) Financial liabilities

Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. Reco Hibiscus's financial liabilities are majorly comprised of other financial liabilities, including payables.

Payables include other payables which are initially recognised at fair value 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 consideration paid is recognised in profit or loss.

(7) Long-term equity investments

Long-term equity investments comprise long-term equity investments in its subsidiaries, long-term equity investments in its joint ventures and associates, as well as the long-term equity investments where Reco Hibiscus 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. Reco Hibiscus's long-term equity investments comprise long-term equity investment in an associate.

Investments in associates are accounted for using the equity method. Where the initial investment cost exceeds Reco Hibiscus's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at cost. Where the initial investment cost is less than Reco Hibiscus's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

Under the equity method of accounting, Reco Hibiscus recognises the investment income according to its share of net profit or loss of the investee. Reco Hibiscus 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 Reco Hibiscus has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, Reco Hibiscus 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, Reco Hibiscus records its proportionate share directly into capital surplus, provided that Reco Hibiscus's proportion of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by Reco Hibiscus's share of the profit distribution or cash dividends declared by an investee.

(8) Profit distribution

Proposed profit distribution is recognised as a liability in the period in which it is approved by the Board of Directors.

(9) Revenue recognition

Interest income

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

(10) Impairment of long-term assets

Long-term equity investments in associate 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.

(11) 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.

(12) Segment information

Reco Hibiscus 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 Reco Hibiscus 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 Reco Hibiscus'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 Reco Hibiscus. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

Reco Hibiscus has only one segment during the reporting period, therefore no segment information has been prepared.

3 Taxation

The types and rates of taxes applicable to Reco Hibiscus are set out as follows:

Type	**Tax rate**	**Taxable base**
Business tax	5%	Taxable interest income in mainland, China
Income tax	nil	Reco Hibiscus has been granted remission from Singapore Income tax under Section 92(2) of the Income tax
Withholding tax	5%	Taxable dividend received from operation in mainland, China
	10%	Taxable interest income received from operation in mainland, China

4 Notes to the Financial Information

(1) Dividend and other receivables

(a) Dividend receivables

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Anhua Shiji	285,765	230,850	99,000	99,000

(b) Other receivables

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Loan receivables from An Hua Shiji *(i)*	–	–	75,110	75,180
Interest receivables from An Hua Shiji	–	–	25,445	20,796
Subtotal	–	–	100,555	95,976
Less: provision for bad debts	–	–	–	–
Net	–	–	100,555	95,976

(i) As at 31 December 2008 and 2009, the other receivables were the shareholders borrowings to An Hua Shiji. The principal of which was USD 11,000,000. The interest rate per annum is 10% higher than the interest rate of bank borrowings stipulated by the People's Bank of china. The receivables have been repaid in July 2010.

The ageing analysis of other receivables are as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Within one year	–	–	5,536	5,719
1 to 2 year	–	–	4,982	6,318
2 to 3 year	–	–	5,906	5,157
Over 3 years	–	–	84,131	78,782
Total	–	–	100,555	95,976

(2) Long-term equity investments

Associate	31 October 2011	31 December 2010	31 December 2009	31 December 2008
– Without quoted price	107,964	108,271	210,174	115,769
Less: Provision for impairment of long-term equity investments	–	–	–	–
Net	107,964	108,271	210,174	115,769

Associates	Place of registration	Nature of business	Registered capital	Share holding *(%)*	Voting Rights *(%)*
An Hua Shiji	Beijing The PRC	Property Development	USD 30,000,000	45	45

The financial information of Anhua Shiji is set out below:

	Total assets	Total liabilities	Revenues	Net profit
31 Oct 2011	1,468,863	1,150,076	452,716	135,355
31 Dec 2010	1,643,083	1,337,620	420,762	81,857
31 Dec 2009	1,622,160	1,105,554	743,505	210,127
31 Dec 2008	1,516,697	1,210,218	1,529,912	317,131

Investment in Anhua Shiji is set out below:

Initial investment cost	31 December 2007	Share of net profit of associate	Dividends declared by associate	Translation difference	31 December 2008
111,738	82,086	142,709	(99,000)	(10,026)	115,769

Initial investment cost	31 December 2008	Share of net profit of associate	Dividends declared by associate	Translation difference	31 December 2009
111,738	115,769	94,557	–	(152)	210,174

Initial investment cost	31 December 2009	Share of net profit of associate	Dividends declared by associate	Translation difference	31 December 2010
111,738	210,174	36,836	(131,850)	(6,889)	108,271

Initial investment cost	31 December 2010	Share of net profit of associate	Dividends declared by associate	Translation difference	31 October 2011
111,738	108,271	60,909	(54,915)	(6,301)	107,964

(3) Other payables

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Amounts due to immediate holding *(a)*	66,068	69,146	168,005	168,120
Others	16	45	14	13
Total	66,084	69,191	168,019	168,133

(a) The amount due to immediate holding company is unsecured, interest-free and repayable on demand.

(4) Deferred tax liabilities

The deferred withholding tax is derived from the interest income and investment income from the invested associate.

(5) Dividends payable

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Recosia China Private Limited	192,693	–	–	–

(6) Share capital

Issued and paid up share capital

	Number of shares	Amount	
	Issued share capital	Issued share capital S$	Issued share capital US$
31 October 2011, 31 December 2010, 2009 and 2008			
Beginning and end of financial year/period	2	2	1

(7) Profit distribution

In accordance with the resolution at the Board of Directors' meeting dated on 31 October 2011, Reco Hibiscus declared a cash dividend of USD30,473,000 to Recosia China Private Limited.

No dividend were declared in 2010, 2009 and 2008.

(8) Taxes and surcharges

	ten months ended 31 October 2011	ten months ended 31 October 2010	2010	2009	2008
Business tax	–	–	–	277	286

(9) Investment income

	ten months ended 31 October 2011	ten months ended 31 October 2010	2010	2009	2008
Share of profit or loss of investees under equity method	60,909	21,975	36,836	94,557	142,709

(10) Financial income – net

	ten months ended 31 October 2011	ten months ended 31 October 2010	2010	2009	2008
Interest income *(note 1.4(1))*	–	–	–	5,536	5,719
Exchange gain	10,683	2,013	3,024	93	–
Total	10,683	2,013	3,024	5,629	5,719

(11) Income tax expenses

The tax expenses in the ten months ended 2011 and in the year then ended 2010, 2009 and 2008 relates to withholding tax on investment income and interest income from Anhua shiji, and detail shows as below:

	ten months ended 31 October 2011	ten months ended 31 October 2010	2010	2009	2008
Withholding tax on dividend income	3,045	1,099	1,842	4,729	7,135
Withholding tax on interest income	–	–	–	554	572
Total	3,045	1,099	1,842	5,283	7,707

(12) Notes to cash flow statements

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

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Net profit	68,526	22,846	37,967	94,583	140,392
Add/(less): Financial income	(10,683)	(2,013)	(3,024)	(5,629)	(5,719)
Investment income	(60,909)	(21,975)	(36,836)	(94,557)	(142,709)
Other taxation and expenses for investment activities	3,066	1,142	1,893	5,603	8,036
Net cash flow from operating activities	–	–	–	–	–

(b) Non-cash transaction

The cash transaction during the Reporting Periods are settled by the immediate holding company.

5 Related party transactions

(1) The parent company

(a) The parent company

	Place of registration	Nature of business
Recosia China Private Limited	Singapore	Investment Holding

Reco Hibiscus's ultimate controlling party is Government of Singapore Investment Corporation (Realty) Private Limited.

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

The registered capital of Recosia China Private Limited has been S$1,650,000,000 from 1 January 2008 to 31 October 2011 with no changes.

(c) The proportions of equity interest and voting rights in Reco Hibiscus held by the parent company

	31 October 2011		31 December 2010		31 December 2009		31 December 2008	
	Equity interest	Voting rights	Equity interest	Voting rights	Equity interest	Voting rights	Equity interest	Voting rights
	%	%	%	%	%	%	%	%
Reco Hibiscus	100	100	100	100	100	100	100	100

(2) Nature of related parties

Name of related entities	Relationship with Reco Hibiscus
Anhua Shiji	Associate
GIC Real Estate Private Limited	Under significant influence by the same key management personnel

Other than as disclosed elsewhere in the financial information, there were no related party transactions between Reco Hibiscus and related party during the Relevant Periods.

(3) Remuneration of directors

The directors of Reco Hibiscus from 1 January 2008 to August 2009 are Muk Kin Yau, Deanna Ong Aun Nee; from August 2009 to October 2011 are Soong Hee Sang, Lee Kok Sun.

The directors emoluments is taken up by GIC Real Estate Private Limited.

6 Financial instruments and risk

The financial risk management of Reco Hibiscus is handled by the ultimate holding company. The board of Directors along with the senior management of a related company provides guidance for overall investment and risk management. At the Group level, management continually monitors the investment and risk management process to ensure that an appropriate balance between risk/return and control is achieved. Investment and risk management policies and guidelines are reviewed regularly to reflect changes in market conditions and Reco Hibiscurs's activities. The Reco Hibiscurs's overall investment and risk management strategy seeks to minimize adverse effects from the market movements on the Reco Hibiscurs's financial performance.

Reco Hibiscus's business is exposed to market risk (including currency risk), credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

The majority of Reco Hibiscus's business is operated in Singapore and used US Dollar (USD) as settlement currency. But Reco Hibiscus's recognised foreign assets and the foreign currency transactions in the future (the assets in the foreign currency and the valuate currency of the foreign currency transactions are in RMB) are still subject to foreign exchange risk.

Reco Hibiscus's management is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies. The management of Reco Hibiscus may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. During the ten months ended 31 October 2011 and the year ended 2010, 2009 and 2008, Reco Hibiscus did not enter into any forward exchange contracts or currency swap contracts.

As at 31 October 2011 and 31 December 2010, 2009 and 2008, the carrying amounts in RMB equivalent of Reco Hibiscus's assets denominated in foreign currencies are summarized below:

	31 October 2011 *RMB*	31 December 2010 *RMB*	31 December 2009 *RMB*	31 December 2008 *RMB*
Financial assets denominated in foreign currency – Dividends receivables	285,765	230,850	99,000	99,000

As at 31 October 2011, if the currency had strengthened/weakened by 10% against the RMB while all other variables had been held constant, Reco Hibiscus's net profit for the year would have been approximately RMB28,577,000 (31 December 2010: RMB23,085,000, 31 December 2009: RMB9,900,000, 31 December 2008: RMB9,900,000) lower/higher.

(ii) Price risk

Reco Hibiscus is not exposed to price risk as it does not hold equity financial assets.

(iii) Interest rate risk

Reco Hibiscus is not exposed to interest rate risk, as there is no interest bearing liability in Reco Hibiscus.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in possible financial losses to Reco Hibiscus.

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet. Based on management's assessment, credit risk is limited as Reco Hibiscus's financial assets are mainly loans to Anhua Shiji and interest receivable from Anhua Shiji. These amounts are neither past due nor impaired.

(c) Liquidity risk

Reco Hibiscus manages liquidity risk by maintaining sufficient resources to enable it to meet its normal operating commitments by having an adequate amount of funding from its ultimate holding company.

All financial liabilities of Reco Hibiscus will mature in less than a year.

7 Fair value

(a) Financial instruments not measured in fair value

Financial assets and liabilities not measured in fair value mainly include receivables and payables.

The carrying amount of the above financial assets and liabilities not measured in fair value is a reasonable approximation of their fair value.

(b) Financial instruments measured in fair value

Reco Hibiscus has no financial instruments measured in fair value at 31 October 2011, 31 December 2010, 2009 and 2008.

8 Net current assets

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Current assets	285,765	230,850	199,555	194,976
Less: Current liabilities	258,777	69,191	168,019	168,133
Net current assets	26,988	161,659	31,536	26,843

9 Total assets less current liabilities

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Total assets	393,729	339,121	409,729	310,745
Less: Current liabilities	258,777	69,191	168,019	168,133
Total assets less current liabilities	134,952	269,930	241,710	142,612

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Reco Hibiscus in respect of any period subsequent to 31 October 2011 up to the date of this report. No dividend or distribution has been declared by Reco Hibiscus in respect of any period subsequent to 31 October 2011.

Yours faithfully,

PricewaterhouseCoopers Zhong Tian CPAs Limited Company

Shanghai, PRC

The following is the text of a report received from Reco Camellia's reporting accountant, PricewaterhouseCoopers Zhong Tian CPA Limited Company, for the purpose of incorporation in this circular.

普华永道

13 February 2012

The Directors
Beijing Capital Land Ltd.

Dear Sirs,

We report on the financial information (the "Financial Information") of Reco Camellia Private Limited ("Reco Camellia"), which comprises the balance sheets of Reco Camellia as at 31 December 2008, 2009 and 2010 and 31 October 2011, and the income statements, the statements of changes in equity and the cash flow statements of Reco Camellia for each of the years ended 31 December 2008, 2009 and 2010 and the ten months ended 31 October 2011 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This Financial Information has been prepared by the directors of Beijing Capital Land Ltd. (the "Company") and is set out in Section I below for inclusion in Appendix III to the circular of the Company dated 13 February 2012 (the "Circular") in connection with the proposed acquisition of 100% equity interest in Reco Camellia by the Company.

Reco Camellia was established in Singapore on 20 March 2003 as a company with limited liability under the Companies Law of the Singapore.

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The directors of Reco Camellia during the Relevant Periods are responsible for the preparation and fair presentation of the financial statements of Reco Camellia in accordance with the Accounting Standards for Business Enterprises of the People's Republic of China (the "PRC GAAP"), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Financial Information has been prepared based on the unaudited financial statements of Reco Camellia after making such adjustments as are appropriate.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with PRC GAAP and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the published unaudited interim report of the Company for the six months ended 30 June 2011.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Reco Camellia as at 31 December 2008, 2009 and 2010 and 31 October 2011 and of Reco Camellia's results and cash flows for the Relevant Periods then ended.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Section I below included in Appendix III to the Circular which comprises the income statements, the statement of changes in equity and the cash flow statement of Reco Camellia for the ten months ended 31 October 2010 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with PRC GAAP and accounting policies adopted by the Group as set out in the published unaudited interim report of the Company for the six months ended 30 June 2011.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with China Standards on Review Engagements 2101, "Review of Financial Statements" issued by the China Institute of Public Accountants (the "CICPA"). A review of Stub Period Comparative Financial Information consists of making inquiries, primarily of person 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 China 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.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in note 2 of Section I below.

I. FINANCIAL INFORMATION OF RECO CAMELLIA

The financial statements of Reco Camellia as at 31 December of 2008, 2009 and 2010 and 31 October 2011, and for each of the years ended 31 December 2008, 2009 and 2010, and the ten months ended 31 October 2010 and 2011, are prepared by the directors of the Company and presented as follows:

(A) BALANCE SHEETS

(All amounts in thousands of units of RMB unless otherwise stated.)

Assets	*Note*	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Current assets					
Dividend receivables	*I.4(1)*	294,042	294,042	156,042	156,042
Other receivables	*I.4(1)*	26,412	26,599	5,628	94,883
Total current assets		320,454	320,641	161,670	250,925
Non-current assets					
Long-term receivables	*I.4(1)*	–	–	20,485	–
Long term investments	*I.4(2)*	86,922	89,648	225,785	92,851
Total non-current assets		86,922	89,648	246,270	92,851
Total assets		407,376	410,289	407,940	343,776
Liabilities and owner's equity					
Current liabilities					
Dividends payable	*I.4(5)*	222,672	–	–	–
Other payables	*I.4(3)*	60,730	63,586	65,506	132,262
Total current liabilities		283,402	63,586	65,506	132,262
Non-current liabilities					
Deferred tax liabilities	*I.4(4)*	15,989	15,815	15,154	12,910
Total Non-current liabilities		15,989	15,815	15,154	12,910
Total liabilities		299,391	79,401	80,660	145,172
Owners' equity					
Paid-in Capital (S$2)		–	–	–	–
Retained profits		150,838	357,698	343,514	213,590
Difference on translation of foreign currency financial statement		(42,853)	(26,810)	(16,234)	(14,986)
Total owners' equity		107,985	330,888	327,280	198,604
Total liabilities and owners' equity		407,376	410,289	407,940	343,776

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

(B) INCOME STATEMENTS

(All amounts in thousands of units of RMB unless otherwise stated.)

Item	*Note*	**ten months ended 31 October 2011**	**ten months ended 31 October 2010** (Unaudited)	**2010**	**2009**	**2008**
Revenue		–	–	–	–	–
Less: Cost of sales		–	–	–	–	–
Taxes and surcharges	*I.4(8)*	(55)	(55)	(66)	(190)	(299)
General and administrative expenses		(18)	(43)	(51)	(50)	(51)
Financial income	*I.4(10)*	14,704	4,266	6,080	4,116	5,980
Add: Investment income	*I.4(9)*	1,359	7,051	8,792	133,083	100,431
Including: Share of profit of associates		1,359	7,051	8,792	133,083	100,431
Operating profit		15,990	11,219	14,755	136,959	106,061
Total profit		15,990	11,219	14,755	136,959	106,061
Less: Income tax expenses	*I.4(11)*	(178)	(462)	(571)	(7,035)	(5,619)
Net profit		15,812	10,757	14,184	129,924	100,442
Other comprehensive income		–	–	–	–	–
Total comprehensive income		15,812	10,757	14,184	129,924	100,442

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

(C) CASH FLOW STATEMENTS

(All amounts in thousands of units of RMB unless otherwise stated.)

Item	*Note*	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Cash flow from operating activities		–	–	–	–	–
Net cash flows from operating activities		–	–	–	–	–
Cash flow from investing activities		–	–	–	–	–
Net cash flows from investing activities		–	–	–	–	–
Cash flow from financing activities		–	–	–	–	–
Net cash flows from financing activities		–	–	–	–	–
Effect of foreign exchange rate changes on cash and cash equivalents		–	–	–	–	–
Net increase/(decrease) in cash		–	–	–	–	–
Cash at period/year end		–	–	–	–	–

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

(D) STATEMENTS OF CHANGES IN EQUITY

(All amounts in thousands of units of RMB unless otherwise stated.)

Item	Paid-in Capital *(USD 1)*	Retained profits/ (Accumulated losses)	Difference on translation of foreign currency financial statement	Total owners' equity
Balance at 1 January 2008	–	113,148	(7,470)	105,678
Movement for year 2008	–	100,442	(7,516)	92,926
Net profit	–	100,442	–	100,442
Other	–	–	(7,516)	(7,516)
Balance at 31 December 2008	–	213,590	(14,986)	198,604
Balance at 1 January 2009	–	213,590	(14,986)	198,604
Movement for year 2009	–	129,924	(1,248)	128,676
Net profit	–	129,924	–	129,924
Other	–	–	(1,248)	(1,248)
Balance at 31 December 2009	–	343,514	(16,234)	327,280
Balance at 1 January 2010	–	343,514	(16,234)	327,280
Movement for year 2010	–	14,184	(10,576)	3,608
Net profit		14,184	–	14,184
Other	–	–	(10,576)	(10,576)
Balance at 31 December 2010	–	357,698	(26,810)	330,888
Balance at 1 January 2011	–	357,698	(26,810)	330,888
Movement for the ten months ended 31 October 2011	–	(206,860)	(16,043)	(222,903)
Net profit	–	15,812	–	15,812
Other	–	–	(16,043)	(16,043)
Profit distribution:	–	(222,672)	–	(222,672)
Balance at 31 October 2011	–	150,838	(42,853)	107,985
Balance at 1 January 2010	–	343,514	(16,234)	327,280
Movement for the ten months ended 31 October 2010	–	10,757	(8,372)	2,385
Net profit (unaudited)	–	10,757	–	10,757
Other (unaudited)	–	–	(8,372)	(8,372)
Balance at 31 October 2010 (Unaudited)	–	354,271	(24,606)	329,665

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

(All amounts hereafter in thousands of units of RMB unless otherwise stated)

1 General information

Reco Camellia is a limited liability company incorporated in Singapore on 20 March 2003. The registration Number is 200302594W.

The principal activity of Reco Camellia is to carry on the business of an investment company and to undertake all kinds of investment business, principally real estate investment.

During the Relevant Periods, the parent company of Reco Camellia is Recosia China Private Limited, and the ultimate holding company is Government of Singapore Investment Corporation (Realty) Private Limited. Both the parent and ultimate holding company are incorporated in Singapore.

2 Significant accounting policies and accounting estimates

(1) Basis of preparation

The financial statements of Reco Camellia have been prepared in accordance with the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (herein collectively referred to as "the Accounting Standards for Business Enterprises" or "CAS"), Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as well as Hong Kong Companies Ordinance.

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

The financial statements of Reco Camellia for year 2008, 2009, 2010 and the ten months ended 31 October 2011 truly and completely present the financial position as of 31 December 2008, 2009, 2010 and 31 October 2011 and the operating results, cash flows and other information for the year ended 31 December 2008, 2009 and 2010 and the ten months ended 31 October 2011 of Reco Camellia 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 United States Dollar (USD), and Renminbi ("RMB") is used by Reco Camellia as the reporting currency.

(5) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into USD 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 USD 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 are translated at the spot exchange rates on the balance sheet date. Among the owners' equity items, the items other than "retained profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements are translated at the average exchange rates of the reporting years/ period. The differences arising from the above translation are presented separately in the owners' equity. The cash flows 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.

(6) Financial instruments

(a) Financial assets

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 Reco Camellia's intention and ability to hold the financial assets. The financial assets of Reco Camellia are receivables.

Receivables

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

Receivables comprise dividend and other receivables. Receivables are initially recognised at the fair value of the contractual collectable amount. And receivables are presented at amortised cost net of provision using the effective interest method.

Receivables that are individually significant are subject to separate impairment assessment. If there is objective evidence that the Reco Camellia 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.

(b) Financial liabilities

Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. Reco Camellia's financial liabilities are majorly comprised of other financial liabilities, including payables.

Payables include other payables which are initially recognised at fair value 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 consideration paid is recognised in profit or loss.

(7) Long-term equity investments

Long-term equity investments comprise long-term equity investments in its subsidiaries, long-term equity investments in its joint ventures and associates, as well as the long-term equity investments where Reco Camellia 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. Reco Camellia's long-term equity investment comprise long-term equity investment in an associate.

Investments in associates are accounted for using the equity method. Where the initial investment cost exceeds Reco Camellia's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at cost. Where the initial investment cost is less than Reco Camellia's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

Under the equity method of accounting, Reco Camellia recognises the investment income according to its share of net profit or loss of the investee. Reco Camellia 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 Reco Camellia has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, Reco Camellia 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, Reco Camellia records its proportionate share directly into capital surplus, provided that Reco Camellia's proportion of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by Reco Camellia's share of the profit distribution or cash dividends declared by an investee.

(8) Profit distribution

Proposed profit distribution is recognised as a liability in the period in which it is approved by the Board of Directors.

(9) Revenue recognition

Interest income

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

(10) Impairment of long-term assets

Long-term equity investments in associate is 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.

(11) 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.

(12) Segment information

Reco Camellia 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 Reco Camellia 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 Reco Camellia'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 Reco Camellia. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

Reco Camellia has only one segment during the reporting period, therefore no segment information has been prepared.

3 Taxation

The types and rates of taxes applicable to Reco Camellia are set out as follows:

Type	**Tax rate**	**Taxable base**
Business tax	5%	Taxable interest income in mainland, China
Income tax	nil	Reco Camellia has been granted remission from Singapore Income tax under Section 92(2) of the Income tax
Withholding tax	5%	Taxable dividend received from operation in mainland, China
	10%	Taxable interest income received from operation in mainland, China

4 Notes to the Financial Information

(1) Dividend and other receivables

(a) Dividend receivables

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Sun Shine City	294,042	294,042	156,042	156,042

(b) Other receivables/Long-term receivables

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Loan receivables from Sun Shine city				
– Principal *(i)*	18,970	19,868	20,485	63,220
– Interest	7,442	6,731	5,628	30,584
Others	–	–	–	1,079
Subtotal	26,412	26,599	26,113	94,883
Less: provision for bad debts	–	–	–	–
Net	26,412	26,599	26,113	94,883

(i) As at 31 December 2008, the other receivables were the shareholders' borrowings to Sun Shine City. The principal was USD 9,250,000 with a maturity day in Year 2009, including USD6,250,000 with an interest rate 10% higher than interest rate of the bank borrowings stipulated by the People's Bank of China, and USD3,000,000 with a fixed interest rate of 6.336% per annum. In Year 2009, Sun Shine City repaid the principal and interest of USD6,250,000 and signed an extension agreement with Reco Camellia for the rest USD3,000,000. According to the extension agreement, the principal of USD3,000,000 and interest will be repaid in December 2011.

The ageing analysis of other receivables are as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Within one year	1,096	1,312	3,804	5,979
1 to 2 year	1,253	3,690	5,973	5,313
2 to 3 year	3,523	5,794	4,967	3,880
Over 3 years	20,540	15,803	11,369	79,711
Total	26,412	26,599	26,113	94,883

(2) Long-term equity investments

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Associates				
– Without quoted price	86,922	89,648	225,785	92,851
Less: Provision for impairment of long-term equity investments	–	–	–	–
Net	86,922	89,648	225,785	92,851

	Place of registration	Nature of business	Registered capital	Share holding *(%)*	Voting Rights *(%)*
Sun Shine City	Beijing The PRC	Property Development	USD 20,000,000	50	50

The financial information of Sun Shine City is set out below:

	Total assets	Total liabilities	Revenues	Net profit
31 Oct 2011	3,856,161	3,622,399	7,311	2,717
31 Dec 2010	1,839,922	1,608,877	52,803	17,585
31 Dec 2009	1,220,402	730,942	988,064	266,167
31 Dec 2008	1,774,211	1,550,918	956,530	200,863

Investment in Sun Shine City is set out below:

Initial investment cost	31 December 2007	Share of net profit of associate	Dividends declared by associate	Translation difference	31 December 2008
82,766	80,968	100,431	(80,000)	(8,548)	92,851

Initial investment cost	31 December 2008	Share of net profit of associate	Dividends declared by associate	Translation difference	31 December 2009
82,766	92,851	133,083	–	(149)	225,785

Initial investment cost	31 December 2009	Share of net profit of associate	Dividends declared by associate	Translation difference	31 December 2010
82,766	225,785	8,792	(138,000)	(6,929)	89,648

Initial investment cost	31 December 2010	Share of net profit of associate	Dividends declared by associate	Translation difference	31 October 2011
82,766	89,648	1,359	–	(4,085)	86,922

(3) Other payables

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Amounts due to immediate holding *(a)*	60,714	63,542	65,491	132,249
Others	16	44	15	13
Total	60,730	63,586	65,506	132,262

(a) The amount due to immediate holding company is unsecured, interest-free and repayable on demand.

(4) Deferred tax liabilities

The deferred withholding tax is derived from the interest income and investment income from the invested associate.

(5) Dividends payable

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Recosia China Private Limited	222,672	–	–	–

(6) Share capital

Issued and paid up share capital

	Number of shares	Amount	
	Issued share capital	Issued share capital	Issued share capital
		S$	*US$*
31 October 2011, 31 December 2010, 2009 and 2008			
Beginning and end of financial year	2	2	1

(7) Profit distribution

In accordance with the resolution at the Board of Directors' meeting dated on 31 October 2011, Reco Camellia declared a cash dividend of USD35,215,000 to Recosia China Private Limited.

No dividends were declared in year ended 2010, 2009 and 2008.

(8) Taxes and surcharges

	ten months ended 31 October 2011	ten months ended 31 October 2010	2010	*2009*	*2008*
Business tax	55	55	66	190	299

(9) Investment income

	ten months ended 31 October 2011	ten months ended 31 October 2010	2010	2009	2008
Share of profit or loss of investees under equity method	1,359	7,051	8,792	133,083	100,431

(10) Financial income – net

	ten months ended 31 October 2011	ten months ended 31 October 2010	2010	2009	2008
Interest income *(note 1.4(1))*	1,096	1,094	1,312	3,804	5,980
Exchange difference	13,608	3,182	4,768	312	–
Total	14,704	4,266	6,080	4,116	5,980

(11) Income tax expenses

The tax expenses in the ten months ended 2011 and in the year then ended 2010, 2009 and 2008 relates to withholding tax on investment income and interest income from Sun Shine City, and detail shows as below:

	ten months ended 31 October 2011	ten months ended 31 October 2010	2010	2009	2008
Withholding tax on dividend income	68	353	440	6,638	5,021
Withholding tax on interest income	110	109	131	397	598
Total	178	462	571	7,035	5,619

(12) Notes to cash flow statements

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

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Net profit	15,812	10,599	14,184	129,924	100,442
Add/(less): Financial income	(14,704)	(4,266)	(6,080)	(4,116)	(5,980)
Investment Income	(1,359)	(7,051)	(8,792)	(133,083)	(100,431)
Other taxation and expenses for investment activities	251	718	688	7,275	5,969
Net cash flow from operating activities	–	–	–	–	–

(b) Non-cash transaction

The cash transactions during the Reporting Periods are settled by the immediate holding company.

5 Related party transactions

(1) The parent company

(a) The parent company

	Place of registration	Nature of business
Recosia China Private Limited	Singapore	Investment Holding

Reco Camellia's ultimate controlling party is Government of Singapore Investment Corporation (Realty) Private Limited.

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

The registered capital of Recosia China Private Limited has been USD$1,650,000,000 from 1 January 2008 to 31 October 2011 with no changes.

(c) The proportions of equity interest and voting rights in Reco Camellia held by the parent company

	31 October 2011		31 December 2010		31 December 2009		31 December 2008	
	Equity interest	Voting rights	Equity interest	Voting rights	Equity interest	Voting rights	Equity interest	Voting rights
	%	%	%	%	%	%	%	%
Reco Camellia	100	100	100	100	100	100	100	100

(2) Nature of related parties

Name of related entities	Relationship with Reco Camellia
Sun Shine City	Associate
GIC Real Estate Private Limited	Under significant influence by the same key management personnel

Other than as disclosed elsewhere in the financial information, there were no related party transactions between Reco Camellia and related party during the Relevant Periods.

(3) Remuneration of directors

The directors of Reco Camellia from 1 January 2008 to August 2009 are Muk Kin Yau, Deanna Ong Aun Nee; from August 2009 to October 2011 are Soong Hee Sang, Lee Kok Sun;

The directors emoluments are taken up by GIC Real Estate Private Limited.

6 Financial instruments and risk

The financial risk management of Reco Camellia is handled by the ultimate holding company. The board of Directors along with the senior management of a related company provides guidance for overall investment and risk management. At the Group level, management continually monitors the investment and risk management process to ensure that an appropriate balance between risk/return and control is achieved. Investment and risk management policies and guidelines are reviewed regularly to reflect changes in market conditions and Reco Camellia's activities. The Reco Camellia's overall investment and risk management strategy seeks to minimize adverse effects from the market movements on the Reco Camellia's financial performance.

Reco Camellia's business is exposed to market risk (including currency risk), credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

The majority of Reco Camellia's business is operated in Singapore and used US Dollar (USD) as settlement currency. But Reco Camellia's recognised foreign assets and the foreign currency transactions in the future (the assets in the foreign currency and the valuate currency of the foreign currency transactions are in RMB) are still subject to foreign exchange risk.

Reco Camellia's management is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies. The management of Reco Camellia may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. During the ten months ended 31 October 2011 and the year ended 2010, 2009 and 2008, Reco Camellia did not enter into any forward exchange contracts or currency swap contracts.

As at 31 October 2011 and 31 December 2010, 2009 and 2008, the carrying amounts in RMB equivalent of Reco Camellia's assets denominated in foreign currencies are summarized below:

	31 October 2011	**31 December 2010**	**31 December 2009**	**31 December 2008**
	RMB	*RMB*	*RMB*	*RMB*
Financial assets denominated in foreign currency – Dividends receivables	294,042	294,042	156,042	156,042

As at 31 October 2011, if the currency had strengthened/weakened by 10% against the RMB while all other variables had been held constant, Reco Camellia's net profit for the year would have been approximately RMB29,404,000 (31 December 2010: RMB29,404,000, 31 December 2009: RMB15,604,000, 31 December 2008: RMB15,604,000) lower/higher.

(ii) Price risk

Reco Camellia is not exposed to price risk as it does not hold equity financial assets.

(iii) Interest rate risk

Reco Camellia is not exposed to interest rate risk, as there is no interest bearing liability in Reco Camellia.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in possible financial losses to Reco Camellia.

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet. Based on management's assessment, credit risk is limited as Reco Camellia's financial assets are mainly loans Sun Shine city and interest receivable from Sun shine City. These amounts are neither past due nor impaired.

(c) Liquidity risk

Reco Camellia manages liquidity risk by maintaining sufficient resources to enable it to meet its normal operating commitments by having an adequate amount of funding from its ultimate holding company.

All financial liabilities of Reco Camellia will mature in less than a year.

7 Fair value

(a) Financial instruments not measured in fair value

Financial assets and liabilities not measured in fair value mainly include receivables and payables.

Except for shareholders' borrowings to Sun Shine City amounted to USD3,000,000 with fixed interest rate, the carrying amount of the above financial assets and liabilities not measured in fair value are a reasonable approximation of their fair value. The book value and fair value of the shareholders' borrowings with fixed interest rate are as follows:

	31 October 2011		**31 December 2010**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial liability				
– Other receivables	18,970	18,756	19,868	18,705

	31 December 2009		**31 December 2008**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial liability				
– Other receivables	20,485	18,314	20,504	19,749

The fair value of receivables 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

Reco Camellia has no financial instruments measured in fair value at 31 October 2011, 31 December 2010, 2009 and 2008.

8 Net current assets

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Current assets	320,454	320,641	161,670	250,925
Less: Current liabilities	283,402	63,586	65,506	132,262
Net current assets	37,052	257,055	96,164	118,663

9 Total assets less current liabilities

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Total assets	407,376	410,289	407,940	343,776
Less: Current liabilities	283,402	63,586	65,506	132,262
Total assets less current liabilities	123,974	346,703	342,434	211,514

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Reco Camellia in respect of any period subsequent to 31 October 2011 up to the date of this report. No dividend or distribution has been declared by Reco Camellia in respect of any period subsequent to 31 October 2011.

Yours faithfully,

PricewaterhouseCoopers Zhong Tian CPAs Limited Company

Shanghai, PRC

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers Zhong Tian CPA Limited Company, for the purpose of incorporation in this circular.

pwc 普华永道

13 February 2012

The Directors
Beijing Capital Land Ltd.

Dear Sirs,

We report on the financial information (the "Financial Information") of Chengdu Capital Xinzi Real Estate Development Limited ("Chengdu Xinzi"), which comprises the balance sheets of Chengdu Xinzi as at 31 December 2008, 2009 and 2010 and 31 October 2011, and the income statements, the statements of changes in equity and the cash flow statements of Chengdu Xinzi for each of the years ended 31 December 2008, 2009 and 2010 and the ten months ended 31 October 2011 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This Financial Information has been prepared by the directors of Beijing Capital Land Ltd. (the "Company") and is set out in Section I below for inclusion in Appendix IV to the circular of the Company dated 13 February 2012 (the "Circular") in connection with the proposed acquisition of 45% equity interest in Chengdu Xinzi by the Company (the "Transaction").

Chengdu Xinzi was established in the People's Republic of China (the "PRC" or "China") on 23 May 2006 as a company with limited liability under the Companies Law of the PRC.

The financial statements of Chengdu Xinzi for each of the years ended 31 December 2008, 2009 and 2010 and the ten months ended 31 October 2011 were audited by Hua-Ander CPA Limited, certified public accountants in the PRC.

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The directors of Chengdu Xinzi during the Relevant Periods are responsible for the preparation and fair presentation of the financial statements of Chengdu Xinzi in accordance with the Accounting Standards for Business Enterprises of the PRC (the "PRC GAAP"), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Financial Information has been prepared based on the audited financial statements of Chengdu Xinzi after making such adjustments as are appropriate.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with PRC GAAP and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the published unaudited interim report of the Company for the six months ended 30 June 2011.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Chengdu Xinzi as at 31 December 2008, 2009 and 2010 and 31 October 2011 and of Chengdu Xinzi's results and cash flows for the Relevant Periods then ended.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Section I below included in Appendix IV to the Circular which comprises the income statements, the statement of changes in equity and the cash flow statement of Chengdu Xinzi for the ten months ended 31 October 2010 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with PRC GAAP and accounting policies adopted by the Group as set out in the published unaudited interim report of the Company for the six months ended 30 June 2011.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with China Standards on Review Engagements 2101, "Review of Financial Statements" issued by the China Institute of Public Accountants (the "CICPA"). A review of Stub Period Comparative Financial Information consists of making inquiries, primarily of person 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 China 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.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in note 2 of Section I below.

I. FINANCIAL STATEMENTS OF CHENGDU XINZI

The financial statements of Chengdu Xinzi as at 31 December of 2008, 2009 and 2010 and 31 October 2011, and for each of the years ended 31 December 2008, 2009 and 2010, and the ten months ended 31 October 2010 and 2011, are prepared by the directors of the Company and presented as follows:

(A) BALANCE SHEETS

(All amounts in thousands of units of RMB unless otherwise stated.)

Assets	*Note*	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Current assets					
Cash at bank and on hand	*I.4(1)*	15,471	143,339	330,532	151,127
Accounts receivable	*I.4(2)(a)*	15,025	15,025	40,823	258
Advances to suppliers	*I.4(3)*	294	75	9,372	9,210
Other receivables	*I.4(2)(b)*	529,566	458,667	251,810	302,162
Inventories	*I.4(4)*	32,643	39,946	190,042	756,149
Other current assents	*I.4(5)*	1,414	381	30,924	25,507
Total current assets		594,413	657,433	853,503	1,244,413
Non-current assets					
Fixed Assets	*I.4(6)*	271	525	1,546	1,925
Total non-current assets		271	525	1,546	1,925
Total assets		594,684	657,958	855,049	1,246,338
Liabilities and owner's equity					
Current liabilities					
Accounts payable	*I.4(7)*	21,039	60,614	156,631	204,014
Advances from customers	*I.4(8)*	13,373	7,358	23,227	322,258
Employee benefits payable		1,039	–	2,754	3,393
Taxes payable	*I.4(9)*	1,284	40,850	41,565	3,336
Dividends payable	*I.4(10)*	124,000	124,000	80,000	80,000
Other payables	*I.4(11)*	166,457	163,323	175,932	170,540
Current portion of non-current liabilities	*I.4(12)*	–	–	–	192,000
Total current liabilities		327,192	396,145	480,109	975,541
Total liabilities		327,192	396,145	480,109	975,541
Owners' equity					
Paid-in Capital	*I.1*	239,566	239,566	239,566	239,566
Surplus reserve	*I.4(13)*	21,537	21,537	21,537	11,123
Retained profit		6,389	710	113,837	20,108
Total owners' equity		267,492	261,813	374,940	270,797
Total liabilities and owners' equity		594,684	657,958	855,049	1,246,338

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

(B) INCOME STATEMENTS

(All amounts in thousands of units of RMB unless otherwise stated.)

Item	*Note*	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Revenue	*I.4(15)*	10,056	201,663	213,471	980,671	687,057
Less: Cost of sales	*I.4(15)*	(7,341)	(192,720)	(204,004)	(787,731)	(463,022)
Taxes and surcharges	*I.4(16)*	(2,642)	(64,931)	(68,733)	(49,818)	(34,353)
Selling and distribution expenses		(111)	(3,660)	(3,874)	(13,281)	(20,651)
General and administrative expenses		(3,474)	(4,744)	(5,022)	(5,124)	(4,695)
Financial income/ (expenses) – net	*I.4(17)*	15,732	19,102	20,220	(119)	(118)
Operating profit/(loss)		12,220	(45,290)	(47,942)	124,598	164,218
Add: Non-operating income	*I.4(18)*	–	261	278	14,486	8
Less: Non-operating expenses		(730)	(387)	(396)	(226)	(105)
Total profit/(loss)		11,490	(45,416)	(48,060)	138,858	164,121
Less: Income tax expenses	*I.4(20)*	(5,811)	(21,049)	(21,067)	(34,715)	(41,030)
Net profit/(loss)		5,679	(66,465)	(69,127)	104,143	123,091
Other comprehensive income		–	–	–	–	–
Total comprehensive income/(loss)		5,679	(66,465)	(69,127)	104,143	123,091

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

(C) CASH FLOW STATEMENTS

(All amounts in thousands of units of RMB unless otherwise stated.)

Item	*Note*	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Cash flow from operating activities						
Cash received from sales of goods or rendering of services		16,072	221,025	224,465	640,010	371,541
Refund of taxes and surcharges		–	200	216	14,155	–
Cash received from other operating activities	*I.4(21)(d)*	104,701	51,263	220,709	50,958	644,508
Sub-total of cash inflows from operating activities		120,773	272,488	445,390	705,123	1,016,049
Cash paid for goods and services		(40,868)	(73,123)	(135,232)	(254,164)	(332,388)
Cash paid to and on behalf of employees		(655)	(8,531)	(10,483)	(11,252)	(10,419)
Payments of taxes and surcharges		(48,018)	(74,634)	(59,973)	(51,721)	(32,121)
Cash paid relating to other operating activities	*I.4(21)(e)*	(159,100)	(46,372)	(253,227)	(68,379)	(648,048)
Sub-total of cash outflows from operating activities		(248,641)	(202,660)	(458,915)	(385,516)	(1,022,976)
Net cash flows from operating activities	*I.4(21)(a)*	(127,868)	69,828	(13,525)	319,607	(6,927)
Cash flow from investing activities						
Cash received relating to other investing activities		–	297,452	297,452	55,000	273,000
Sub-total of cash inflows from investing activities		–	297,452	297,452	55,000	273,000
Cash paid to acquire fixed assets		–	(23)	(24)	(22)	(1,284)
Cash paid relating to other investing activities	*I.5(3)(a)*	–	(470,030)	(470,030)	–	(373,000)
Sub-total of cash outflows from investing activities		–	(470,053)	(470,054)	(22)	(374,284)
Net cash flows from investing activities		–	(172,601)	(172,602)	54,978	(101,284)

Item	Note	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Cash flow from financing activities						
Cash payments for interest expenses and distribution of dividends or profits		–	–	–	(4,246)	(13,184)
Cash repayments of borrowings	*I.4(12)*	–	–	–	(192,000)	(8,000)
Net cash flows from financing activities		–	–	–	(196,246)	(21,184)
Effect of foreign exchange rate changes on cash and cash equivalents		–	–	–	–	–
Net increase/(decrease) in cash	*I.4(21)(b)*	(127,868)	(102,773)	(186,127)	178,339	(129,395)
Add: cash at beginning of period/year	*I.4(21)(b)*	143,339	329,466	329,466	151,127	280,522
Cash at period/year end	*I.4(21)(b)*	15,471	226,693	143,339	329,466	151,127

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

(D) STATEMENTS OF CHANGES IN EQUITY

(All amounts in thousands of units of RMB unless otherwise stated.)

Item	*Note*	Paid-in Capital	Surplus reserve	(Accumulated loss)/ Retained profits	Total owners' equity
Balance at 1 January 2008		239,566	–	(11,860)	227,706
Movement for year 2008		–	11,123	31,968	43,091
Net profit		–	–	123,091	123,091
Profit distribution:					
Appropriation to surplus reserves	*I.4(13)*	–	11,123	(11,123)	–
Profit distribution to equity owners	*I.4(14)*	–	–	(80,000)	(80,000)
Balance at 31 December 2008		239,566	11,123	20,108	270,797
Balance at 1 January 2009		239,566	11,123	20,108	270,797
Movement for year 2009		–	10,414	93,729	104,143
Net profit		–	–	104,143	104,143
Profit distribution:					
Appropriation to surplus reserves	*I.4(13)*	–	10,414	(10,414)	–
Balance at 31 December 2009		239,566	21,537	113,837	374,940
Balance at 1 January 2010		239,566	21,537	113,837	374,940
Movement for year 2010		–	–	(113,127)	(113,127)
Net loss		–	–	(69,127)	(69,127)
Profit distribution:					
Profit distribution to equity owners	*I.4(14)*	–	–	(44,000)	(44,000)
Balance at 31 December 2010		239,566	21,537	710	261,813
Balance at 1 January 2011		239,566	21,537	710	261,813
Movement for the ten months ended 31 October 2011		–	–	5,679	5,679
Net profit		–	–	5,679	5,679
Balance at 31 October 2011		239,566	21,537	6,389	267,492
Balance at 1 January 2010		239,566	21,537	113,837	374,940
Movement for the ten months ended 31 October 2010		–	–	(66,465)	(65,219)
Net loss (Unaudited)		–	–	(66,465)	(65,219)
Balance at 31 October 2010 (Unaudited)		239,566	21,537	47,372	309,721

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

(All amounts hereafter in thousands of units of RMB unless otherwise stated)

1 General information

Chengdu Xinzi is a sino-foreign cooperative joint venture company incorporated on 23 May 2006 in Chengdu, the PRC by Beijing Capital Land Ltd. ("Beijing Capital Land") and Reco Ziyang investment Ltd. ("Reco Ziyang"). The approved operating period of Chengdu Xinzi is 20 years, and registered capital is USD20,000,000. The proportion of investment of Beijing Capital Land and Reco Ziyang are 55% and 45%, respectively. On 30 September 2006, Beijing Capital Land and Reco Ziyang increased their capital according to their proportion of interest in Chengdu Xinzi from USD20,000,000 to USD30,000,000. In May 2011, Beijing Capital Land disposed of 55% interest of Chengdu Xinzi to Chongqing Tianfeng Hongzhan Holding Company Ltd. ("Chongqing Tianfeng").

Chengdu Xinzi's approved operation is to develop land and properties in the area of Chengdu Guoguang project. Chengdu Xinzi mainly engaged in land and property development during the Relevant Periods.

Beijing Capital Land, the parent company of Chongqing Tianfeng, is the ultimate holding company of Chengdu Xinzi.

2 Significant accounting policies and accounting estimates

(1) Basis of preparation

The financial statements of Chengdu Xinzi have been prepared in accordance with the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (herein collectively referred to as "the Accounting Standards for Business Enterprises" or "CAS"), Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as well as Hong Kong Companies Ordinance.

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

The financial statements of Chengdu Xinzi for year 2008, 2009, 2010 and the ten months ended 31 October 2011 truly and completely present the financial position as of 31 December 2008, 2009, 2010 and 31 October 2011 and the operating results, cash flows and other information for the year ended 31 December 2008, 2009 and 2010 and the ten months ended 31 October 2011 of Chengdu Xinzi 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) Cash

Cash comprise cash on hand and call deposits with banks.

(6) Financial instruments

(a) Financial assets

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 Chengdu Xinzi's intention and ability to hold the financial assets. The financial assets of Chengdu Xinzi are receivables.

Receivables

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

Receivables comprise trade and other receivables. Receivables are initially recognised at the fair value of the contractual collectable amount. Receivables are presented at amortised cost net of provision using the effective interest method.

Receivables that are individually significant are subject to separate impairment assessment. If there is objective evidence that Chengdu Xinzi 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.

(b) Financial liabilities

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

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 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 consideration paid is recognised in profit or loss.

(7) Inventories

(a) Classification

Inventories include properties under development and properties held for sale, 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 comprise land use rights, construction cost, capitalised interest, and other direct and indirect development expenses incurred during the development period. The actual costs will be used when the properties under development are transferred to completed properties held for sale. For the land use rights acquired by Chengdu Xinzi that are developed as building for subsequent sales, the cost paid for land use rights are classified and accounted for as part of the costs of properties under development.

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

(c) Measurement of net realisable value and provisions for impairment of inventory

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.

(8) Fixed Assets

(a) Recognition and initial measurement

Fixed assets comprise motor vehicles and office equipment.

Fixed assets are recognised when it is probable that the associated economic benefits will flow to Chengdu Xinzi and the related cost can be reliably measured. Fixed assets purchased or constructed by Chengdu Xinzi 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 assets when it is probable that the associated economic benefits will flow to Chengdu Xinzi 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
Motor vehicles	4 years	5%	24%
Office equipment	3 years	3%	32%

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 (I.note2(10)).

(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.

(9) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs 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 and 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 a fixed 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 real estate projects and qualified for capitalisation, the capitalisation amount is measured as current actual interest 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 real estate projects qualified accumulated, the capitalisation amount should be the weighted average exceeds of accumulated capital expenditures for capitalisation over the amount of specialised borrowings multiplied by the weighted average effective interest rate. The effective interest rate is the rate used to discount the future cash flows in the expected period of continued existence or applicable shorter period of the borrowings to the initial measurement of the borrowings.

(10) Impairment of long-term assets

Fixed Assets and other long-term assets 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.

(11) 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.

According to related laws and regulations, employees of Chengdu Xinzi should participate in the defined contribution plan which requires fixed payment organised by the local government. Chengdu Xinzi determine the monthly pension in accordance with a certain percentage of employees' wage which should not exceeds the upper limit, and pay to local labour and social security agencies. Chengdu Xinzi does not have other responsibilities to retirement welfare besides this monthly payment for its employees.

The expenditures of Chengdu Xinzi to the pension programme are recognised as costs of assets or expenses in the period in which they are accrued.

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 which the employee service is attributable.

(12) Profit distribution

Proposed profit distribution is recognised as a liability in the period in which it is approved by the Board of Directors.

(13) 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 service in the ordinary course of Chengdu Xinzi's activities. Revenue is shown net of rebates, discounts and returns.

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

(a) Sales of goods

Revenue of sales 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 manners and forms; all the significant risks and rewards of ownership of the properties held for sale have been transferred to the buyer; and Chengdu Xinzi 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) Interest income

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

(14) 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 Chengdu Xinzi 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.

(15) 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.

Chengdu Xinzi 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.

(16) 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.

(17) Segment information

Chengdu Xinzi 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 Chengdu Xinzi 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 Chengdu Xinzi'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 Chengdu Xinzi. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

Chengdu Xinzi has only one segment during the reporting period, therefore no segment information has been prepared.

(18) Critical accounting estimates and judgments

Chengdu Xinzi 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 Chengdu Xinzi's property development cost. The budget cost and development progress of the project is reviewed by Chengdu Xinzi 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

Chengdu Xinzi 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.

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

According to the accounting policy stated in I.note2(13), 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 I.note7, Chengdu Xinzi provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of Chengdu Xinzi's properties. These guarantees will be expired when relevant property ownership certificates are lodged with the various banks by the purchasers. Chengdu Xinzi believe that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers when the equitable interest in the property vests with the buyer upon release of the respective property to the buyer.

3 Taxation

The types and rates of taxes applicable to Chengdu Xinzi are set out as follows:

Type	**Tax rate**	**Taxable base**
Enterprise income tax	25%	Taxable income
Business tax	5%	Taxable turnover amount
Land appreciation tax	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	7%	Business tax payable
Education surcharge	3%	Business tax payable
Land use tax	RMB10 yuan per square meters	Land area

4 Notes to the Financial Information

(1) Cash at bank and on hand

	31 October 2011	**31 December 2010**	**31 December 2009**	**31 December 2008**
Cash on hand	109	178	74	319
Cash at bank	15,362	143,161	330,458	150,808
Total	15,471	143,339	330,532	151,127

As at 31 October 2011, Chengdu Xinzi had no security deposits for entered into mortgage loans by the customers (31 December 2010: nil, 31 December 2009: RMB1,066,000, 31 December 2008: nil).

(2) Trade and other receivables

(a) Trade receivables

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Trade receivables	15,025	15,025	40,823	258
Less: provision for bad debts	–	–	–	–
Net	15,025	15,025	40,823	258

The ageing analysis of trade receivables are as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Within 1 year	–	15,025	40,823	258
1 to 2 years	15,025	–	–	–
Total	15,025	15,025	40,823	258

The receivables of Chengdu Xinzi are due from property sales. As at 31 October 2011, the balance includes an amount RMB15,000,000 due from a related party, Chengdu Ziruixinli Trading Co., Ltd. ("Zirui Xinli") (31 December 2010: RMB15,000,000, 31 December 2009: RMB40,794,000, 31 December 2008: nil).

(b) Other receivables

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Amount due from related parties *(I.note5(4)(a))*	527,038	455,972	243,141	298,095
Others	2,528	2,692	8,669	4,067
Subtotal	529,566	458,667	251,810	302,162
Less: provision for bad debts	–	–	–	–
Net	529,566	458,667	251,810	302,162

The ageing analysis of other receivables are as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Within one year	73,601	229,308	8,751	302,162
1 to 2 year	226,614	9	243,059	–
2 to 3 year	9	229,350	–	–
Over 3 years	229,342	–	–	–
Total	529,566	458,667	251,810	302,162

(3) Advances to suppliers

The advances to suppliers are classified as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Prepaid land, construction and project cost	–	–	8,173	5,627
Prepaid commission fees to related party *(I.note5(4)(e))*	294	75	1,199	3,583
Total	294	75	9,372	9,210

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

	31 October 2011		31 December 2010	
	Amount	% of total balance	Amount	% of total balance
Age				
Within 1 year	294	100	75	100

	31 December 2009		31 December 2008	
	Amount	% of total balance	Amount	% of total balance
Age				
Within 1 year	9,372	100	9,210	100

(4) Inventories

Inventories are classified as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Cost –				
Properties under development	–	–	64,274	622,990
Properties held for sale	32,643	39,946	125,768	133,159
Subtotal	32,643	39,946	190,042	756,149
Less: provisions of inventory	–	–	–	–
Net	32,643	39,946	190,042	756,149

For the ten months ended 31 October 2011, the properties held for sale with the carrying amount of RMB7,341,000 (for the ten months ended 31 October 2010: RMB192,720,000, 2010: RMB204,004,000, 2009: RMB787,731,000, 2008: RMB463,022,000) has been recognised as cost of sales (I.note4(15)).

As at 31 October 2011, no financed costs is capitalised as the development cost (31 December 2010: nil, 31 December 2009: RMB2,322,000, 31 December 2008: RMB22,933,000). For ten months ended 31 October 2011, the capitalisation rate is 6.4% (For ten months ended 31 October 2010: nil, 2010: 5.6%, 2009: 5.0% and 2008: 6.2%).

As at 31 December 2011, certain land use right under development with carrying amount of nil (31 December 2010 and 2009: nil, 31 December 2008: RMB192,000,000) were pledged as security for short-term borrowings of nil (31 December 2010 and 2009: nil, 31 December 2008: RMB192,000,000) (I.note4(12)).

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

The location and ageing analysis of land use rights are as follows:

	31 October 2011	**31 December 2010**	**31 December 2009**	**31 December 2008**
In Mainland China –				
10 to 50 years	–	–	11,178	64,167
Over 50 years	10,983	14,312	61,965	215,084
Total	10,983	14,312	73,143	279,251

(5) Other current assets

	31 October 2011	**31 December 2010**	**31 December 2009**	**31 December 2008**
Prepaid tax	1,414	381	30,924	25,507

(6) Fixed Assets

	Motor Vehicles	Office Equipment	Total
Cost			
1 January 2008	913	415	1,328
Additions	1,058	226	1,284
31 December 2008	1,971	641	2,612
Additions	–	22	22
31 December 2009	1,971	663	2,634
Additions	–	24	24
31 December 2010	1,971	687	2,658
Additions	–	–	–
31 October 2011	1,971	687	2,658
Accumulated Depreciation			
1 January 2008	169	152	321
Depreciation	175	191	366
31 December 2008	344	343	687
Depreciation	234	167	401
31 December 2009	578	510	1,088
Depreciation	950	95	1,045
31 December 2010	1,528	605	2,133

	Motor Vehicles	Office Equipment	Total
Depreciation	209	45	254
31 October 2011	1,737	650	2,387
Net book value			
1 January 2008	744	263	1,007
31 December 2008	1,627	298	1,925
31 December 2009	1,393	153	1,546
31 December 2010	443	82	525
31 October 2011	234	37	271

For the ten months ended 31 October 2011, the amount of depreciation expense charged to administrative expenses were RMB254,000 (For the ten months ended 31 October 2010: RMB988,000; 2010: RMB1,045,000; 2009: RMB401,000; 2008: RMB366,000).

(7) Accounts payables

The ageing analysis of accounts payable is as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Within 1 year	–	–	150,261	204,014
Over 1 year	21,039	60,614	6,370	–
Total	21,039	60,614	156,631	204,014

(8) Advances from customers

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Advances from sale of properties	13,373	7,358	23,227	322,258

Advances from customers are amounts received for properties sold, but the risks and reward of the properties have not been transferred to the customers and revenue have not yet recognised.

(9) Taxes payable

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Enterprise income tax payable	1,173	–	38,049	2,375
Land appreciation tax payable	–	35,839	453	120
Business tax payable	99	4,443	2,861	743
Others	12	568	202	98
Total	1,284	40,850	41,565	3,336

(10) Dividends payable

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Beijing Capital Land	68,200	68,200	44,000	44,000
Reco Ziyang	55,800	55,800	36,000	36,000
Total	124,000	124,000	80,000	80,000

(11) Other payables

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Amounts due to related parties *(I.note5(4)(c))*	165,476	160,391	156,293	149,490
Maintenance fund and the deed tax received on behalf of customers	637	1,885	18,385	11,491
Bidding deposit	128	404	314	7,519
Others	216	1,047	940	2,040
Total	166,457	163,323	175,932	170,540

(12) Non-current liabilities due within one year

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Long-term borrowings due within one year	–	–	–	192,000

As at 31 December 2008, bank borrowings of RMB192,000,000 were secured by land use rights under development costs (I.note4(4)). The interest rate is 10% lower than interest rate of the bank borrowings stipulated by the People's Bank of China. The interest are payable every 3 months and the principal is due for repayment before April 2009. The principal have been repaid in April 2009.

(13) Surplus reserve

	Statutory surplus reserve
31 December 2007	–
Increase in current year	11,123
31 December 2008	11,123
Increase in current year	10,414
31 December 2009	21,537
Increase in current year	–
31 December 2010	21,537
31 October 2011	21,537

In accordance with the Company Law and Chengdu Xinzi's Articles of Association, Chengdu Xinzi should appropriate 10% of net profit for the year to the statutory surplus reserve, and Chengdu Xinzi 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. No surplus reserve was appropriated for the year ended 31 December 2010 (For the year ended 31 December 2009: 10,414,000, 2008: 11,123,000).

Chengdu Xinzi appropriates for the discretionary surplus reserve after the approvals from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities. Chengdu Xinzi did not appropriate discretionary surplus reserve for the year ended 2010 (For the year ended 31 December 2009 and 2008: nil).

(14) Retained profits

In accordance with the resolution at the Board of Directors' meeting dated 31 December 2011, Chengdu Xinzi declared a cash dividend of RMB44,000,000 to the shareholders, with an amount of RMB24,200,000 declared to Beijing Capital Land and RMB19,800,000 to Reco Ziyang.

No dividends was declared in 2009.

In accordance with the resolution at the Board of Directors' meeting dated on 31 December 2008, Chengdu Xinzi declared a cash dividend of RMB80,000,000 to the shareholders, with an amount of RMB44,000,000 declared to Beijing Capital Land and RMB36,000,000 to Reco Ziyang.

(15) Revenue and cost of sales

	ten months ended 31 October 2011	**ten months ended 31 October 2010** (Unaudited)	**2010**	**2009**	**2008**
Revenue –					
Sale of properties	10,056	201,663	213,471	980,671	687,057

	ten months ended 31 October 2011	**ten months ended 31 October 2010** (Unaudited)	**2010**	**2009**	**2008**
Cost of sales –					
Sale of properties	7,341	192,720	204,004	787,731	463,022

(16) Taxes and surcharges

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Business tax	2,085	13,630	17,283	49,034	34,353
Land Appreciation Tax *(a)*	–	51,146	51,146	–	–
Others	557	155	304	784	–
Total	2,642	64,931	68,733	49,818	34,353

(a) According to LAT clearance report (No. 620003 to 620005) issued by Sichuan Wanfang CTA firm, the LAT payable in Year 2010 for "Aizhecheng" project developed by Chengdu Xinzi was RMB51,146,000, which is the difference between LAT payable of the overall project and the estimated amounts booked in previous years. Chengdu Xinzi booked RMB51,146,000 in the profit and loss accounts of Year 2010 accordingly.

(17) Financial expenses/(incomes)

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Interest expenses	4,466	2,804	3,745	11,048	22,700
of which, borrowings wholly repayable within five years	–	2,804	3,745	11,048	22,700
Less: finance costs capitalised	–	(2,804)	(3,745)	(11,048)	(22,700)
Interest expenses – net	4,466	–	–	–	–
Interest income *(I.note5(3)(c))*	(20,575)	(21,031)	(23,098)	(1,943)	(2,686)
Less: finance income capitalised	–	1,879	2,821	1,943	2,686
Interest income – net	(20,575)	(19,152)	(20,277)	–	–
Others	377	50	57	119	118
Net	(15,732)	(19,102)	(20,220)	119	118

(18) Non-operating income

	ten months ended 31 October 2011	ten months ended 31 October 2010	2010	2009	2008
		(Unaudited)			
Government grants *(a)*	–	200	216	14,155	–
Others	–	61	62	331	8
Total	–	261	278	14,486	8

(a) According to "Opinions of the policies and measures for improving the economic development (proposed)" issued by the District Commission of the Communist Party of China and the people's government of Chenghua District, Chengdu City, Chengdu Xinzi has received government subsidy of RMB200,000 for the ten months ended 31 October 2010 (2010: RMB216,000; 2009: RMB14,155,000).

(19) Depreciation and other expenses

	ten months ended 31 October 2011	ten months ended 31 October 2010	2010	2009	2008
		(Unaudited)			
Depreciation of fixed assets	254	988	1,045	401	366
Auditor's remuneration	50	43	51	46	50

(20) Income tax expenses

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Current income tax – PRC	5,811	21,049	21,067	34,715	41,030

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

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Total profit/(loss)	11,490	(45,416)	(48,060)	138,858	164,121
Income tax expenses calculated at applicable tax rates (25%)	2,873	(11,354)	(12,015)	34,715	41,030
Provision in respect of prior years' under-accrual taxes *(a)*	2,756	16,066	16,066	–	–
Costs, expenses and losses not deductible for tax purposes	182	16,337	17,016	–	–
Income tax expenses	5,811	21,049	21,067	34,715	41,030

(a) Chengdu Xinzi started its income tax final clearance of "Aizhecheng" project in Year 2010. The difference between the estimated clearance amount and the accumulated amount booked in previous years, RMB16,066,000, was recognised as income tax expense in Year 2010. In June and July 2011, Chengdu Xinzi obtained Income tax clearance report (No. 620003 to 620005) issued by Sichuan Wanfang CTA firm and Income Tax Examination Report issued by tax bureau of Chengdu Chenghua District, and accordingly made an adjustment of income tax expense amounting to RMB2,756,000 in the ten months ended 31 October 2011.

(21) Notes to cash flow statements

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

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Net profit/(loss)	5,679	(66,465)	(69,127)	104,143	123,091
Add/(less):					
Depreciation of fixed assets *(I.note 4(6))*	254	988	1,045	401	366
Financial income	(15,618)	(19,152)	(20,277)	–	–
Decrease of deferred assets	–	–	–	–	3,912
Decrease/(increase) in inventory	7,303	141,994	153,841	577,155	(26,199)
Increase in restricted cash *(I.note4(21)(c))*	–	1,066	1,066	(1,066)	–
(Increase)/Decrease in operating receivables	(52,067)	137,419	54,456	(50,793)	40,732
Increase/(Decrease) in operating payables	(73,419)	(126,022)	(134,529)	(310,233)	(148,829)
Net cash flow from operating activities	(127,868)	69,828	(13,525)	319,607	(6,927)

(b) Net increase/(decrease) in cash

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Cash at end of period/year	15,471	226,693	143,339	329,466	151,127
Less: cash at beginning of period/year	(143,339)	(329,466)	(329,466)	(151,127)	(280,522)
Net increase/(decrease) in cash	(127,868)	(102,773)	(186,127)	178,339	(129,395)

(c) Cash

	31 October 2011	**31 October 2010**	**31 December 2010**	**31 December 2009**	**31 December 2008**
Cash at bank and on hand *(I.note4(1))*	15,471	226,693	143,339	330,532	151,127
Less: restricted bank deposits *(I.note4(1))*	–	–	–	(1,066)	–
Cash at end of period/year	15,471	226,693	143,339	329,466	151,127

(d) Other cash receipts related to operating activities

	ten months ended 31 October 2011	**ten months ended 31 October 2010** (Unaudited)	**2010**	**2009**	**2008**
Proceeds from related parties *(I.note5(3)(g))*	101,659	33,031	188,367	5,005	613,294
Maintenance fund and the deed tax received on behalf of customers	1,675	9,054	21,443	29,974	13,084
Bidding deposit	–	120	120	7,487	10,628
Customer deposits	–	3,520	5,010	3,560	5,700
Others	1,367	5,538	5,769	4,932	1,802
Total	104,701	51,263	220,709	50,958	644,508

(e) Other cash payments related to operating activities

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Payments to related parties *(I.note5(3)(h))*	152,021	9,744	206,153	5,051	618,133
Maintenance fund and the deed tax paid	697	32,839	37,944	32,003	–
Refund of bidding deposits	–	20	30	14,762	6,694
Office expenses	1,782	1,158	2,885	2,798	304
Sales commission *(I.note5(3)(f))*	83	1,975	1,975	3,557	4,020
Marketing expenses	–	75	92	4,310	12,780
Others	4,517	561	4,148	5,898	6,117
Total	159,100	46,372	253,227	68,379	648,048

5 Related parties and related party transactions

(1) The parent company

(a) General information of the parent company

During the Relevant Periods, Chengdu Xinzi's parent companies were Beijing Capital Land and then Chongqing Tianfeng, whose registered place and business nature are listed below:

Company name	Place of registration	Nature of business
Chongqing Tianfeng	Chongqing, PRC	Real estate investment and management
Beijing Capital Land	Beijing, PRC	Real estate investment and management

Beijing Capital Land, the parent company of Chongqing Tianfeng, is the ultimate holding company of Chengdu Xinzi during the Relevant Periods.

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

The registered capital of Beijing Capital Land has been RMB2,027,960,000 from 1 January 2008 to 31 October 2011 with no changes.

The registered capital of Chongqing Tianfeng has been RMB10,000,000 from 3 March 2011 (day of establishment) to 31 October 2011.

(c) The proportions of equity interest and voting rights in Chengdu Xinzi held by the parent company

	31 October 2011		31 December 2010		31 December 2009		31 December 2008	
	Equity interest	Voting rights	Equity interest	Voting rights	Equity interest	Voting rights	Equity interest	Voting rights
	%	%	%	%	%	%	%	%
Chongqing Tianfeng	55	55	–	–	–	–	–	–
Beijing Capital Land	–	–	55	55	55	55	55	55

(2) Nature of related parties that do not control or are not controlled by Chengdu Xinzi

Name of related entities	Relationship with Chengdu Xinzi
Reco Ziyang	Foreign share holder
Tianjin Capital Xingang Real Estate Development Co., Ltd ("Tianjin Xingang")	Subsidiary of Beijing Capital Land
Chengdu Capital Yidu Real Estate Development Co., Ltd ("Chengdu Yidu")	Subsidiary of Beijing Capital Land
Capital (Chengdu) Real Estate Management Co., Ltd ("Chengdu Real Estate")	Subsidiary of Beijing Capital Land
Chongqing Xinshi Real Estate Development Co., Ltd ("Chongqing Xinshi")	Subsidiary of Beijing Capital Land
Beijing Sun Shine City Real Estate Development Company Limited ("Sun Shine City")	Subsidiary of Beijing Capital Land
Shenyang Jitian Real Estate Development Co., Ltd ("Shenyang Jitian")	Associate of Beijing Capital Land
Yangguang Co., Ltd ("Yangguang Xinye")	Under Significant influence by the same key management
Zirui Xinli	Subsidiary of Yangguang Xinye
Beijing GoldenNet Property Investment Consultant Co., Ltd. ("GoldenNet")	Associate of Beijing Capital Land

(3) Related party transactions

The Board of Chengdu Xinzi considers all transactions with related parties are on normal commercial terms, price of related party transactions is agreed by Chengdu Xinzi and its related parties.

(a) Provide loans for related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Shenyang Jitian	–	280,000	280,000	–	–
Chengdu Yidu	–	190,030	190,030	–	273,000
Tianjin Xingang	–	–	–	–	100,000
Total	–	470,030	470,030	–	373,000

(b) Recover loans from related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Shenyang Jitian	–	280,000	280,000	–	–
Chengdu Yidu	–	13,030	13,030	55,000	273,000
Total	–	293,030	293,030	55,000	273,000

(c) Interest expense/(income) from related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Beijing Capital Land	4,466	2,804	3,745	3,749	5,550
Reco Ziyang	–	–	–	3,053	4,268
Shenyang Jitian *(i)*	–	(4,422)	(4,422)	–	–
Chengdu Yidu	(15,178)	(10,280)	(12,337)	–	–
Tianjin Xingang	(4,906)	(6,329)	(5,354)	–	–
Net	(15,618)	(18,227)	(18,368)	6,802	9,818

(i) The interest of the loan provided to Shenyang Jitian is unsecured and unguaranteed, with an interest rate of 5.31% and no fixed maturity date.

(d) Sale of goods

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Zirui Xinli	–	92,000	92,000	207,800	–

(e) Receive consulting services from related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Beijing Capital Land	–	–	–	4,950	7,343

(f) Sales commission paid to related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Golden Net	83	1,975	1,975	3,557	4,020

(g) Other proceeds from related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Beijing Capital Land	66,659	3,331	157,787	4,968	383,256
Chengdu Real Estate	35,000	–	–	–	230,000
Golden Net	–	–	880	37	39
Zirui Xinli	–	29,700	29,700	–	–
Total	101,659	33,031	188,367	5,005	613,294

(h) Other payments to related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Beijing Capital Land	66,000	–	157,557	4,968	387,371
Chengdu Real Estate	35,000	–	–	–	230,000
Chongqing Xinshi	–	–	–	9	8
Golden Net	40	–	4	74	754
Zirui Xinli	981	9,744	48,592	–	–
Sun Shine City	50,000	–	–	–	–
Total	152,021	9,744	206,153	5,051	618,133

(i) Remuneration of key management

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Remuneration of key management	–	3,774	5,661	5,851	5,210

(j) Remuneration of directors

The directors of Chengdu Xinzi from 1 January 2008 to March 2009 are Tangjun（唐軍）、Hu Weimin（胡衛民）、Li Guoshen（李國紳）、He Guang（何光）、Sun Jianjun（孫建軍）; from March 2009 to November 2009 are Tangjun（唐軍）、Hu Weimin（胡衛民）、Zhang Fuxiang（張馥香）、Li Guoshen（李國紳）、Sun Jianjun（孫建軍）; from 4 November 2009 to June 2011 are Tangjun（唐軍）、Hu Weimin（胡衛民）、Zhang Fuxiang（張馥香）、Sun Jianjun（孫建軍）、Li Yu（李鈺）; from June 2011 to 31 October 2011 are Jiang Hebin（蔣和斌）、Hu Weimin（胡衛民）、Zhang Fuxiang（張馥香）、Sun Jianjun（孫建軍）、Li Yu（李鈺）、Sun Ning（孫寧）.

The directors work at shareholder's companies, and their remuneration are not undertaken by Chengdu Xinzi.

(4) Related party balances

(a) Other receivables (I.note4(2))

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Zirui Xinli *(ii)*	19,873	18,892	–	–
Chengdu Yidu – principal *(i)*	319,372	319,372	142,372	197,372
Chengdu Yidu – interest	27,516	12,337	–	–
Tianjin Xingang – principal *(i)*	100,000	100,000	100,000	100,000
Tianjin Xingang – interest	10,260	5,354	–	–
Chongqing Xinshi *(ii)*	17	17	17	8
Golden Net *(ii)*	–	–	752	715
Sun Shine City *(ii)*	50,000	–	–	–
Total	527,038	455,972	243,141	298,095

(i) The interest of the loan provided to Chengdu Yidu and Tianjin Xingang in Year 2008 and 2009 bears no interest; the interest rate of the loan in Year 2010 and ten months ended 2011 is 5.81%. The loan is unsecured and unguaranteed, and has no fixed maturity date.

(ii) The amount provided to these related parties is interest free, unsecured and unguaranteed, and has no fixed maturity date.

(b) Accounts receivable (I.note4(2))

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Zirui Xinli	15,000	15,000	40,794	–

(c) Other payables (I.note4(11))

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Golden Net *(ii)*	84	124	–	–
Beijing Capital Land – principal *(i)*	90,280	69,631	69,631	69,631
Beijing Capital Land – interest	4,466	20,419	16,675	12,926
Beijing Capital Land – Others *(ii)*	659	230	–	–
Reco Ziyang – principal *(iii)*	56,714	56,714	56,714	56,714
Reco Ziyang – interest	13,273	13,273	13,273	10,219
Total	165,476	160,391	156,293	149,490

(i) The interest rate of the amount due to Beijing Capital Land is 10% higher than the bank loan interest rate stipulated by the People's Bank of China in ten months ended 31 October 2011, and in year 2010, 2009 and 2008, the interest rate is the same with the bank loan interest rate stipulated by the People's Bank of China. The loan is unsecured and unguaranteed, and has no fixed maturity date.

(ii) The amount payable to these related parties is interest free, unsecured and unguaranteed, and has no fixed maturity date.

(iii) The interest rate of the loan provided by Reco Ziyang from June 2006 to year ended 2009 was the same with the bank loan interest stipulated by the People's Bank of China. The interest of the loan bears no interest from year 2010. The loan is unsecured and unguaranteed, and has no fixed maturity date.

(d) Advances from customers

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Zirui Xinli	–	–	–	20,000

(e) Advances to suppliers (I.note4(3))

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Golden Net	294	75	1,199	3,583

(f) Dividends payable

Dividends payable of Chengdu Xinzi is stated in I.note4(10).

6 Commitments

(a) Capital commitments

Capital expenditures contracted for properties under development at the balance sheet date are as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Contracted but not incurred	–	–	32,109	124,672
Authorised but not contracted	–	–	10,374	153,619
Total	–	–	42,483	278,291

(b) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Within one year	–	395	948	948
Between 1 and 2 years	–	–	395	948
Between 2 and 3 years	–	–	–	395
Total	–	395	1,343	2,291

7 Financial guarantees

Chengdu Xinzi has arranged bank financing for certain customers and had provided guarantees to secure obligations of these customers for repayments.

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will be expired when relevant property ownership certificates are lodged with the various banks by the purchasers.

As at 31 December 2011, outstanding guarantees amounted to RMB331,356,000 (31 December 2010: RMB372,721,000, 31 December 2009: RMB358,497,000, 31 December 2008: RMB313,318,000).

8 Financial instruments and risk

Chengdu Xinzi's activities expose it to a variety of financial risks, market risk (primarily interest rate risk), credit risk and liquidity risk. Chengdu Xinzi's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of Chengdu Xinzi.

(1) Market risk

Interest rate risk

Chengdu Xinzi's interest rate risk arises from long-term interest bearing borrowings. Financial liabilities issued at floating rates expose Chengdu Xinzi to cash flow interest rate risk. Financial liabilities issued at fixed rates expose Chengdu Xinzi to fair value interest rate risk. Chengdu Xinzi determines the contracts proportions of fixed rate and floating rate depending on the market conditions. As at 31 October 2011, Chengdu Xinzi's long-term interest bearing borrowings were mainly RMB-denominated with floating rates, amounting to nil (31 December 2010 and 31 December 2009: nil, 31 December 2008: RMB192,000,000).

The management of Chengdu Xinzi continuously monitors the interest rates. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to Chengdu Xinzi's outstanding floating rate borrowings, and therefore could have a material adverse effect on Chengdu Xinzi's financial results. The management makes decisions with reference to the latest market conditions.

As at 31 October 2011, if interest rates on the floating rate borrowings increased/decreased 50 basis points with all other variables held constant, the interest expenses of bank of Chengdu Xinzi would not increased or decreased (31 December 2010, 31 December 2009: nil, 31 December 2008: RMB960,000).

(2) Credit risk

Credit risk is managed by portfolio classification. Credit risk mainly arises from cash at bank and on hand. Trade receivables and other receivables.

Chengdu Xinzi expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listing banks. Chengdu Xinzi does not expect that there will be any significant losses arise from non-performance by these counterparties.

Chengdu Xinzi 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 Chengdu Xinzi to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, Chengdu Xinzi is able to sell the property to recover any amounts paid by Chengdu Xinzi to the bank. In this regard, the directors of Chengdu Xinzi consider that Chengdu Xinzi's credit risk is significantly reduced.

(3) Liquidity risk

Cash flow forecasting is performed by Chengdu Xinzi. The finance departments monitor rolling forecasts of the short-term and long-term liquidity requirements to ensure Chengdu Xinzi 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 Chengdu Xinzi does not breach borrowing limits or covenants on any of borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial assets and liabilities of Chengdu Xinzi at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

			31 October 2011		
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial assets –					
Cash at bank and on hand	15,471	–	–	–	15,471
Receivables	544,591	–	–	–	544,591
Total	560,062	–	–	–	560,062

			31 December 2010		
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial assets –					
Cash at bank and on hand	143,339	–	–	–	143,339
Receivables	473,692	–	–	–	473,692
Total	617,031	–	–	–	617,031

	31 December 2009				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial assets –					
Cash at bank and on hand	330,532	–	–	–	330,532
Receivables	292,633	–	–	–	292,633
Total	623,165	–	–	–	623,165

	31 December 2008				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial assets –					
Cash at bank and on hand	151,127	–	–	–	151,127
Receivables	302,420	–	–	–	302,420
Total	453,547	–	–	–	453,547

	31 October 2011				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial liabilities –					
Payables	311,496	–	–	–	311,496

	31 December 2010				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial liabilities –					
Payables	347,937	–	–	–	347,937

	31 December 2009				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial liabilities –					
Payables	412,563	–	–	–	412,563

	31 December 2008				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial liabilities –					
Payables	454,554	–	–	–	454,554
Long-term borrowings	195,901	–	–	–	195,901
Total	650,455	–	–	–	650,455

The analysis of repayable dates of bank loans are as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Bank borrowings wholly repayable within 5 years	–	–	–	192,000

(4) Fair value

(a) Financial instruments not measured in fair value

Financial assets and liabilities not measured in fair value mainly include receivables, payables and long-term loans.

The carrying amount of the above financial assets and liabilities not measured in fair value is a reasonable approximation of their fair value.

The fair value of long-term borrowings and long-term 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

Chengdu Xinzi has no financial instruments measured in fair value at 31 October 2011, 31 December 2010, 2009 and 2008.

9 Net current assets

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Current assets	594,413	657,433	853,503	1,244,413
Less: Current liabilities	(327,192)	(396,145)	(480,109)	(975,541)
Net current assets	267,221	261,288	373,394	268,872

10 Total assets less current liabilities

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Total assets	594,684	657,958	855,049	1,246,338
Less: Current liabilities	(327,192)	(396,145)	(480,109)	(975,541)
Total assets less current liabilities	267,492	261,813	374,940	270,797

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Chengdu Xinzi in respect of any period subsequent to 31 October 2011 up to the date of this report. No dividend or distribution has been declared by Chengdu Xinzi in respect of any period subsequent to 31 October 2011.

Yours faithfully,

PricewaterhouseCoopers Zhong Tian CPAs Limited Company

Shanghai, PRC

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers Zhong Tian CPA Limited Company, for the purpose of incorporation in this circular.

pwc

普华永道

13 February 2012

The Directors
Beijing Capital Land Ltd.

Dear Sirs,

We report on the Financial Information (the "Financial Information") of Tianjin Xinchuang Land Limited ("Tianjin Xinchuang"), which comprises the balance sheets of Tianjin Xinchuang as at 31 December 2008, 2009 and 2010 and 31 October 2011, and the income statements, the statements of changes in equity and the cash flow statements of Tianjin Xinchuang for each of the years ended 31 December 2008, 2009 and 2010 and the ten months ended 31 October 2011 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This Financial Information has been prepared by the directors of Beijing Capital Land Ltd. (the "Company") and is set out in Section I below for inclusion in Appendix V to the circular of the Company dated 13 February 2012 (the "Circular") in connection with the proposed acquisition of 45% equity interest in Tianjin Xinchuang by the Company(the "Transaction").

Tianjin Xinchuang was established in the People's Republic of China (the "PRC" or "China") on 29 November 2005 as a company with limited liability under the Companies Law of the PRC.

The financial statements for each of the years ended 31 December 2008, 2009 and 2010 and the ten months ended 31 October 2011 were audited by Hua-ander CPA Limited, certified public accountants in the PRC.

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The directors of Tianjin Xinchuang during the Relevant Periods are responsible for the preparation and fair presentation of the financial statements of Tianjin Xinchuang in accordance with the Accounting Standards for Business Enterprises of the PRC (the "PRC GAAP"), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Financial Information has been prepared based on the audited financial statements of Tianjin Xinchuang after making such adjustments as are appropriate.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with PRC GAAP and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the published unaudited interim report of the Company for the six months ended 30 June 2011.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Tianjin Xinchuang as at 31 December 2008, 2009 and 2010 and 31 October 2011 and of Tianjin Xinchuang's results and cash flows for the Relevant Periods then ended.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Section I below included in Appendix V to the Circular which comprises the income statements, the statement of changes in equity and the cash flow statement of Tianjin Xinchuang for the ten months ended 31 October 2010 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with PRC GAAP and accounting policies adopted by the Group as set out in the published unaudited interim report of the Company for the six months ended 30 June 2011.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with China Standards on Review Engagements 2101, "Review of Financial Statements" issued by the China Institute of Public Accountants (the "CICPA"). A review of Stub Period Comparative Financial Information consists of making inquiries, primarily of person 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 China 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.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in note 2 of Section I below.

I. FINANCIAL STATEMENTS OF TIANJIN XINCHUANG

The financial statements of Tianjin Xinchuang as at 31 December of 2008, 2009 and 2010 and 31 October 2011, and for each of the years ended 31 December 2008, 2009 and 2010, and the ten months ended 31 October 2010 and 2011, are prepared by the directors of the Company and presented as follows:

(A) BALANCE SHEETS

(All amounts in thousands of units of RMB unless otherwise stated.)

Assets	*Note*	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Current assets					
Cash at bank and on hand	*I.4(1)*	13,369	26,307	110,777	25,635
Accounts receivable	*I.4(2)(a)*	5,760	–	–	–
Advances to suppliers	*I.4(3)*	62	88	313	3,332
Other receivables	*I.4(2)(b)*	1,170,433	1,147,172	1,095,478	1,126,833
Inventories	*I.4(4)*	582	11,773	20,252	636,377
Other current assents	*I.4(5)*	11,269	22,309	–	40,894
Total current assets		1,201,475	1,207,649	1,226,820	1,833,071
Non-current assets					
Fixed Assets	*I.4(6)*	482	611	909	1,253
Deferred tax assets	*I.4(7)*	–	2,705	–	–
Total non-current assets		482	3,316	909	1,253
Total assets		1,201,957	1,210,965	1,227,729	1,834,324
Liabilities and owner's equity					
Current liabilities					
Accounts payable	*I.4(8)*	31,468	46,986	85,925	71,842
Advances from customers	*I.4(9)*	936	33,966	28,447	196,211
Employee benefits payable		–	–	6,250	2,776
Taxes payable	*I.4(10)*	10,461	13,403	7,930	2,849
Dividends payable	*I.4(11)*	266,859	242,127	138,127	138,127
Other payables	*I.4(12)*	181,215	157,406	125,576	494,686
Current portion of non-current liabilities	*I.4(13)*	478,332	487,034	–	693,505
Total current liabilities		969,271	980,922	392,255	1,599,996
Non-current liabilities					
Long-term payables	*I.4(14)*	–	–	493,315	–
Total non-current liabilities		–	–	493,315	–
Total liabilities		969,271	980,922	885,570	1,599,996
Owners' equity					
Paid-in Capital	*I.1*	202,031	202,031	202,031	202,031
Surplus reserve	*I.4(15)*	27,998	27,998	27,998	17,071
Retained profit		2,657	14	112,130	15,226
Total owners' equity		232,686	230,043	342,159	234,328
Total liabilities and owners' equity		1,201,957	1,210,965	1,227,729	1,834,324

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

(B) INCOME STATEMENTS

(All amounts in thousands of units of RMB unless otherwise stated.)

Item	*Note*	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Revenue	*I.4(17)*	60,889	35,291	36,164	1,081,057	605,842
Less: Cost of sales	*I.4(17)*	(27,525)	(16,166)	(16,721)	(845,815)	(455,416)
Taxes and surcharges	*I.4(18)*	(5,611)	(35,412)	(36,084)	(65,574)	(28,140)
Selling and distribution expenses		–	(829)	(838)	(17,102)	(20,384)
General and administrative expenses		(63)	(367)	(367)	(8,648)	(4,076)
Financial income/ (expenses) – net	*I.4(19)*	8,810	4,134	7,028	(313)	(229)
Operating profit/(loss)		36,500	(13,349)	(10,818)	143,606	97,597
Add: Non-operating income		–	–	–	169	–
Less: Non-operating expenses		–	–	(3)	–	(924)
Total profit/(loss)		36,500	(13,349)	(10,821)	143,775	96,673
Less: Income tax expenses	*I.4(21)*	(9,125)	3,337	2,705	(35,944)	(24,168)
Net profit/(loss)		27,375	(10,012)	(8,116)	107,831	72,505
Other comprehensive income		–	–	–	–	–
Total comprehensive income/ (loss)		27,375	(10,012)	(8,116)	107,831	72,505

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

(C) CASH FLOW STATEMENTS

(All amounts in thousands of units of RMB unless otherwise stated.)

Item	*Note*	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Cash flow from operating activities						
Cash received from sales of goods or rendering of services		22,101	41,743	43,423	913,293	612,412
Cash received from other operating activities	*I.4(22)(d)*	18,937	3,166	26,087	347,048	955,983
Sub-total of cash inflows from operating activities		41,038	44,909	69,510	1,260,341	1,568,395
Cash paid for goods and services		(28,531)	(31,995)	(43,673)	(209,784)	(417,414)
Cash paid to and on behalf of employees		–	(6,550)	(6,550)	(8,892)	(12,066)
Payments of taxes and surcharges		(7,230)	(53,333)	(55,605)	(56,340)	(120,712)
Cash paid relating to other operating activities	*I.4(22)(e)*	(18,215)	(5,198)	(29,259)	(542,051)	(711,637)
Sub-total of cash outflows from operating activities		(53,976)	(97,076)	(135,087)	(817,067)	(1,261,829)
Net cash flows from operating activities	*I.4(22)(a)*	(12,938)	(52,167)	(65,577)	443,274	306,566
Cash flow from investing activities						
Cash received relating to other investing activities	*I.5(3)(b)*	–	22,107	22,107	11,000	65,000
Sub-total of cash inflows from investing activities		–	22,107	22,107	11,000	65,000
Cash paid to acquire fixed assets	*I.5(3)(a)*	–	–	–	(7)	(461)
Cash paid relating to other investing activities		–	(41,000)	(41,000)	(163,191)	(477,809)
Sub-total of cash outflows from investing activities		–	(41,000)	(41,000)	(163,198)	(478,270)
Net cash flows from investing activities		–	(18,893)	(18,893)	(152,198)	(413,270)

Item	Note	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Cash flow from financing activities						
Cash payments for interest expenses and distribution of dividends or profits		–	–	–	(5,934)	(13,191)
Cash repayments of borrowings	*I.4(13)*	–	–	–	(200,000)	–
Net cash flows from financing activities		–	–	–	(200,000)	–
Effect of foreign exchange rate changes on cash and cash equivalents		–	–	–	–	–
Net increase/(decrease) in cash	*I.4(22)(b)*	(12,938)	(71,060)	(84,470)	85,142	(119,895)
Add: cash at beginning of period/year	*I.4(22)(b)*	26,307	110,777	110,777	25,635	145,530
Cash at period/year end	*I.4(22)(b)*	13,369	39,717	26,307	110,777	25,635

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

(D) STATEMENTS OF CHANGES IN EQUITY

(All amounts in thousands of units of RMB unless otherwise stated.)

Item	Note	Paid-in Capital	Surplus reserve	Retained profits	Total owners' equity
Balance at 1 January 2008		202,031	9,792	–	211,823
Movement for year 2008		–	7,279	15,226	22,505
Net profit		–	–	72,505	72,505
Profit distribution:					
Appropriation to surplus reserves	*I.4(15)*	–	7,279	(7,279)	–
Profit distribution to equity owners	*I.4(16)*	–	–	(50,000)	(50,000)
Balance at 31 December 2008		202,031	17,071	15,226	234,328
Balance at 1 January 2009		202,031	17,071	15,226	234,328
Movement for year 2009		–	10,927	96,904	107,831
Net profit		–	–	107,831	107,831
Profit distribution:					
Appropriation to surplus reserves	*I.4(15)*	–	10,927	(10,927)	–
Balance at 31 December 2009		202,031	27,998	112,130	342,159
Balance at 1 January 2010		202,031	27,998	112,130	342,159
Movement for year 2010		–	–	(112,116)	(112,116)
Net loss		–	–	(8,116)	(8,116)
Profit distribution:					
Profit distribution to equity owners	*I.4(16)*	–	–	(104,000)	(104,000)
Balance at 31 December 2010		202,031	27,998	14	230,043
Balance at 1 January 2011		202,031	27,998	14	230,043
Movement for the ten months ended 31 October 2011		–	–	2,643	2,643
Net profit		–	–	27,375	27,375
Profit distribution:					
Profit distribution to equity owners	*I.4(16)*	–	–	(24,732)	(24,732)
Balance at 31 October 2011		202,031	27,998	2,657	232,686
Balance at 1 January 2010		202,031	27,998	112,130	342,159
Movement for the ten months ended 31 October 2010		–	–	(10,012)	(10,012)
Net loss (Unaudited)		–	–	(10,012)	(10,012)
Balance at 31 October 2010 (Unaudited)		202,031	27,998	102,118	332,147

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

(All amounts hereafter in thousands of units of RMB unless otherwise stated)

1 General information

Tianjin Xinchuang is a limited liability company incorporated on 29 November 2005 in Tianjin, the PRC by Beijing Shangboya Investment Consultant Co., Ltd. ("Shangboya") and Beijing Shangbodi Investment Consultant Co., Ltd. ("Shangbodi"). The approved operating period of Tianjin Xinchuang is 20 years, and registered capital is RMB10,000,000. The proportion of investment of Shangboya and Shangbodi are 45% and 55%, respectively. Approved by the Tianjin Commission of Commerce on 29 November 2005, Reco Ziyang investment Ltd. ("Reco Ziyang") acquired the 45% interest of Tianjin Xinchuang from Shangbodi. After this, Tianjin Xinchuang changed into a sino-foreign cooperative joint venture company. Meanwhile, Shangboya and Reco Ziyang injected their capital according to their proportion of interest in Tianjin Xinchuang from RMB10,000,000 to USD25,000,000. In June 2011, Shangboya disposed of 55% interest of Tianjin Xinchuang to Chongqing Tianfeng Hongzhan holding company Ltd. ("Chongqing Tianfeng").

Tianjin Xinchuang's approved business is to develop land and properties in the area of Tianjin Ruijin Project. The main business during the relevant periods is land and property development.

Beijing Capital Land Ltd. ("Beijing Capital Land"), the parent company of Shangboya, Shangbodi, and Chongqing Tianfeng, is the ultimate holding company of Tianjin Xinchuang during the Relevant Periods.

2 Significant accounting policies and accounting estimates

(1) Basis of preparation

The financial statements of Tianjin Xinchuang have been prepared in accordance with the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (herein collectively referred to as "the Accounting Standards for Business Enterprises" or "CAS"), Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as well as Hong Kong Companies Ordinance.

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

The financial statements of Tianjin Xinchuang for year 2008, 2009, 2010 and the ten months ended 31 October 2011 truly and completely present the financial position as of 31 December 2008, 2009, 2010 and 31 October 2011 and the operating results, cash flows and other information for the year ended 31 December 2008, 2009 and 2010 and the ten months ended 31 October 2011 of Tianjin Xinchuang 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) Foreign currency translation

Foreign currency transactions are translated into the functional currency 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.

(6) Cash

Cash comprise cash on hand and call deposits with banks.

(7) Financial instruments

(a) Financial assets

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 Tianjin Xinchuang's intention and ability to hold the financial assets. The financial assets of Tianjin Xinchuang are receivables.

Receivables

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

Receivables comprise trade and other receivables. Receivables are initially recognised at the fair value of the contractual collectable amount. And receivables are presented at amortised cost net of provision using the effective interest method.

Receivables that are individually significant are subject to separate impairment assessment. If there is objective evidence that Tianjin Xinchuang 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.

(b) Financial liabilities

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

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 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 consideration paid is recognised in profit or loss.

(8) Inventories

(a) Classification

Inventories include properties under development and properties held for sale, 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 comprise land use rights, construction cost, capitalised interest, and other direct and indirect development expenses incurred during the development period. The actual costs will be used when the properties under development are transferred to completed properties held for sale. For the land use rights acquired by Tianjin Xinchuang that are developed as building for subsequent sales, the cost paid for land use rights are classified and accounted for as part of the costs of properties under development.

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

(c) Measurement of net realisable value and provisions for impairment of inventory

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.

(9) Fixed Assets

(a) Recognition and initial measurement

Fixed assets comprise motor vehicles and office equipment.

Fixed assets are recognised when it is probable that the associated economic benefits will flow to Tianjin Xinchuang and the related cost can be reliably measured. Fixed assets purchased or constructed by Tianjin Xinchuang 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 assets when it is probable that the associated economic benefits will flow to Tianjin Xinchuang 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**
Motor vehicles	5 years	5%	10.56%
Office equipment	3 – 5 years	5%	19.0% – 31.67%

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 (I.note2(11)).

(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.

(10) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of 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 real estate projects under acquisition or construction are completed and accepted after check and 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 three months, until the acquisition or construction is resumed.

For borrowings that specified for acquisition and construction of real estate projects and qualified for capitalisation, the capitalisation amount is measured as current actual interest 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 real estate projects qualified accumulated, the capitalisation amount should be the weighted average exceeds of accumulated capital expenditures for capitalisation over the amount of specialised borrowings multiplied by the weighted average effective interest rate. The effective interest rate is the rate used to discount the future cash flows in the expected period of continued existence or applicable shorter period of the borrowings to the initial measurement of the borrowings.

(11) Impairment of long-term assets

Fixed Assets and other long-term assets 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.

(12) 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.

According to related laws and regulations, employees of Tianjin Xinchuang should participate in the defined contribution plan which requires fixed payment organised by the local government. Tianjin Xinchuang determine the monthly pension in accordance with a certain percentage of employees' wage which should not exceeds the upper limit, and pay to local labour and social security agencies. Tianjin Xinchuang does not have other responsibilities to retirement welfare besides this monthly payment for its employees.

The expenditures of Tianjin Xinchuang to the pension programme are recognised as costs of assets or expenses in the period in which they are accrued.

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 which the employee service is attributable.

(13) Profit distribution

Proposed profit distribution is recognised as a liability in the period in which it is approved by the Board of Directors.

(14) 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 service in the ordinary course of Tianjin Xinchuang's activities. Revenue is shown net of rebates, discounts and returns.

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

(a) Sales of goods

Revenue of sales 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 manners and forms; all the significant risks and rewards of ownership of the properties held for sale have been transferred to the buyer; and Tianjin Xinchuang 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) Interest income

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

(15) 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.

(16) Segment information

Tianjin Xinchuang 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 Tianjin Xinchuang 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 Tianjin Xinchuang'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 Tianjin Xinchuang. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

Tianjin Xinchuang has only one segment during the reporting period, therefore no segment information has been prepared.

(17) Critical accounting estimates and judgments

Tianjin Xinchuang 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 Tianjin Xinchuang's property development cost. The budget cost and development progress of the project is reviewed by Tianjin Xinchuang 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

Tianjin Xinchuang 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.

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

According to the accounting policy stated in I.note 2(14), 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.

3 Taxation

The types and rates of taxes applicable to Tianjin Xinchuang are set out as follows:

Type	Tax rate	Taxable base
Enterprise income tax	25%	Taxable income
Business tax	5%	Taxable turnover amount
Land appreciation tax	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	7%	Business tax payable
Education surcharge	3%	Business tax payable
Land use tax	RMB10 yuan per square meters	Land area

4 Notes to the Financial Information

(1) Cash at bank and on hand

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Cash on hand	2	5	5	6
Cash at bank	13,367	26,302	110,772	25,629
Total	13,369	26,307	110,777	25,635

As at 31 December 2008, 2009 and 2010 and 31 October 2011, Tianjin Xinchuang has no restricted bank deposits.

(2) Trade and other receivables

(a) Trade receivables

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Amount due from selling properties	5,760	–	–	–
Less: provision for bad debts	–	–	–	–
Net	5,760	–	–	–

The ageing analysis of trade receivables are as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Within one year	5,760	–	–	–

(b) Other receivables

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Amount due from related parties *(I.note5(4)(a))*	1,161,811	1,138,001	1,084,754	1,114,500
Others	8,622	9,171	10,724	12,333
Subtotal	1,170,433	1,147,172	1,095,478	1,126,833
Less: provision for bad debts	–	–	–	–
Net	1,170,433	1,147,172	1,095,478	1,126,833

The ageing analysis of other receivables are as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Within one year	63,258	84,525	231,556	1,050,634
1 to 2 year	75,354	220,832	863,922	76,199
2 to 3 year	212,113	841,815	–	–
Over 3 years	819,708	–	–	–
Total	1,170,433	1,147,172	1,095,478	1,126,833

(3) *Advances to suppliers*

The advances to suppliers are classified as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Prepaid commission fees to related party *(I.note5(4)(c))*	62	62	313	3,332
Others	–	26	–	–
Total	62	88	313	3,332

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

	31 October 2011		31 December 2010	
	Amount	*% of total balance*	*Amount*	*% of total balance*
Age				
Within 1 year	62	100	88	100

	31 December 2009		31 December 2008	
	Amount	*% of total balance*	*Amount*	*% of total balance*
Age				
Within 1 year	313	100	3,332	100

(4) Inventories

Inventories are classified as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Cost –				
Development cost	–	8,935	13,003	271,419
Properties under development	582	2,838	7,249	364,958
Subtotal	582	11,773	20,252	636,377
Less: provisions of inventory	–	–	–	–
Net	582	11,773	20,252	636,377

For the ten months ended 31 October 2011, the properties held for sale with the carrying amount of RMB27,525,000 (for the ten months ended 31 October 2010: RMB16,166,000, 2010: RMB16,721,000, 2009: RMB845,815,000, 2008: RMB455,416,000) has been recognised as cost of sales (I.note4(17)).

As at 31 October 2011, no financed costs is capitalised as the development cost (31 December 2010 and 31 December 2009: nil, 31 December 2008: RMB20,736,000). For ten months ended 31 October 2011, the capitalisation rate is nil (For ten months ended 31 October 2010: nil, 2010: nil, 2009: 6.6%, 2008: 6.6%).

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

The location and ageing analysis of land use rights are as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
In Mainland China –				
10 to 50 years	–	1,330	1,929	5,905
Over 50 years	47	–	570	68,147
Total	47	1,330	2,499	74,052

(5) Other current assets

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Prepaid tax	11,269	22,309	–	40,894

(6) Fixed Assets

	Motor Vehicles	Office Equipment	Total
Cost			
1 January 2008	1,046	435	1,481
Additions	240	221	461
31 December 2008	1,286	656	1,942
Additions	–	7	7
31 December 2009	1,286	663	1,949
Additions	–	–	–
31 December 2010	1,286	663	1,949
Additions	–	–	–
31 October 2011	1,286	663	1,949

	Motor Vehicles	Office Equipment	Total
Accumulated Depreciation			
1 January 2008	16	256	272
Depreciation	213	204	417
31 December 2008	229	460	689
Depreciation	236	115	351
31 December 2009	465	575	1,040
Depreciation	236	62	298
31 December 2010	701	637	1,338
Depreciation	118	11	129
31 October 2011	819	648	1,467
Net book value			
1 January 2008	1,030	179	1,209
31 December 2008	1,057	196	1,253
31 December 2009	821	88	909
31 December 2010	585	26	611
31 October 2011	467	15	482

For the ten months ended 31 October 2011, the amount of depreciation expense charged to cost of inventory and administrative expenses were RMB129,000 (For the ten months ended 31 October 2010: RMB250,000; 2010: RMB298,000; 2009: RMB351,000; 2008: RMB417,000).

(7) Deferred tax assets

	31 October 2011		31 December 2010	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Accumulated loss	–	–	2,705	10,821

	31 December 2009		31 December 2008	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Accumulated loss	–	–	–	–

(8) Accounts payables

The ageing analysis of accounts payable is as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Within 1 year	–	–	85,925	71,842
Over 1 year	31,468	46,986	–	–
Total	31,468	46,986	85,925	71,842

(9) Advances from customers

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Advances from sale of properties	936	33,966	28,447	196,211

Advances from customers are amounts received for properties sold, but the risks and reward of the properties have not been transferred to the customers and revenue have not yet recognised.

(10) Taxes payable

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Enterprise income tax payable	3,379	9,327	3,508	–
Land appreciation tax payable	365	–	351	408
Business tax payable	6,179	3,706	3,843	2,386
Others	538	370	228	55
Total	10,461	13,403	7,930	2,849

(11) Dividends payable

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Chongqing Tianfeng	13,603	–	–	–
Shangboya	133,170	133,170	75,970	75,970
Reco Ziyang	120,086	108,957	62,157	62,157
Total	266,859	242,127	138,127	138,127

(12) Other payables

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Amounts due to related parties *(I.note5(4)(b))*	180,950	157,140	124,786	492,346
Others	265	266	790	2,340
Total	181,215	157,406	125,576	494,686

(13) Non-current liabilities due within one year

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Long-term borrowings due within one year *(a)*	–	–	–	200,000
Long-term payables due within one year *(b)*	478,332	487,034	–	493,505
Total	478,332	487,034	–	693,505

(a) Long-term borrowings due within one year

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Credit loan	–	–	–	200,000

As at 31 December 2008, bank borrowings of RMB200,000,000 were with a interest rate per annum 10% lower than the interest rate of bank borrowings stipulated by the People's Bank of China. Interest are payable every month, and the principal is due for repayment before May 2009. The amount has been repaid in May 2009.

(b) Long-term payables due within one year

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Reco Ziyang *(i)*	187,644	196,346	–	202,817
Beijing Capital Land *(ii)*	290,688	290,688	–	290,688
Total	478,332	487,034	–	493,505

(i) As at 31 December 2008, shareholders' borrowings of Tianjin Xinchuang was amount to USD29,675,000, which includes principal of USD12,375,000 with interest rate 6.336% and principal of USD17,300,000 with interest rate 6.633% per annum. According to original loan contract, the amount was due to repaid in 2009, therefore, it is reclassified to current liability at 31 December 2008. No guaranteed, pledged or secured terms were attached on this loan.

As at 31 December 2009, Tianjin Xinchuang and Reco Ziyang entered into a loan extension agreement, according to which, the loan was due on 31 December 2011. Therefore, it is reclassified to long-term payables. (I.note4(14)).

As at 31 December 2010 and 31 October 2011, the loan above is presented as non-current liability due within one year.

(ii) As at 31 December 2008, shareholders' borrowings of Tianjin Xinchuang due to the Company was amount to RMB 290,688,000, which includes principal of RMB122,065,000 with interest rate 6.336% and principal of RMB168,623,000 with interest rate 6.633% per annum. According to original loan contract, the amount was due to repaid in 2009, therefore, it is reclassified to current liability at 31 December 2008. No guaranteed, pledged or secured terms were attached on this loan.

As at 31 December 2009, Tianjin Xinchuang entered into a loan extension agreement with the Company, according to which, the loan was due on 31 December 2011. Therefore, it is reclassified to long-term payables. (I.note4(14)).

As at 31 December 2010 and 31 October 2011, the loan above is presented as non-current liability due within one year.

***(14) Long-term payable** (I.note4(13))*

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Reco Ziyang	–	–	202,627	–
Beijing Capital Land	–	–	290,688	–
Total	–	–	493,315	–

(15) Surplus reserve

	Statutory surplus reserve
31 December 2007	9,792
Increase in current year	7,279
31 December 2008	17,071
Increase in current year	10,927
31 December 2009	27,998
Increase in current year	–
31 December 2010	27,998
31 October 2011	27,998

In accordance with the Company Law and Tianjin Xinchuang's Articles of Association, Tianjin Xinchuang should appropriate 10% of net profit for the year to the statutory surplus reserve and Tianjin Xinchuang 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. No surplus reserve was appropriated for the year ended 31 December 2010 (For the year ended 31 December 2009: 10,927,000, 2008: 7,279,000).

Tianjin Xinchuang appropriates for the discretionary surplus reserve after the approvals from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities. Tianjin Xinchuang did not appropriate discretionary surplus reserve for the year ended 2010 (For the year ended 31 December 2009 and 2008: nil).

(16) Profit distribution

In accordance with the resolution at the Board of Directors' meeting dated on 31 October 2011, Tianjin Xinchuang declared a cash dividend of RMB24,732,000 to the shareholders, with an amount of RMB13,603,000 declared to Crown Smart and RMB11,129,000 to Reco Ziyang.

In accordance with the resolution at the Board of Directors' meeting dated on 31 December 2010, Tianjin Xinchuang declared a cash dividend of RMB104,000,000 to the shareholders, with an amount of RMB57,200,000 declared to Shangboya and RMB46,800,000 to Reco Ziyang.

No dividends were declared in 2009.

In accordance with the resolution at the Board of Directors' meeting dated on 31 December 2008, Tianjin Xinchuang declared a cash dividend of RMB50,000,000 to the shareholders, with an amount of RMB27,500,000 declared to Shangboya and RMB22,500,000 to Reco Ziyang.

(17) Revenue and cost of sales

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Revenue –					
Sale of properties	60,889	35,291	36,164	1,081,057	605,842

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Cost of sales –					
Sale of properties	27,525	16,166	16,721	845,815	455,416

(18) Taxes and surcharges

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Business tax	4,235	2,812	3,426	55,797	27,802
Land Appreciation Tax *(a)*	1,059	32,444	32,444	9,255	–
Others	317	156	214	522	338
Total	5,611	35,412	36,084	65,574	28,140

(a) Land Appreciation Tax ("LAT")

Tianjin Xinchuang started its LAT clearance of Baocui Huadu project in Year 2010. According to LAT clearance report, the difference between LAT payable of the overall project and the estimated amounts booked in previous years amounting to RMB32,083,000 is recognised in profit and loss of Year 2010.

(19) Financial expenses/(incomes)

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Interest expenses	23,810	25,324	32,354	40,810	48,222
of which, borrowings wholly repayable within five years	23,810	25,324	32,354	40,810	48,222
Less: finance costs capitalised	–	–	–	(40,810)	(48,222)
Interest expenses – net	23,810	25,324	32,354	–	–
Interest income *(I.note5(3)(c))*	(23,925)	(25,326)	(33,114)	(37,664)	(15,572)
Less: finance income capitalised	–	–	–	37,664	15,572
Interest income – net	(23,925)	(25,326)	(33,114)	–	–
Exchange gains	(8,703)	(4,143)	(6,280)	(2,544)	(17,846)
Less: Exchange gains capitalised	–	–	–	2,544	17,846
Exchange gains – net	(8,703)	(4,143)	(6,280)	–	–
Others	8	11	12	313	229
Net	(8,810)	(4,134)	(7,028)	313	229

(20) Depreciation and other expenses

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Depreciation of fixed assets	129	250	298	351	417
Auditor's remuneration	63	243	291	135	133

(21) Income tax expenses

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Current income tax – PRC	9,125	–	–	35,944	24,168
Deferred income tax	–	(3,337)	(2,705)	–	–
Total	9,125	(3,337)	(2,705)	35,944	24,168

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

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Total profit/(loss)	36,500	(13,349)	(10,821)	143,775	96,673
Income tax expenses calculated at applicable tax rates (25%)	9,125	(3,337)	(2,705)	35,944	24,168
Income tax expenses	9,125	(3,337)	(2,705)	35,944	24,168

(22) Notes to cash flow statements

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

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Net profit/(loss)	27,375	(10,012)	(8,116)	107,831	72,505
Add/(less):					
Depreciation of fixed assets *(I.note4(6))*	129	250	298	351	417
Financial income	(8,703)	(4,143)	(6,280)	–	–
(Increase)/Decrease of deferred assets)	2,705	(3,337)	(2,705)	–	–
Decrease in inventory	11,191	19,084	8,479	619,514	114,691
(Increase)/Decrease in operating receivables	5,855	(24,156)	(22,530)	262,335	(211,160)
Increase/(Decrease) in operating payables	(51,490)	(29,853)	(34,723)	(546,757)	330,113
Net cash flow from operating activities	(12,938)	(52,167)	(65,577)	443,274	306,566

(b) Net increase/(decrease) in cash

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Cash at end of period/year	13,369	39,717	26,307	110,777	25,635
Less: cash at beginning of period/year	(26,307)	(110,777)	(110,777)	(25,635)	(145,530)
Net increase/(decrease) in cash	(12,938)	(71,060)	(84,470)	85,142	(119,895)

(c) Cash

	31 October 2011	31 October 2010 (Unaudited)	31 December 2010	31 December 2009	31 December 2008
Cash on hand	2	5	5	5	6
Cash in bank	13,367	39,712	26,302	110,772	25,629
Cash at end of period/year	13,369	39,717	26,307	110,777	25,635

(d) Other cash receipts related to operating activities

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Proceeds from related parties *(I.note5(3)(f))*	17,500	1,517	20,517	310,758	922,261
Maintenance fund and the deed tax received on behalf of customers	1,311	1,647	2,550	29,016	21,299
Interest income	115	2	761	2,788	8,694
Others	11	–	2,259	4,486	3,729
Total	18,937	3,166	26,087	347,048	955,983

(e) Other cash payments related to operating activities

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Payments to related parties *(I.note5(3)(g))*	17,500	2,000	22,517	494,027	666,075
Office expenses	63	367	367	247	1,451
Marketing expenses	35	20	22	3,133	9,520
Sales commission *(I.note5(3)(e))*	–	1,069	1,069	13,741	9,060
Maintenance fund and the deed tax paid on behalf of the customers	–	150	509	30,527	24,195
Others	617	1,592	4,775	376	1,336
Total	18,215	5,198	29,259	542,051	711,637

5 Related parties and related party transactions

(1) The parent company

(a) General information of the parent company

During the Relevant Periods, Tianjin Xinchuang's parent companies were Shangboya and then Chongqing Tianfeng, whose registered place and business nature are listed below:

Company name	Place of registration	Nature of business
Chongqing Tianfeng	Chongqing, PRC	Real estate investment and management
Shangboya	Beijing, PRC	Real estate investment and management

Beijing Capital Land, the parent company of Shangboya, Shangbodi and Chongqing Tianfeng, is the ultimate holding company of Tianjin Xinchuang during the Relevant Periods.

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

The registered capital of Shangboya has been RMB30,000,000 from 1 January 2008 to 31 October 2011 with no changes.

The registered capital of Chongqing Tianfeng has been RMB10,000,000 from 3 March 2011(day of establishment) to 31 October 2011.

(c) The proportions of equity interest and voting rights in Tianjin Xinchuang held by the parent company

	31 October 2011		31 December 2010		31 December 2009		31 December 2008	
	Equity interest	Voting rights	Equity interest	Voting rights	Equity interest	Voting rights	Equity interest	Voting rights
	%	%	%	%	%	%	%	%
Chongqing Tianfeng	55	55	–	–	–	–	–	–
Shangboya	–	–	55	55	55	55	55	55

(2) Nature of related parties that do not control or are not controlled by Tianjin Xinchuang

Name of related entities	Relationship with Tianjin Xinchuang
Reco Ziyang	Foreign shareholder
Tianjin Capital Xinyuan Real Estate Development Co., Ltd. ("Tianjin Xinyuan")	Subsidiary of Beijing Capital Land
Tianjin Banshan Renjia Real Estate Co., Ltd. ("Tianjin Banshan")	Subsidiary of Beijing Capital Land
Tianjin Capital Xingang Real Estate Development Co., Ltd ("Tianjin Xingang")	Subsidiary of Beijing Capital Land
Tianjin Capital Xinming Real Estate Development Co., Ltd. ("Tianjin Xinming")	Associate of Beijing Capital Land
Beijing GoldenNet Property Investment Consultant Co., Ltd. ("GoldenNet")	Associate of Beijing Capital Land
Tianjin Capital Xinqing Real Estate Development Co., Ltd. ("Tianjin Xinqing")	Associate of Beijing Capital Land
Beijing Capital Xinzi Real Estate Co., Ltd. ("Beijing Xinzi")	Subsidiary of Beijing Capital Land
Beijing Anhua Shiji Real Estate Development Co., Ltd. ("Anhua Shiji")	Subsidiary of Beijing Capital Land
Capital (Tianjin) Real Estate Management Co., Ltd ("Tianjin Management")	Subsidiary of Beijing Capital Land

(3) Related party transactions

The Board of Tianjin Xinchuang considers all transactions with related parties are on normal commercial terms, price of related party transactions is agreed by Tianjin Xinchuang and its related parties.

(a) Provide loans for related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Tianjin Xinyuan	–	41,000	41,000	163,191	477,809

(b) Loans received from related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Tianjin Xinyuan	–	22,107	22,107	11,000	65,000

(c) Interest expense/(income) from related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Beijing Capital Land	14,347	14,347	19,182	19,182	19,234
Reco Ziyang	9,463	10,977	13,172	15,694	15,797
Tianjin Xinyuan	(23,810)	(25,324)	(32,354)	(34,876)	(6,878)
Net	–	–	–	–	28,153

(d) Receive consulting services from related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Beijing Capital Land	–	–	–	3,600	7,877

(e) Sales commission paid to related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Golden Net	–	1,069	1,069	13,741	9,060

(f) Other proceeds from related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Beijing Capital Land	17,500	1,514	20,514	8,614	167,875
Tianjin Xingang	–	–	–	–	25
Tianjin Xinming	–	–	–	132,000	328,801
Tianjin Xinqing	–	–	–	–	383,368
Anhua Shiji	–	–	–	–	15,989
Beijing Xinzi	–	–	–	–	750
Tianjin Banshan	–	–	–	167,078	25,296
Tianjin Management	–	3	3	3,066	157
Total	17,500	1,517	20,517	310,758	922,261

(g) Other payments to related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Beijing Capital Land	17,500	–	20,514	8,614	21,958
Tianjin Xingang	–	2,000	2,000	22,766	455,259
Tianjin Xinming	–	–	–	55,801	–
Tianjin Xinqing	–	–	–	383,343	25
Anhua Shiji	–	–	–	15,989	–
Beijing Xinzi	–	–	–	750	–
Tianjin Banshan	–	–	–	3,698	188,676
Tianjin Management	–	–	3	3,066	157
Total	17,500	2,000	22,517	494,027	666,075

(h) Remuneration of key management

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Remuneration of key management	–	2,407	3,210	4,802	5,912

(i) Remuneration of directors

The directors of Tianjin Xinchuang from 1 January 2008 to October 2009 are Tang Jun（唐軍）, Hu Weimin（胡衛民）, Zhang Fuxiang（張馥香）, Li Guoshen（李國紳）and Sun Jianjun（孫建軍）; from October 2009 to June 2011 are Tang Jun（唐軍）, Hu Weimin（胡衛民）, Zhang Fuxiang（張馥香）, Sun Jianjun（孫建軍）and Li Yu（李鈺）; from June 2011 to 31 October 2011 are Hu Weimin（胡衛民）, Zhang Fuxiang（張馥香）, Sun Jianjun（孫建軍）, Li Yu（李鈺）and Wang Hongzhe（王洪哲）.

The directors work at shareholder's companies, and their remuneration are not undertaken by Tianjin Xinchuang.

(4) Related party balances

(a) Other receivables (I.note4(2)(b))

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Tianjin Xinyuan – principal *(i)*	583,893	583,893	565,000	412,809
Tianjin Xinyuan – interest	97,918	74,108	41,754	6,878
Tianjin Banshan *(ii)*	–	–	–	163,380
Tianjin Xingang *(ii)*	480,000	480,000	478,000	455,234
Tianjin Xinming *(ii)*	–	–	–	76,199
Total	1,161,811	1,138,001	1,084,754	1,114,500

(i) The interest of the loan provided to Tianjin Xinyuan is 10% higher than the bank loan interest of the same period. The loan is unsecured and unguaranteed, unsecured and has no fixed maturity date.

(ii) The amount provided to these related parties is interest free, unsecured and unguaranteed, and has no fixed maturity date.

(b) Other payables (I.note4(12))

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Beijing Capital Land – interest	106,749	92,402	73,220	54,038
Beijing Capital Land – Interest free *(i)*	2,657	2,657	2,657	2,657
Reco Ziyang – interest	71,544	62,081	48,909	35,569
Tianjin Xinqing *(i)*	–	–	–	383,343
Anhua Shiji *(i)*	–	–	–	15,989
Beijing Xinzi *(i)*	–	–	–	750
Total	180,950	157,140	124,786	492,346

(i) The amount received from these related parties is interest free, unsecured and unguaranteed, and has no fixed maturity date.

(c) Advances to suppliers (I.note4(3))

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Golden Net	62	62	313	3,332

(d) Long-term payable

Long-term payable of Tianjin Xinchuang is disclosed in I.note4(14).

(e) Dividends payable

Dividends payable of Tianjin Xinchuang is disclosed in I.note4(11).

(f) Non-current liabilities due within one year

Non-current liabilities due within on year of Tianjin Xinchuang is disclosed in I.note4(13).

6 Capital commitments

Capital expenditures contracted for properties under development at the balance sheet date are as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Contracted but not incurred	–	–	12,637	112,432
Authorised but not contracted	–	–	–	147,355
Total	–	–	12,637	259,787

7 Financial instruments and risk

Tianjin Xinchuang's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk and interest rate risk), credit risk and liquidity risk. Tianjin Xinchuang's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of Tianjin Xinchuang.

(1) Market risk

(a) Foreign exchange risk

The majority of Tianjin Xinchuang's business is operated in mainland China and used Renminbi (RMB) as settlement currency. But Tianjin Xinchuang's recognised foreign liabilities are still subject to foreign exchange risk.

Tianjin Xinchuang's finance department is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies. The management of Tianjin Xinchuang may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. During the ten months ended 31 October 2011 and the year ended 2010, 2009 and 2008, Tianjin Xinchuang did not enter into any forward exchange contracts or currency swap contracts.

As at 31 October 2011 and 31 December 2010, 2009 and 2008, Tianjin Xinchuang has no foreign assets and the carrying amounts in RMB equivalent of Tianjin Xinchuang's liabilities denominated in foreign currencies are summarized below:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Financial liabilities denominated in foreign currency				
Long-term payables	–	–	202,627	–
Non-current liabilities due within one year	187,644	196,346	–	202,817
Other payables	71,544	62,081	48,909	35,569
Total	259,188	258,427	251,536	238,386

As at 31 October 2011, if the currency had strengthened/weakened by 10 % against the USD while all other variables had been held constant, Tianjin Xinchuang's net exchange gains/(losses) for the year would have been approximately RMB25,919,000 (2010: RMB25,843,000, 2009: RMB25,154,000, 2008: RMB23,839,000) higher/lower for various financial assets and liabilities denominated in USD.

(b) Interest rate risk

Tianjin Xinchuang's interest rate risk arises from long-term interest bearing borrowings. Financial liabilities issued at floating rates expose Tianjin Xinchuang to cash flow interest rate risk. Financial liabilities issued at fixed rates expose Tianjin Xinchuang to fair value interest rate risk. Tianjin Xinchuang determines the contracts proportions of fixed rate and floating rate depending on the market conditions. As at 31 October 2011, Tianjin Xinchuang's long-term interest bearing borrowings were mainly USD-denominated with fixed rates, due to Reco Ziyang, amounting to USD29,675,000 (31 December 2010, 31 December 2009 and 31 December 2008: USD29,675,000) and RMB – denominated with fixed rates, due to the Company, amounting to RMB290,688,000 (31 December 2010, 31 December 2009 and 31 December 2008: RMB290,688,000). And Tianjin Xinchuang's borrowing as of 31 December 2008 are floating rate contract denominated in RMB with an amount of RMB200,000,000.

The management of Tianjin Xinchuang continuously monitors the interest rates. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to Tianjin Xinchuang's outstanding floating rate borrowings, and therefore could have a material adverse effect on Tianjin Xinchuang's financial results. The management makes decisions with reference to the latest market conditions.

As at 31 October 2011, if interest rates on the floating rate borrowings increased/decreased 50 basis points with all other variables held constant, the interest expenses of bank of Tianjin Xinchuang would not increased or decreased (31 December 2010 and 31 December 2009: nil, 31 December 2008: RMB1,000,000).

(2) Credit risk

Credit risk is managed by portfolio classification. Credit risk mainly arises from cash at bank and on hand, receivables and other receivables.

Tianjin Xinchuang expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listing banks. Tianjin Xinchuang does not expect that there will be any significant losses arise from non-performance by these counterparties.

To manage this risk, deposits are mainly placed with state-owned banks. The Company has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Company has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(3) Liquidity risk

Cash flow forecasting is performed by Tianjin Xinchuang. The finance departments monitor rolling forecasts of the short-term and long-term liquidity requirements to ensure Tianjin Xinchuang 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 Tianjin Xinchuang does not breach borrowing limits or covenants on any of borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial assets and liabilities of Tianjin Xinchuang at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 October 2011				
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Financial assets –					
Cash at bank and on hand	13,369	–	–	–	13,369
Receivables	1,176,193	–	–	–	1,176,193
Total	1,189,562	–	–	–	1,189,562

	31 December 2010				
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Financial assets –					
Cash at bank and on hand	26,307	–	–	–	26,307
Receivables	1,147,172	–	–	–	1,147,172
Total	1,173,479	–	–	–	1,173,479

	31 December 2009				
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Financial assets –					
Cash at bank and on hand	110,777	–	–	–	110,777
Receivables	1,095,478	–	–	–	1,095,478
Total	1,206,255	–	–	–	1,206,255

	31 December 2008				
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Financial assets –					
Cash at bank and on hand	25,635	–	–	–	25,635
Receivables	1,126,833	–	–	–	1,126,833
Total	1,152,468	–	–	–	1,152,468

	31 October 2011				
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Financial liabilities –					
Payables	479,542	–	–	–	479,542
Non-current liabilities due within one year	487,787	–	–	–	487,787
Total	967,329	–	–	–	967,329

	31 December 2010				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial liabilities –					
Payables	446,519	–	–	–	446,519
Non-current liabilities due within one year	519,707	–	–	–	519,707
Total	966,226	–	–	–	966,226

	31 December 2009				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial liabilities –					
Payables	349,628	–	–	–	349,628
Long-term payable	–	557,452	–	–	557,452
Total	349,628	557,452	–	–	907,080

	31 December 2008				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial liabilities –					
Payables	704,655	–	–	–	704,655
Non-current liabilities due within one year	720,524	–	–	–	720,524
Total	1,425,179	–	–	–	1,425,179

The analysis of repayable dates of bank loans are as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Share holder's borrowings wholly repayable within 5 years	478,332	487,034	493,315	493,505
Bank borrowings wholly repayable within 5 years	–	–	–	200,000

(4) Fair value

(a) Financial instruments not measured in fair value

Financial assets and liabilities not measured in fair value mainly include receivables, payables, long-term loans and other long-term borrowings.

Except for Tianjin Xinchuang's long-term payable, the carrying amount of the above financial assets and liabilities not measured in fair value is a reasonable approximation of their fair value. The book value and fair value of the long-term payables are as follows:

	31 October 2011		31 December 2010	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial liability – Long-term payable	478,332	472,938	487,034	458,940

	31 December 2009		31 December 2008	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial liability – Long-term payable	493,315	441,044	493,505	477,835

The fair value of long-term borrowings and long-term 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

Tianjin Xinchuang has no financial instruments measured in fair value at 31 October 2011, 31 December 2010, 2009 and 2008.

8 Net current assets

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Current assets	1,201,475	1,207,649	1,226,820	1,833,071
Less: Current liabilities	(969,271)	(980,922)	(392,255)	(1,599,996)
Net current assets	232,204	226,727	834,565	233,075

9 Total assets less current liabilities

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Total assets	1,201,957	1,210,965	1,227,729	1,834,234
Less: Current liabilities	(969,271)	(980,922)	(392,255)	(1,599,996)
Total assets less current liabilities	232,686	230,043	835,474	234,328

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Tianjin Xinchuang in respect of any period subsequent to 31 October 2011 up to the date of this report. No dividend or distribution has been declared by Tianjin Xinchuang in respect of any period subsequent to 31 October 2011.

Yours faithfully,

PricewaterhouseCoopers Zhong Tian CPAs Limited Company

Shanghai, PRC

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers Zhong Tian CPA Limited Company, for the purpose of incorporation in this circular.

pwc

普华永道

13 February 2012

The Directors
Beijing Capital Land Ltd.

Dear Sirs,

We report on the financial information (the "Financial Information") of Beijing Anhua Shiji Real Estate Development Company Limited ("Anhua Shiji"), which comprises the balance sheets of Anhua Shiji as at 31 December 2008, 2009 and 2010 and 31 October 2011, and the income statements, the statements of changes in equity and the cash flow statements of Anhua Shiji for each of the years ended 31 December 2008, 2009 and 2010 and the ten months ended 31 October 2011 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This Financial Information has been prepared by the directors of Beijing Capital Land Ltd. (the "Company") and is set out in Section I below for inclusion in Appendix VI to the circular of the Company dated 13 February 2012 (the "Circular") in connection with the proposed acquisition of 100% equity interest in Reco Hibiscus, and then indirectly acquire Reco Hibiscus' 45% equity interest in Anhua Shiji by the Company (the "Transaction").

Anhua Shiji was established in the People's Republic of China (the "PRC" or "China") on 25 April 2002 as a company with limited liability under the Companies Law of the PRC.

The financial statements of Anhua Shiji for each of the years ended 31 December 2008, 2009 and 2010 and the ten months ended 31 October 2011 were audited by Hua-ander CPA Limited, certified public accountants in the PRC.

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The directors of Anhua Shiji during the Relevant Periods are responsible for the preparation and fair presentation of the financial statements of Anhua Shiji in accordance with the Accounting Standards for Business Enterprises of the PRC (the "PRC GAAP"), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Financial Information has been prepared based on the audited financial statements of Anhua Shiji after making such adjustments as are appropriate.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with PRC GAAP and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the published unaudited interim report of the Company for the six months ended 30 June 2011.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Anhua Shiji as at 31 December 2008, 2009 and 2010 and 31 October 2011 and of Anhua Shiji's result and cash flows for the Relevant Periods then ended.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Section I below included in Appendix VI to the Circular which comprises the income statements, the statement of changes in equity and the cash flow statement of Anhua Shiji for the ten months ended 31 October 2010 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with PRC GAAP and accounting policies adopted by the Group as set out in the published unaudited interim report of the Company for the six months ended 30 June 2011.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with China Standards on Review Engagements 2101, "Review of Financial Statements" issued by the China Institute of Public Accountants (the "CICPA"). A review of Stub Period Comparative Financial Information consists of making inquiries, primarily of person 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 China 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.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in note 2 of Section I below.

I. FINANCIAL STATEMENTS OF ANHUA SHIJI

The financial statements of Anhua Shiji as at 31 December of 2008, 2009 and 2010 and 31 October 2011, and for each of the years ended 31 December 2008, 2009 and 2010, and the ten months ended 31 October 2010 and 2011, are prepared by the directors of the Company and presented as follows:

(A) BALANCE SHEETS

(All amounts in thousands of units of RMB unless otherwise stated.)

Assets	Note	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Current assets					
Cash at bank and on hand	*I.4(1)*	86,071	746,935	657,741	30,862
Accounts receivable	*I.4(2/a)*	299	298	490	741
Other receivables	*I.4(2/b)*	1,047,400	406,989	297,916	752,363
Inventories	*I.4(3)*	326,816	453,982	649,711	790,626
Other current assents	*I.4(4)*	5,685	34,818	16,038	34,269
Total current assets		1,466,271	1,643,022	1,621,896	1,608,861
Non-current assets					
Fixed Assets	*I.4(5)*	40	61	264	400
Long-term prepaid expenses		–	–	–	209
Deferred tax assets	*I.4(6)*	1,276	–	–	–
Total non-current assets		1,316	61	264	609
Total assets		1,467,587	1,643,083	1,622,160	1,609,470
Liabilities and owner's equity					
Current liabilities					
Accounts payable	*I.4(7)*	174,711	123,004	164,326	277,751
Advances from customers	*I.4(8)*	136,628	457,216	320,896	370,767
Employee benefits payable		199	973	1,869	962
Taxes payable	*I.4(9)*	290,488	217,003	247,120	128,419
Dividends payable	*I.4(10)*	514,031	392,000	99,000	220,000
Other payables	*I.4(11)*	32,743	147,424	85,914	118,592
Non-current liabilities due within one year	*I.4(12)*	–	–	186,429	186,500
Total current liabilities		1,148,800	1,337,620	1,105,554	1,302,991
Total liabilities		1,148,800	1,337,620	1,105,554	1,302,991
Owners' equity					
Paid-in Capital	*I.1*	248,306	248,306	248,306	248,306
Surplus reserve	*I.4(13)*	57,014	57,014	48,760	27,747
Retained profit		13,467	143	219,540	30,426
Total owners' equity		318,787	305,463	516,606	306,479
Total liabilities and owners' equity		1,467,587	1,643,083	1,622,160	1,609,470

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

(B) INCOME STATEMENTS

(All amounts in thousands of units of RMB unless otherwise stated.)

Item	*Note*	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Revenue	*I.4(15)*	452,716	258,153	420,762	743,505	1,529,912
Less: Cost of sales	*I.4(15)*	(186,450)	(175,474)	(286,004)	(274,055)	(873,956)
Taxes and surcharges	*I.4(16)*	(90,902)	(22,003)	(35,601)	(140,670)	(191,282)
Selling and distribution expenses		(9,637)	(20,985)	(21,272)	(28,869)	(38,808)
General and administrative expenses		(1,314)	(1,097)	(1,640)	(3,274)	(2,386)
Financial income/ (expenses) – net	*I.4(17)*	21,308	26,517	32,991	(6,510)	(30)
Asset impairment loss	*I.4(2)*	(5,104)	–	–	–	–
Operating profit		180,617	65,111	109,236	290,127	423,450
Add: Non-operating income		–	–	–	34	–
Less: Non-operating expenses		(144)	–	(93)	(7,618)	(609)
Total profit		180,473	65,111	109,143	282,543	422,841
Less: Income tax expenses	*I.4(19)*	(45,118)	(16,278)	(27,286)	(72,416)	(105,710)
Net profit		135,355	48,833	81,857	210,127	317,131
Other comprehensive income		–	–	–	–	–
Total comprehensive income		135,355	48,833	81,857	210,127	317,131

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

(C) CASH FLOW STATEMENTS

(All amounts in thousands of units of RMB unless otherwise stated.)

Item	*Note*	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Cash flow from operating activities						
Cash received from sales of goods or rendering of services		132,128	371,384	557,276	693,884	435,809
Cash received from other operating activities	*I.4(20)(d)*	257,895	114,842	275,029	1,119,715	1,070,281
Sub-total of cash inflows from operating activities		390,023	486,226	832,305	1,813,599	1,506,090
Cash paid for goods and services		(6,564)	(78,543)	(129,997)	(236,074)	(169,827)
Cash paid to and on behalf of employees		(2,707)	(2,914)	(3,409)	(6,525)	(13,318)
Payments of taxes and surcharges		(34,732)	(106,006)	(111,762)	(78,189)	(63,801)
Cash paid relating to other operating activities	*I.4(20)(e)*	(1,006,285)	(140,388)	(180,893)	(740,467)	(1,287,978)
Sub-total of cash outflows from operating activities		(1,050,288)	(327,851)	(426,061)	(1,061,255)	(1,534,924)
Net cash flows from operating activities	*I.4(20)(a)*	(660,265)	158,375	406,244	752,344	(28,834)
Cash flow from investing activities						
Cash received relating to other investing activities		–	433,094	638,256	137,000	–
Sub-total of cash inflows from investing activities		–	433,094	638,256	137,000	–
Cash paid to acquire fixed assets		–	–	–	(44)	(21)
Cash paid relating to other investing activities	*I.5(3)(b)*	–	(711,000)	(711,000)	(137,000)	(295,255)
Sub-total of cash outflows from investing activities		–	(711,000)	(711,000)	(137,044)	(295,276)
Net cash flows from investing activities		–	(277,906)	(72,744)	(44)	(295,276)

Item	Note	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Cash flow from financing activities						
Cash repayments of borrowings	*I.5(3)(a)*	–	(185,800)	(185,800)	–	–
Cash payments for interest expenses and distribution of dividends or profits		–	(63,401)	(63,401)	(121,000)	–
Sub-total of cash outflows from financing activities		–	(249,201)	(249,201)	(121,000)	–
Net cash flows from financing activities	*I.5(3)(a)*	–	(249,201)	(249,201)	(121,000)	–
Effect of foreign exchange rate changes on cash and cash equivalents		–	–	–	–	–
Net increase/(decrease) in cash	*I.4(20)(b)*	(660,265)	(368,732)	84,299	631,300	(324,110)
Add: cash at beginning of period/year	*I.4(20)(b)*	739,440	655,141	655,141	23,841	347,951
Cash at period/year end	*I.4(20)(b)*	79,175	286,409	739,440	655,141	23,841

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

(D) STATEMENTS OF CHANGES IN EQUITY

(All amounts in thousands of units of RMB unless otherwise stated.)

Item	*Note*	Paid-in Capital	Surplus reserve	Retained profits/ (Accumulated losses)	Total owners' equity
Balance at 1 January 2008		248,306	–	(38,958)	209,348
Movement for year 2008		–	27,747	69,384	97,131
Net profit		–	–	317,131	317,131
Profit distribution:					
Appropriation to surplus reserves	*I.4(13)*	–	27,747	(27,747)	–
Profit distribution to equity owners	*I.4(14)*	–	–	(220,000)	(220,000)
Balance at 31 December 2008		248,306	27,747	30,426	306,479
Balance at 1 January 2009		248,306	27,747	30,426	306,479
Movement for year 2009		–	21,013	189,114	210,127
Net profit		–	–	210,127	210,127
Profit distribution:					
Appropriation to surplus reserves	*I.4(13)*	–	21,013	(21,013)	–
Balance at 31 December 2009		248,306	48,760	219,540	516,606
Balance at 1 January 2010		248,306	48,760	219,540	516,606
Movement for year 2010		–	8,254	(219,397)	(211,143)
Net loss		–	–	81,857	81,857
Profit distribution:					
Appropriation to surplus reserves	*I.4(13)*	–	8,254	(8,254)	–
Profit distribution to equity owners	*I.4(14)*	–	–	(293,000)	(293,000)
Balance at 31 December 2010		248,306	57,014	143	305,463
Balance at 1 January 2011		248,306	57,014	143	305,463
Movement for the ten months ended 31 October 2011		–	–	13,324	13,324
Net profit		–	–	135,355	135,355
Profit distribution:					
Profit distribution to equity owners	*I.4(14)*	–	–	(122,031)	(122,031)
Balance at 31 October 2011		248,306	57,014	13,467	318,787
Balance at 1 January 2010		248,306	48,760	219,540	516,606
Movement for the ten months ended 31 October 2010		–	–	48,833	48,833
Net profit (Unaudited)		–	–	48,833	48,833
Balance at 31 October 2010 (Unaudited)		248,306	48,760	268,373	565,439

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

(All amounts hereafter in thousands of units of RMB unless otherwise stated)

1 General information

Anhua Shiji is a limited liability company incorporated on 25 April 2002 in Beijing, the PRC by Beijing Anhua Real Estate Development Co., Ltd. ("Anhua Real Estate") and Beijing Juntai Decorating and Design Co., Ltd. ("Juntai Decorating"). The proportion of investment of Anhua Real Estate and Juntai Decorating are 80% and 20%, respectively. The approved operating period of Anhua Shiji is 20 years, and registered capital is RMB29,800,000.

On 23 December 2002, Anhua Real Estate disposed of 50% interest of Anhua Shiji to Beijing Capital Land Limited. ("Beijing Capital Land"), and Juntai Decorating disposed of 20% interest of Anhua Shiji to Beijing Hongshi Tongda Business Group ("Tongda Business"). After the transactions, Beijing Capital Land, Anhua Real Estate and Tongda Business hold 50%, 30% and 20% interest of Anhua Shiji respectively.

On 12 November 2003, Anhua Real Estate and Tongda Business disposed of all the interest of Anhua Shiji to S.C. Real Estate Development Co., Ltd. ("S.C."). After the transactions, Beijing Capital Land and S.C. hold 50% of Anhua Shiji share respectively.

On 22 November 2003, S.C. disposed of 45% and 5% interest of Anhua Shiji to Reco Hibiscus Pte. Ltd. ("Reco Hibiscus") and Beijing Capital Land. After the transactions, Anhua Shiji changed into a Chinese-foreign contractual joint venture, Beijing Capital Land and Reco Hibiscus hold 55% and 45% of Anhua Shiji interest respectively. Meanwhile, they injected their capital according to their proportion of interest in Anhua Shiji, after the injection, the share capital increased from USD3,600,000 to USD18,000,000.

On 12 November 2004, Beijing Capital Land and Reco Hibiscus injected share capital according to the share proportion to Anhua Shiji, after the transfer, the share capital increased from USD18,000,000 to USD30,000,000.

Anhua Shiji is principally engaged in land and property development, property leasing and sales, and property management in the area of Yuan Xi Tang project. Anhua Shiji's main business during the Relevant Periods are land and property development.

Beijing Capital Land is the ultimate holding company of Anhua Shiji during the Relevant Periods.

2 Significant accounting policies and accounting estimates

(1) Basis of preparation

The financial statements have been prepared in accordance with the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (herein collectively referred to as "the Accounting Standards for Business Enterprises" or "CAS"), Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as well as Hong Kong Companies Ordinance.

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

The financial statements of Anhua Shiji for year 2008, 2009, 2010 and the ten months ended 31 October 2011 truly and completely present the financial position as of 31 December 2008, 2009, 2010 and 31 October 2011 and the operating results, cash flows and other information for the year ended 31 December 2008, 2009 and 2010 and the ten months ended 31 October 2011 of Anhua Shiji 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) Foreign currency translation

Foreign currency transactions are translated into the functional currency 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.

(6) Cash

Cash comprise cash on hand and call deposits with banks.

(7) Financial instruments

(a) Financial assets

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 Anhua Shiji's intention and ability to hold the financial assets. The financial assets of Anhua Shiji are receivables.

Receivables

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

Receivables comprise trade and other receivables. Receivables are initially recognised at the fair value of the contractual collectable amount. And receivables are presented at amortised cost net of provision using the effective interest method.

Receivables that are individually significant are subject to separate impairment assessment. If there is objective evidence that Anhua Shiji 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.

(b) Financial liabilities

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

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 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 consideration paid is recognised in profit or loss.

(8) Inventories

(a) Classification

Inventories include properties under development and properties held for sale, 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 comprise land use rights, construction cost, capitalised interest, and other direct and indirect development expenses incurred during the development period. The actual costs will be used when the properties under development are transferred to completed properties held for sale. For the land use rights acquired by Anhua Shiji that are developed as building for subsequent sales, the cost paid for land use rights are classified and accounted for as part of the costs of properties under development.

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

(c) Measurement of net realisable value and provisions for impairment of inventory

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.

(9) Fixed Assets

(a) Recognition and initial measurement

Fixed assets comprise motor vehicles and office equipment.

Fixed assets are recognised when it is probable that the associated economic benefits will flow to Anhua Shiji and the related cost can be reliably measured. Fixed assets purchased or constructed by Anhua Shiji 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 assets when it is probable that the associated economic benefits will flow to Anhua Shiji 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
Motor vehicles	3 years	0%	33.34%
Office equipment	4 years	5%	23.75%

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 (I.note 2(12)).

(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.

(10) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of 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 real estate projects under acquisition or construction are completed and accepted after check and 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 three months, until the acquisition or construction is resumed.

For borrowings that specified for acquisition and construction of real estate projects and qualified for capitalisation, the capitalisation amount is measured as current actual interest 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 real estate projects qualified accumulated, the capitalisation amount should be the weighted average exceeds of accumulated capital expenditures for capitalisation over the amount of specialised borrowings multiplied by the weighted average effective interest rate. The effective interest rate is the rate used to discount the future cash flows in the expected period of continued existence or applicable shorter period of the borrowings to the initial measurement of the borrowings.

(11) Long-term prepaid expenses

Long-term prepaid expenses include expenditures for rent fixed assets improvement and 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.

(12) Impairment of long-term assets

Fixed Assets and other long-term assets 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.

(13) 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.

According to related laws and regulations, employees of Anhua Shiji should participate in the defined contribution plan which requires fixed payment organised by the local government. Anhua Shiji determine the monthly pension in accordance with a certain percentage of employees' wage which should not exceeds the upper limit, and pay to local labour and social security agencies. Anhua Shiji does not have other responsibilities to retirement welfare besides this monthly payment for its employees.

The expenditures of Anhua Shiji to the pension programme are recognised as costs of assets or expenses in the period in which they are accrued.

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 which the employee service is attributable.

(14) Profit distribution

Proposed profit distribution is recognised as a liability in the period in which it is approved by the Board of Directors.

(15) 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 service in the ordinary course of Anhua Shiji's activities. Revenue is shown net of rebates, discounts and returns.

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

(a) Sales of goods

Revenue of sales 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 manners and forms; all the significant risks and rewards of ownership of the properties held for sale have been transferred to the buyer; and Anhua Shiji 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) Interest income

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

(16) 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.

(17) Segment information

Anhua Shiji 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 Anhua Shiji 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 Anhua Shiji'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 Anhua Shiji. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

Anhua Shiji has only one segment during the reporting period, therefore no segment information has been prepared.

(18) Critical accounting estimates and judgments

Anhua Shiji 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 Anhua Shiji's property development cost. The budget cost and development progress of the project is reviewed by Anhua Shiji 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

Anhua Shiji 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.

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

According to the accounting policy stated in I.note 2(15), 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 stated in I.note 7, Anhua Shiji provided guarantees for bank financing for certain customers. These guarantees will terminate upon the mortgage of the real estate ownership certificate to the bank. Through evaluation, Anhua Shiji believes the significant risks and rewards of ownership have been transferred when the customers check and accept or see as accept.

3 Taxation

The types and rates of taxes applicable to Anhua Shiji are set out as follows:

Type	Tax rate	Taxable base
Enterprise income tax	25%	Taxable income
Business tax	5%	Taxable turnover amount
Land appreciation tax	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	7%	Business tax payable
Education surcharge	3%	Business tax payable
Land use tax	RMB24 yuan per square meters	Land area

4 Notes to the Financial Information

(1) Cash at bank and on hand

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Cash on hand	4	22	16	15
Cash at bank	86,067	746,913	657,725	30,847
Total	86,071	746,935	657,741	30,862

As at 31 October 2011, restricted bank deposits include security deposits for certain mortgage loans to customers, amounted to RMB6,896,000 (31 December 2010: RMB7,495,000; 31 December 2009: RMB2,600,000; and 31 December 2008: RMB7,021,000).

(2) Trade and other receivables

(a) Trade receivables

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Amount due from selling properties	299	298	490	741
Less: provision for bad debts	–	–	–	–
Net	299	298	490	741

The ageing analysis of trade receivables are as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Within one year	299	298	490	741

(b) Other receivables

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Amount due from related parties *(I.note5(4)(a))*	1,042,977	397,469	295,255	749,672
Others	9,527	9,520	2,661	2,691
Subtotal	1,052,504	406,989	297,916	752,363
Less: provision for bad debts *(i)*	(5,104)	–	–	–
Net	1,047,400	406,989	297,916	752,363

(i) As at 31 October 2011, Anhua Shiji performed its guarantee obligation to pay RMB5,104,000 to the bank on behalf of certain customer who is unable to repay the mortgage on time. Anhua Shiji believes this receivable is difficult to be recovered, and recognised the full amount as a provision for receivables.

The ageing analysis of other receivables are as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Within one year	655,035	406,989	2,661	749,672
1 to 2 year	397,469	–	295,255	–
Total	1,052,504	406,989	297,916	749,672

(3) Inventories

Inventories are classified as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Cost –				
Properties under development	–	–	–	629,317
Properties held for sale	326,816	453,982	649,711	161,309
Subtotal	326,816	453,982	649,711	790,626
Less: provisions of inventory	–	–	–	–
Net	326,816	453,982	649,711	790,626

For the ten months ended 31 October 2011, the properties held for sale with the carrying amount of RMB186,450,000 (for the ten months ended 31 October 2010: RMB175,474,000, 2010: RMB286,004,000, 2009: RMB274,055,000, 2008: RMB873,956,000) has been recognised as cost of sales *(I.note4(15))*.

As at 31 October 2011, no financed costs are capitalised as the development cost (31 December 2010 and 31 December 2009: nil, 31 December 2008: 28,394,000). For the ten months ended 31 October 2011, the capitalisation rate is nil (for the ten months ended 31 October 2010: nil, 2010 and 2009: nil, 2008: 6.6%).

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

The location and ageing analysis of land use rights are as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
In Mainland China –				
Over 50 years	9,044	11,826	18,118	56,326

(4) *Other current assets*

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Prepaid tax	5,685	34,818	16,038	34,269

(5) *Fixed Assets*

	Motor Vehicles	Office Equipment	Total
Cost			
1 January 2008	524	553	1,077
Additions	–	21	21
31 December 2008	524	574	1,098
Additions	–	44	44
Disposal	(219)	–	(219)
31 December 2009	305	618	923
Additions	–	–	–
31 December 2010	305	618	923
Additions	–	–	–
31 October 2011	305	618	923
Accumulated Depreciation			
1 January 2008	214	338	552
Depreciation	65	81	146
31 December 2008	279	419	698

	Motor Vehicles	Office Equipment	Total
Depreciation	27	73	100
Disposal	(139)	–	(139)
31 December 2009	167	492	659
Depreciation	138	65	203
31 December 2010	305	557	862
Depreciation	–	21	21
31 October 2011	305	578	883
Net book value			
1 January 2008	310	215	525
31 December 2008	245	155	400
31 December 2009	138	126	264
31 December 2010	–	61	61
31 October 2011	–	40	40

For the ten months ended 31 October 2011, the amount of depreciation expense charged to administrative expenses were RMB21,000 (for the ten months ended 31 October 2010: RMB198,000; 2010: RMB203,000; 2009: RMB100,000; 2008: RMB146,000).

(6) Deferred tax assets

	31 October 2011		31 December 2010	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for receivables	1,276	5,104	–	–

	31 December 2009		31 December 2008	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for receivables	–	–	–	–

(7) Accounts payables

The ageing analysis of accounts payable is as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Within 1 year	113,127	33,292	58,899	277,751
Over 1 year	61,584	89,712	105,427	–
Total	174,711	123,004	164,326	277,751

(8) Advances from customers

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Advances from sale of properties	136,628	457,216	320,896	370,767

Advances from customers are amounts received for properties sold, but the risks and reward of the properties have not been transferred to the customers and revenue have not yet recognised.

(9) Taxes payable

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Enterprise income tax payable	22,741	3,110	43,896	23,710
Land appreciation tax payable	265,642	207,731	197,987	104,145
Business tax payable	1,912	5,585	5,106	544
Others	193	577	131	20
Total	290,488	217,003	247,120	128,419

(10) Dividends payable

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Beijing Capital Land	228,266	161,150	–	121,000
Reco Hibiscus	285,765	230,850	99,000	99,000
Total	514,031	392,000	99,000	220,000

(11) Other payables

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Amounts due to related parties *(I.note5(4)(b))*	1,141	120,081	63,401	49,795
Public maintenance fund and deed tax received on behalf of customers	28,131	25,107	20,281	68,322
Others	3,471	2,236	2,232	475
Total	32,743	147,424	85,914	118,592

(12) Non-current liabilities due within one year

Long-term payables due within one year

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Reco Hibiscus	–	–	75,110	75,181
Beijing Capital Land	–	–	111,319	111,319
Total:	–	–	186,429	186,500

As at 31 December 2008, the long-term payables were the shareholders' borrowings received from Reco Hibiscus and Beijing Capital Land. The principal were USD11,000,000 and RMB111,319,000 respectively. The interest rate per annum of both borrowings are 10% higher than the interest rate of bank borrowings stipulated by the People's Bank of China.

The above shareholders' borrowings are required to be repaid in December 2009 according to the contract; the amount above has been repaid in July 2010.

(13) Surplus reserve

	Statutory surplus reserve
31 December 2007	–
Increase in current year	27,747
31 December 2008	27,747
Increase in current year	21,013
31 December 2009	48,760
Increase in current year	8,254
31 December 2010	57,014
31 October 2011	57,014

In accordance with the Company Law and Anhua Shiji's Articles of Association, Anhua Shiji should appropriate 10% of net profit for the year to the statutory surplus reserve and Anhua Shiji 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. For 2010, statutory reserve amounted to RMB8,254,000 was transferred (2009: RMB21,013,000, 2008: RMB27,747,000).

The Company appropriates for the discretionary surplus reserve after the approvals from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities. The Company did not appropriate discretionary surplus reserve for the year ended 2010 (2009 and 2008: nil).

(14) Profit distribution

In accordance with the resolution at the Board of Directors' meeting dated on 31 October 2011, Anhua Shiji declared a cash dividend of RMB122,031,000 to the shareholders, with an amount of RMB67,116,000 declared to Beijing Capital Land and RMB54,915,000 to Reco Hibiscus.

In accordance with the resolution at the Board of Directors' meeting dated on 31 December 2010, Anhua Shiji declared a cash dividend of RMB293,000,000 to the shareholders, with an amount of RMB161,150,000 declared to Beijing Capital Land and RMB131,850,000 to Reco Hibiscus.

No dividends were declared in 2009.

In accordance with the resolution at the Board of Directors' meeting dated on 31 December 2008, Anhua Shiji declared a cash dividend of RMB220,000,000 to the shareholders, with an amount of RMB121,000,000 declared to Beijing Capital Land and RMB99,000,000 to Reco Hibiscus.

(15) Revenue and cost of sales

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Revenue –					
Sale of properties	452,716	258,153	420,762	743,505	1,529,912

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Cost of sales –					
Sale of properties	186,450	175,474	286,004	274,055	873,956

(16) Taxes and surcharges

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Business tax	23,611	13,558	21,861	37,175	76,496
Land Appreciation Tax	66,366	8,380	13,478	103,166	114,786
Others	925	65	262	329	–
Total	90,902	22,003	35,601	140,670	191,282

(17) Financial (incomes)/expenses

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Interest expenses	–	–	–	11,920	14,975
of which, bank borrowings wholly repayable within five years	–	–	–	11,920	14,975
Less: finance costs capitalised	–	–	–	(4,392)	(14,975)
Interest expenses – net	–	–	–	7,528	–
Interest income *(I.note5(3)(d))*	(21,319)	(25,900)	(32,379)	(1,865)	(1,952)
Less: finance income capitalised	–	–	–	1,342	1,952
Interest income – net	(21,319)	(25,900)	(32,379)	(523)	–
Exchange gains	–	(629)	(629)	(975)	(5,879)
Less: Exchange gains capitalised	–	–	–	461	5,879
Exchange gains – net	–	(629)	(629)	(514)	–
Others	11	12	17	19	30
Net	(21,308)	(26,517)	(32,991)	6,510	30

(18) Depreciation and other expenses

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Depreciation of fixed assets	21	198	203	100	146
Amortisation of long-term prepaid expenses	–	–	–	209	201
Auditor's remuneration	75	125	150	154	130

(19) Income tax expenses

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Current income tax – PRC	46,394	16,278	27,286	72,416	105,710
Deferred income tax	(1,276)	–	–	–	–
Total	45,118	16,278	27,286	72,416	105,710

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

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Total profit/(loss)	180,473	65,111	109,143	282,543	422,841
Income tax expenses calculated at applicable tax rates (25%)	45,118	16,278	27,286	70,636	105,710
Costs and losses which are not deductable	–	–	–	1,780	–
Income tax expenses	45,118	16,278	27,286	72,416	105,710

(20) Notes to cash flow statements

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

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Net profit	135,355	48,833	81,857	210,127	317,131
Add: provision for receivables *(I.note4(2))*	5,104	–	–	–	–
Depreciation of fixed assets *(I.note4(5))*	21	198	203	100	146
Amortisation of long-term prepaid expenses	–	–	–	209	201
Financial (income)/ expenses	(19,508)	(24,588)	(30,099)	7,014	–
(Increase)/Decrease of deferred assets *(I.note4(6))*	(1,276)	–	–	–	12,530
Decrease in inventory	125,786	205,048	197,108	144,864	808,784
Increase/(decrease) in restricted bank deposits	599	(4,296)	(4,895)	4,421	(7,021)
(Increase)/Decrease in operating receivables	(594,690)	(101,864)	(26,146)	380,236	(255,718)
Increase/(Decrease) in operating payables	(311,656)	35,044	188,216	5,373	(904,887)
Net cash flow from operating activities	(660,265)	158,375	406,244	752,344	(28,834)

(b) Net increase/(decrease) in cash

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Cash at end of period/year	79,175	286,409	739,440	655,141	23,841
Less: cash at beginning of period/year	(739,440)	(655,141)	(655,141)	(23,841)	(347,951)
Net increase/(decrease) in cash	(660,265)	(368,732)	84,299	631,300	(324,110)

(c) Cash

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Cash on hand and in bank *(I.note4(1))*	86,071	746,935	657,741	30,862
Less: restricted bank deposits *(I.note4(1))*	(6,896)	(7,495)	(2,600)	(7,021)
Cash at end of period/year	79,175	739,440	655,141	23,841

(d) Other cash receipts related to operating activities

	ten months ended 31 October 2011	**ten months ended 31 October 2010** (Unaudited)	**2010**	**2009**	**2008**
Proceeds from related parties *(I.note5(3)(f))*	251,060	102,598	261,223	1,099,508	1,001,000
Maintenance fund and the deed tax received on behalf of customers	4,424	10,599	12,885	19,804	68,322
Others	2,411	1,645	921	403	959
Total	257,895	114,842	275,029	1,119,715	1,070,281

(e) Other cash payments related to operating activities

	ten months ended 31 October 2011	**ten months ended 31 October 2010** (Unaudited)	**2010**	**2009**	**2008**
Payments to related parties *(I.note5(3)(g))*	996,000	102,115	141,142	642,519	1,259,639
Sales commission	4,740	3,710	6,149	8,494	4,792
Maintenance fund and the deed tax paid on behalf of the customers	1,400	8,058	10,131	67,846	2,000
Marketing expenses	3,006	13,045	8,892	7,891	10,290
Consultant fee	48	4,085	6,085	8,579	5,675
Others	1,091	9,375	8,494	5,138	5,582
Total	1,006,285	140,388	180,893	740,467	1,287,978

5 Related parties and related party transactions

(1) The parent company

(a) General information of the parent company

During the Relevant Periods, Anhua Shiji's parent companies was Beijing Capital Land, whose registered place and business nature is listed below:

Company name	Place of registration	Nature of business
Beijing Capital Land	Beijing, PRC	Real estate investment and management

Beijing Capital Land is the ultimate holding company of Anhua Shiji during the Relevant Periods.

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

The registered capital of Beijing Capital Land has been RMB2,027,960,000 from 31 December 2008 to 31 October 2011 with no changes.

(c) The proportions of equity interest and voting rights in Anhua Shiji held by the parent company

	31 October 2011		31 December 2010		31 December 2009		31 December 2008	
	Equity interest	Voting rights	Equity interest	Voting rights	Equity interest	Voting rights	Equity interest	Voting rights
	%	%	%	%	%	%	%	%
Beijing Capital Land	55	55	55	55	55	55	55	55

(2) Nature of related parties that do not control or are not controlled by Anhua Shiji

Name of related entities	Relationship with Anhua Shiji
Reco Hibiscus	Minority shareholder
Tianjin Capital Xinyuan Real Estate Development Co., Ltd. ("Tianjin Xinyuan")	Subsidiary of Beijing Capital Land
Tianjin Capital Xingang Real Estate Development Co., Ltd ("Tianjin Xingang")	Subsidiary of Beijing Capital Land
Chongqing Capital Xinshi Real Estate Development Co., Ltd ("Chongqing Xinshi")	Subsidiary of Beijing Capital Land
Tianjin Banshan Renjia Real Estate Co., Ltd. ("Tianjin Banshan")	Subsidiary of Beijing Capital Land
Beijing Shangbodi Investment Consultant Co., Ltd. ("Shangbodi")	Subsidiary of Beijing Capital Land
Tianjin Xinchuang Land Ltd. ("Tianjin Xinchuang")	Subsidiary of Beijing Capital Land
Beijing Sun Shine City Real Estate Development Company Limited ("Sun Shine City")	Subsidiary of Beijing Capital Land
Shenyang Xinzi Capital Real Estate Development Company Limited ("Shenyang Xinzi")	Associate of Beijing Capital Land
Tianjin Capital Xinqing Real Estate Development Co., Ltd. ("Tianjin Xinqing")	Associate of Beijing Capital Land
Xi'an Xin Kai Capital Real Estate Development Company Limited ("Xi'an Xin Kai")	Associate of Beijing Capital Land
Beijing Capital Xinzi Real Estate Limited ("Beijing Xinzi")	Associate of Beijing Capital Land
Tianjin Capital Xinming Real Estate Development Co., Ltd. ("Tianjin Xinming")	Associate of Beijing Capital Land

(3) Related party transactions

The Board of Anhua Shiji considers all transactions with related parties are on normal commercial terms, price of related party transactions is agreed by Anhua Shiji and its related parties.

(a) Repayment to shareholders

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Beijing Capitail Land	–	111,319	111,319	–	–
Reco Hibiscus	–	74,481	74,481	–	–
Total	–	185,800	185,800	–	–

(b) Provide loans for related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Tianjin Xingang	–	–	–	–	295,255
Chongqing Xinshi	–	511,000	511,000	137,000	–
Shenyang Xinzi	–	200,000	200,000	–	–
Total	–	711,000	711,000	137,000	295,255

(c) Loans received from related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Tianjin Xingang	–	295,255	295,255	–	–
Chongqing Xinshi	–	130,000	130,000	137,000	–
Shenyang Xinzi	–	–	200,000	–	–
Total	–	425,255	625,255	137,000	–

(d) Interest expense/(income) from related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Beijing Capital Land	–	–	–	6,384	9,256
Reco Hibiscus	–	–	–	5,536	5,719
Tianjing Xingang	–	(7,839)	(7,839)	–	–
Chongqing Xinshi	(19,508)	(13,022)	(16,469)	–	–
Chenyang Xinzi	–	(3,098)	(5,162)	–	–
Net	(19,508)	(23,959)	(29,470)	11,920	14,975

(e) Receive consulting services from related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Beijing Capital Land	–	10,000	15,984	19,800	14,970

(f) Other proceeds from related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Beijing Capital Land	1,060	483	39,108	261,864	802,000
Beijing XinZi	–	1,500	1,500	196,000	29,000
Shangbodi	–	–	–	–	170,000
Xi'an Xin Kai	–	100,000	220,000	60,000	–
Tianjin Xinyuan	–	5	5	65,895	–
Tianjin Banshan	–	–	–	400,000	–
Tianjin Xinming	–	–	–	15,913	–
Tianjin Xinqing	–	–	–	3,847	–
Tianjin Xinchuang	–	–	–	15,989	–
Sun Shine City	250,000	610	610	80,000	–
Total	251,060	102,598	261,223	1,099,508	1,001,000

(g) Other payments to related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Beijing Capital Land	–	–	39,027	137,519	727,995
Beijing XinZi	–	1,500	1,500	225,000	–
Shangbodi	–	–	–	–	170,000
Xi'an Xin Kai	120,000	100,000	100,000	–	60,000
Tianjin Xinyuan	–	5	5	–	65,895
Tianjin Banshan	–	–	–	200,000	200,000
Tianjin Xinming	–	–	–	–	15,913
Tianjin Xinchuang	–	–	–	–	3,847
Anhua Shiji	–	–	–	–	15,989
Sun Shine City	876,000	610	610	80,000	–
Total	996,000	102,115	141,142	642,519	1,259,639

(h) Remuneration of key management

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Remuneration of key management	–	–	–	3,393	6,792

(i) Remuneration of directors

The directors of Anhua Shiji from 1 January 2008 to December 2009 are Tang Jun（唐軍）, Li Guoshen（李國紳）, Sun Jianjun（孫建軍）, He Guang（何光）and Hu Weimin（胡衛民）; from December 2009 to April 2010 are Tang Jun（唐軍）, Li Guoshen（李國紳）, Sun Jianjun（孫建軍）, Zhang Fuxiang（張馥香）and Hu Weimin (胡衛民); from April 2010 to 31 October 2011 are Tang Jun（唐軍）, Li Yu（李鈺）, Sun Jianjun（孫建軍）, Zhang Fuxiang（張馥香）and Hu Weimin（胡衛民）.

The directors work at shareholder's companies, and their remuneration are not undertaken by Anhua Shiji.

(4) Related party balances

(a) Other receivables (I.note4(2)(b))

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Tianjin Xingang – principal *(i)*	–	–	295,255	295,255
Chongqing Xinshi – Principal *(ii)*	381,000	381,000	–	–
Chongqing Xinshi – interest	35,977	16,469	–	–
Xi'an Xin Kai *(iii)*	–	–	–	60,000
Tianjin Xinyuan *(iii)*	–	–	–	65,895
Tianjin Banshan *(iii)*	–	–	–	200,000
Tianjin Xinming *(iii)*	–	–	–	15,913
Tianjin Xinqing *(iii)*	–	–	–	3,847
Tianjin Xinchuang *(iii)*	–	–	–	15,989
Sun Shine City *(iii)*	626,000	–	–	–
Beijing Capital Land – interest	–	–	–	(31,572)
Beijing Capital Land – interest free *(iii)*	–	–	–	124,345
Total	1,042,977	397,469	295,255	749,672

(i) The amount provided to Tianjin Xingang has interest free in year 2008 and 2009. The interest rate in 2010 is the same as the interest rate of bank borrowings of the same period. The loan has no fixed maturity date, is unsecured and unguaranteed, and has been repaid in June 2010.

(ii) The amount provided to Chongqing Xinshi was interest free in year 2009. The interest rate in 2010 is the same as the interest rate of bank borrowings of the same period. The loan has no fixed maturity date, and is unsecured and unguaranteed.

(iii) The amount received from these related parties is interest free, unsecured and unguaranteed, and has no fixed maturity date.

(b) Other payables (I.note4(11))

	31 October 2011	**31 December 2010**	**31 December 2009**	**31 December 2008**
Beijing Capital Land – interest	–	–	37,956	–
Beijing Capital Land – interest free *(i)*	1,141	81	–	–
Reco Hibiscus – interest	–	–	25,445	20,795
Beijing Xinzi *(i)*	–	–	–	29,000
Xi'an Xin Kai *(i)*	–	120,000	–	–
Total	1,141	120,081	63,401	49,795

(i) The amount received from these related parties is interest free, unsecured and unguaranteed, and has no fixed maturity date.

(c) Non-current liabilities due within one year

Non-current liabilities due within one year of Anhua Shiji is disclosed in I.note4(12).

(d) Dividends payables

Dividends payable of Anhua Shiji is disclosed in I.note4(10)

6 Capital commitments

Capital expenditures contracted for properties under development at the balance sheet date are as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Authorised but not contracted	–	–	64,934	65,290

7 Financial Guarantees

Anhua Shiji has arranged bank financing for certain customers and had provided guarantees to secure obligations of these customers for repayments.

Anhua Shiji provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of Anhua Shiji's properties. These guarantees will terminate upon the issue of the real estate ownership certificate and the completion of the mortgage registration.

As at 31 October 2011, outstanding guarantees amounted to RMB273,612,000 (31 December 2010: RMB257,096,000; 31 December 2009: RMB488,215,000; 31 December 2008: RMB379,528,000).

8 Financial instruments and risk

Anhua Shiji's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk and interest rate risk), credit risk and liquidity risk. Anhua Shiji's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of Anhua Shiji.

(1) Market risk

(a) Foreign exchange risk

The majority of Anhua Shiji's business is operated in mainland China and used Renminbi (RMB) as settlement currency. But Anhua Shiji's recognised foreign liabilities are still subject to foreign exchange risk.

Anhua Shiji's finance department is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies. The management of Anhua Shiji may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. During the ten months ended 31 October 2011 and the year ended 2010, 2009 and 2008, Anhua Shiji did not enter into any forward exchange contracts or currency swap contracts.

As at 31 October 2011 and 31 December 2010, 2009 and 2008, the carrying amounts in RMB equivalent of Anhua Shiji's liabilities denominated in foreign currencies are summarised below:

	31 October 2011	**31 December 2010**	**31 December 2009**	**31 December 2008**
Financial liabilities denominated in foreign currency –				
Non-current liabilities due within one year	–	–	75,110	75,181
Other payables	–	–	25,445	20,795
Total	–	–	100,555	95,976

As at 31 October 2011, if the currency had strengthened/weakened by 10 % against the USD while all other variables had been held constant, Anhua Shiji's net exchange gains/(losses) for the year would have been approximately RMBnil (31 December 2010: nil, 31 December 2009: RMB10,056,000, 31 December 2008: RMB9,598,000) higher/lower for various financial assets and liabilities denominated in USD.

(b) Interest rate risk

Anhua Shiji's interest rate risk arises from long-term interest bearing borrowings. Financial liabilities issued at floating rates expose Anhua Shiji to cash flow interest rate risk. Financial liabilities issued at fixed rates expose Anhua Shiji to fair value interest rate risk. Anhua Shiji determines the contracts proportions of fixed rate and floating rate depending on the market conditions. As at 31 October 2011, Anhua Shiji's long-term interest bearing borrowings were mainly USD-denominated with floating rates, due to Reco Hibiscus, amounting to USD nil (31 December 2010: nil; 31 December 2009 and 31 December 2008: USD11,000,000), and RMB-denominated with floating rates due to Beijing Capital Land, amounting to RMB nil (31 December 2010: nil; 31 December 2009 and 31 December 2008: RMB111,319,000).

The management of Anhua Shiji continuously monitors the interest rates. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to Anhua Shiji's outstanding floating rate borrowings, and therefore could have a material adverse effect on Anhua Shiji's financial results. The management makes decisions with reference to the latest market conditions.

As at 31 October 2011, if interest rates on the floating rate borrowings increased/decreased 50 basis points with all other variables held constant, the interest expenses of bank of Anhua Shiji would not increased or decreased (31 December 2010: nil; 31 December 2009: RMB933,000; 31 December 2008: RMB933,000).

(2) Credit risk

Credit risk is managed by portfolio classification. Credit risk mainly arises from cash at bank and on hand, receivables and other receivables.

Anhua Shiji expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listing banks. Anhua Shiji does not expect that there will be any significant losses arise from non-performance by these counterparties.

To manage this risk, deposits are mainly placed with state-owned banks. Anhua Shiji has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, Anhua Shiji reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. Anhua Shiji has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

If the customers fail to pay the mortgage loan within the guarantee period, Anhua Shiji has the obligation to pay the mortgage loan in the limitation of the related loan and its interest under this condition; Anhua Shiji has the right to dispose the property to the bank to compensate for the payables. Therefore, the management of Anhua Shiji believes the credit risk has been largely decreased.

(3) Liquidity risk

Cash flow forecasting is performed by Anhua Shiji. The finance departments monitor rolling forecasts of the short-term and long-term liquidity requirements to ensure Anhua Shiji 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 Anhua Shiji does not breach borrowing limits or covenants on any of borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial assets and liabilities of Anhua Shiji at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 October 2011				
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Financial assets –					
Cash at bank and on hand	86,071	–	–	–	86,071
Receivables	1,047,699	–	–	–	1,047,699
Total	1,133,770	–	–	–	1,133,770

	31 December 2010				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial assets –					
Cash at bank and on hand	746,935	–	–	–	746,935
Receivables	407,287	–	–	–	407,287
Total	1,154,222	–	–	–	1,154,222

	31 December 2009				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial assets –					
Cash at bank and on hand	657,741	–	–	–	657,741
Receivables	298,406	–	–	–	298,406
Total	956,147	–	–	–	956,147

	31 December 2008				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial assets –					
Cash at bank and on hand	30,862	–	–	–	30,862
Receivables	753,104	–	–	–	753,104
Total	783,966	–	–	–	783,966

	31 October 2011				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial liabilities –					
Payables	721,485	–	–	–	721,485

	31 December 2010				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial liabilities –					
Payables	662,428	–	–	–	662,428

	31 December 2009				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial liabilities –					
Payables	349,240	–	–	–	349,240
Non-current liabilities due within one year	186,429	–	–	–	186,429
Total	535,669	–	–	–	535,669

	31 December 2008				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial liabilities –					
Payables	616,343	–	–	–	616,343
Non-current liabilities due within one year	200,233	–	–	–	200,233
Total	816,576	–	–	–	816,576

The analysis of repayable dates of shareholder borrowings are as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Shareholder borrowings wholly repayable within 5 years	–	–	186,429	186,500

(4) Fair value

(a) Financial instruments not measured in fair value

Financial assets and liabilities not measured in fair value mainly include receivables, payables and long-term payables.

The carrying amount of the above financial assets and liabilities not measured in fair value is a reasonable approximation of their fair value.

The fair value of long-term 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

Anhua Shiji has no financial instruments measured in fair value at 31 October 2011, 31 December 2010, 2009 and 2008.

9 Net current assets

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Current assets	1,466,271	1,643,022	1,621,896	1,608,861
Less: Current liabilities	(1,148,800)	(1,337,620)	(1,105,554)	(1,302,991)
Net current assets	317,471	305,402	516,342	305,870

10 Total assets less current liabilities

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Total assets	1,467,587	1,643,083	1,622,160	1,609,470
Less: Current liabilities	(1,148,800)	(1,337,620)	(1,105,554)	(1,302,991)
Total assets less current liabilities	318,787	305,463	516,606	306,479

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Anhua Shiji in respect of any period subsequent to 31 October 2011 up to the date of this report. No dividend or distribution has been declared by Anhua Shiji in respect of any period subsequent to 31 October 2011.

Yours faithfully,

PricewaterhouseCoopers Zhong Tian CPAs Limited Company

Shanghai, PRC

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers Zhong Tian CPA Limited Company, for the purpose of incorporation in this circular.

pwc 普华永道

13 February 2012

The Directors
Beijing Capital Land Ltd.

Dear Sirs,

We report on the financial information (the "Financial Information") of Beijing Sun Shine City Real Estate Development Company Limited ("Sun Shine City"), which comprises the balance sheets of Sun Shine City as at 31 December 2008, 2009 and 2010 and 31 October 2011, and the income statements, the statements of changes in equity and the cash flow statements of Sun Shine City for each of the years ended 31 December 2008, 2009 and 2010 and the ten months ended 31 October 2011 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This Financial Information has been prepared by the directors of Beijing Capital Land Ltd. (the "Company") and is set out in Section I below for inclusion in Appendix VII to the circular of the Company dated 13 February 2012 (the "Circular") in connection with the proposed acquisition of 100% equity interest in Reco Camellia, and then indirectly acquire Reco Camellia's 50% equity interest in Sun Shine City by the Company (the "transactions").

Sun Shine City was established in the People's Republic of China (the "PRC" or "China") on 1 July 2002 as a company with limited liability under the Companies Law of the PRC.

The financial statements of the Sun Shine City for each of the years ended 31 December 2008, 2009 and 2010 and the ten months ended 31 October 2011 were audited by Hua-ander CPA Limited, certified public accountants in the PRC.

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The directors of Sun Shine City during the Relevant Periods are responsible for the preparation and fair presentation of the financial statements of Sun Shine City in accordance with the Accounting Standards for Business Enterprises of the PRC (the "PRC GAAP"), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Financial Information has been prepared based on the audited financial statements of Sun Shine City after making such adjustments as are appropriate.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with PRC GAAP and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the published unaudited interim report of the Company for the six months ended 30 June 2011.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Sun Shine City as at 31 December 2008, 2009 and 2010 and 31 October 2011 and of Sun Shine City's result and cash flows for the Relevant Periods then ended.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Section I below included in Appendix VII to the Circular which comprises the income statements, the statement of changes in equity and the cash flow statement of Sun Shine City for the ten months ended 31 October 2010 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with PRC GAAP and accounting policies adopted by the Group as set out in the published unaudited interim report of the Company for the six months ended 30 June 2011.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with China Standards on Review Engagements 2101, "Review of Financial Statements" issued by the China Institute of Public Accountants (the "CICPA"). A review of Stub Period Comparative Financial Information consists of making inquiries, primarily of person 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 China 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.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in note 2 of Section I below.

I. FINANCIAL STATEMENTS OF SUN SHINE CITY

The financial statements of Sun Shine City as at 31 December of 2008, 2009 and 2010 and 31 October 2011, and for each of the years ended 31 December 2008, 2009 and 2010, and the ten months ended 31 October 2010 and 2011, are prepared by the directors of the Company and presented as follows:

(A) BALANCE SHEETS

(All amounts in thousands of units of RMB unless otherwise stated.)

	Note	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Assets					
Current assets					
Cash at bank and on hand	*I.4(1)*	2,165,494	601,576	120,824	305,822
Accounts receivable	*I.4(2)(a)*	122	21	105	–
Advances to suppliers	*I.4(3)*	9,864	1,926	101	4,579
Other receivables	*I.4(2)(b)*	1,139,464	849,133	833,414	754,396
Inventories	*I.4(4)*	453,341	367,869	287,014	683,152
Other current assents	*I.4(5)*	111,654	43,130	2,894	25,809
Total current assets		3,879,939	1,863,655	1,244,352	1,773,758
Non-current assets					
Fixed Assets	*I.4(6)*	489	534	317	453
Total non-current assets		489	534	317	453
Total assets		3,880,428	1,864,189	1,244,669	1,774,211
Liabilities and owner's equity					
Current liabilities					
Accounts payable	*I.4(7)*	127,139	152,567	190,078	335,704
Advances from customers	*I.4(8)*	1,102,574	506,781	32,750	516,171
Employee benefits payable		343	2,303	1,858	941
Taxes payable	*I.4(9)*	169,717	195,764	247,639	126,509
Dividends payable	*I.4(10)*	432,042	432,042	156,042	312,084
Other payables	*I.4(11)*	1,618,494	54,552	82,090	114,902
Non-current liabilities due within one year	*I.4(12)*	43,237	44,135	–	144,607
Total current liabilities		3,493,546	1,388,144	710,457	1,550,918
Non-current liabilities					
Long-term borrowings	*I.4(14)*	153,120	245,000	–	–
Long-term payables	*I.4(13)*	–	–	44,752	–
Total non-current liabilities		153,120	245,000	44,752	–
Total liabilities		3,646,666	1,633,144	755,209	1,550,918
Owners' equity					
Paid-in Capital	*I.1*	165,532	165,532	165,532	165,532
Surplus reserve	*I.4(15)*	65,360	65,360	63,601	36,984
Retained profit		2,870	153	260,327	20,777
Total owners' equity		233,762	231,045	489,460	223,293
Total liabilities and owners' equity		3,880,428	1,864,189	1,244,669	1,774,211

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

(B) INCOME STATEMENTS

(All amounts in thousands of units of RMB unless otherwise stated.)

Item	Note	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Revenue	*I.4(17)*	7,311	42,549	52,803	988,064	956,530
Less: Cost of sales	*I.4(17)*	(4,907)	(25,468)	(29,263)	(467,398)	(508,392)
Taxes and surcharges	*I.4(18)*	(969)	(4,232)	(5,316)	(136,748)	(146,314)
Selling and distribution expenses		(5,720)	(7,002)	(9,331)	(23,399)	(31,024)
General and administrative expenses		(2,449)	(2,802)	(3,362)	(3,519)	(2,923)
Financial income/ (expenses) – net	*I.4(19)*	10,171	15,487	17,647	(60)	(60)
Operating profit		3,437	18,532	23,178	356,940	267,817
Add: Non-operating income	–	186	269	269	569	–
Less: Non-operating expenses	–	–	–	–	(2,620)	–
Total profit		3,623	18,801	23,447	354,889	267,817
Less: Income taxes	*I.4(21)*	(906)	(4,700)	(5,862)	(88,722)	(66,954)
Net profit		2,717	14,101	17,585	266,167	200,863
Other comprehensive income		–	–	–	–	–
Total comprehensive income		2,717	14,101	17,585	266,167	200,863

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

(C) CASH FLOW STATEMENTS

(All amounts in thousands of units of RMB unless otherwise stated.)

Item	Note	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Cash flow from operating activities						
Cash received from sales of goods or rendering of services		603,003	258,328	526,918	504,527	714,570
Cash received from other operating activities	*I.4(22)(d)*	9,604,844	87,072	486,360	1,323,756	121,448
Sub-total of cash inflows from operating activities		10,207,847	345,400	1,013,278	1,828,283	836,018
Cash paid for goods and services		(107,006)	(107,769)	(135,753)	(197,552)	(181,469)
Cash paid to and on behalf of employees		(8,730)	(6,042)	(6,200)	(10,684)	(12,009)
Payments of taxes and surcharges		(96,605)	(99,872)	(103,634)	(81,700)	(107,906)
Cash paid relating to other operating activities	*I.4(22)(e)*	(8,684,726)	(162,222)	(522,701)	(1,040,862)	(358,392)
Sub-total of cash outflows from operating activities		(8,897,067)	(375,905)	(768,288)	(1,330,798)	(659,776)
Net cash flows from operating activities	*I.4(22)(a)*	1,310,780	(30,505)	244,990	497,485	176,242
Cash flow from investing activities						
Cash received relating to other investing activities	*I.5(3)(c)*	346,730	–	–	150,000	–
Sub-total of cash inflows from investing activities		346,730	–	–	150,000	–
Cash paid to acquire fixed assets		(146)	(523)	(523)	–	(60)
Cash paid relating to other investing activities	*I.5(3)(b)*	–	–	–	(496,730)	–
Sub-total of cash outflows from investing activities		(146)	(523)	(523)	(496,730)	(60)
Net cash flows from investing activities		346,584	(523)	(523)	(346,730)	(60)

Item	Note	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Cash flow from financing activities						
Cash received from bank borrowings	*I.4(14)*	–	199,580	245,000	–	–
Sub-total of cash inflows from financing activities		–	199,580	245,000	–	–
Cash repayments of shareholder borrowings	*I.5(3)(a)*	–	–	–	(99,596)	–
Cash repayments of bank borrowings	*I.4(14)*	(91,880)	–	–	–	–
Cash payments for interest expenses and distribution of dividends or profits		(8,605)	(6,387)	(7,348)	(236,167)	–
Sub-total of cash outflows from financing activities		(100,485)	(6,387)	(7,348)	(335,763)	–
Net cash flows from financing activities		(100,485)	193,193	237,652	(335,763)	–
Effect of foreign exchange rate changes on cash and cash equivalents		–	–	–	–	–
Net increase/(decrease) in cash	*I.4(22)(b)*	1,556,879	162,165	482,119	(185,008)	176,182
Add: cash at beginning of period/year	*I.4(22)(b)*	600,329	118,210	118,210	303,218	127,036
Cash at period/year end	*I.4(22)(b)*	2,157,208	280,375	600,329	118,210	303,218

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

(D) STATEMENTS OF CHANGES IN EQUITY

(All amounts in thousands of units of RMB unless otherwise stated.)

Item	*Note*	Paid-in Capital	Surplus reserve	Retained profits	Total owners' equity
Balance at 1 January 2008		165,532	16,898	–	182,430
Movement for year 2008		–	20,086	20,777	40,863
Net profit		–	–	200,863	200,863
Profit distribution:					
Appropriation to surplus reserves	*I.4(15)*	–	20,086	(20,086)	–
Profit distribution to equity owners	*I.4(16)*	–	–	(160,000)	(160,000)
Balance at 31 December 2008		165,532	36,984	20,777	223,293
Balance at 1 January 2009		165,532	36,984	20,777	223,293
Movement for year 2009		–	26,617	239,550	266,167
Net profit		–	–	266,167	266,167
Profit distribution:					
Appropriation to surplus reserves	*I.4(15)*	–	26,617	(26,617)	–
Balance at 31 December 2009		165,532	63,601	260,327	489,460
Balance at 1 January 2010		165,532	63,601	260,327	489,460
Movement for year 2010		–	1,759	(260,174)	(258,415)
Net loss		–	–	17,585	17,585
Profit distribution:					
Appropriation to surplus reserves	*I.4(15)*	–	1,759	(1,759)	–
Profit distribution to equity owners	*I.4(16)*	–	–	(276,000)	(276,000)
Balance at 31 December 2010		165,532	65,360	153	231,045
Balance at 1 January 2011		165,532	65,360	153	231,045
Movement for the ten months ended 31 October 2011		–	–	2,717	2,717
Net profit		–	–	2,717	2,717
Balance at 31 October 2011		165,532	65,360	2,870	233,762
Balance at 1 January 2010		165,532	63,601	260,327	489,460
Movement for the ten months ended 31 October 2010		–	–	14,101	14,101
Net profit (Unaudited)		–	–	14,101	14,101
Balance at 31 October 2010 (Unaudited)		165,532	63,601	274,428	503,561

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

(All amounts hereafter in thousands of units of RMB unless otherwise stated)

1 General information

Sun Shine City, whose original name was Beijing Ao Xi Real Estate Co., Ltd. ("Ao Xi Real Estate"), is a limited liability company incorporated on 1 July 2002 in Beijing, the PRC by Beijing Capital Sunshine Real Estate Development Co., Ltd. ("Capital Sunshine") and Beijing Sunshine Real Estate Comprehensive Development Company ("Sunshine Comprehensive"). The proportion of investment of Capital Sunshine and Sunshine Comprehensive are 80% and 20%, respectively. The approved operating period of Sun Shine City is 20 years, and registered capital is RMB10,000,000.

On 8 March 2003, Ao Xi Real Estate changed the name to Beijing Sun Shine City Real Estate Development Co., Ltd..

On 8 September 2003, Capital Sunshine and Sunshine Comprehensive disposed of the 80% and 20% interest of Sun Shine City to Beijing Donghai Investment Development Co., Ltd. ("Donghai") and Beijing Qingchuang Investment Management Co., Ltd. ("Qingchuang Investment") respectively.

On 30 October 2003, Donghai and Qingchuang Investment disposed of 80% and 20% interest of Sun Shine City to Beijing Capital Land Ltd. ("Beijing Capital Land") and Beijing Sunshine Jindu Properties Company Limited ("Sunshine Jindu") respectively.

On 21 November 2003, Beijing Capital Land and Sunshine Jindu disposed of the 30% and 20% interest of Sun Shine City to Reco Camellia Pte Ltd. ("Reco Camellia"). After the transaction, Sun Shine City changed into a sino-foreign cooperative joint venture company, Beijing Capital Land and Reco Camellia hold 50% interest of Sun Shine City respectively. Meanwhile, Beijing Capital Land and Reco Camellia injected share capital according to the share proportion to Sun Shine City, after the injection, the share capital increased from RMB10,000,000 to USD20,000,000.

On 31 October 2007, Sunshine City changed its Article of Association, Beijing Capital Land had the majority seats in the Board of Directors. According to the rule of procedure of the Article of Association, Beijing Capital Land received the control right of Sun Shine City, which became the subsidiary of Beijing Capital Land. After the transaction, the share proportion of Beijing Capital Land and Reco Camellia was remained unchanged.

Sun Shine City is principally engaged in land and property development, property leasing and sales, and property management in the area of approved project. Sun Shine City's main business during the Relevant Periods are land and property development.

Beijing Capital Land is the ultimate holding company of Sun Shine City during the Relevant Periods.

2 Significant accounting policies and accounting estimates

(1) Basis of preparation

The financial statements have been prepared in accordance with the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (herein collectively referred to as "the Accounting Standards for Business Enterprises" or "CAS"), Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as well as Hong Kong Companies Ordinance.

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

The financial statements of Sun Shine City for year 2008, 2009, 2010 and the ten months ended 31 October 2011 truly and completely present the financial position as of 31 December 2008, 2009, 2010 and 31 October 2011 and the operating results, cash flows and other information for the year ended 31 December 2008, 2009 and 2010 and the ten months ended 31 October 2011 of Sun Shine City 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) Foreign currency translation

Foreign currency transactions are translated into the functional currency 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.

(6) Cash

Cash comprise cash on hand and call deposits with banks.

(7) Financial instruments

(a) Financial assets

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 Sun Shine City's intention and ability to hold the financial assets. The financial assets of Sun Shine City are receivables.

Receivables

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

Receivables comprise trade and other receivables. Receivables are initially recognised at the fair value of the contractual collectable amount. And receivables are presented at amortised cost net of provision using the effective interest method.

Receivables that are individually significant are subject to separate impairment assessment. If there is objective evidence that Sun Shine City 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.

(b) Financial liabilities

Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. Sun Shine City's financial liabilities are majorly comprised of other financial liabilities, including payables and borrowings.

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 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 consideration paid is recognised in profit or loss.

(8) Inventories

(a) Classification

Inventories include properties under development and properties held for sale, 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 comprise land use rights, construction cost, capitalised interest, and other direct and indirect development expenses incurred during the development period. The actual costs will be used when the properties under development are transferred to completed properties held for sale. For the land use rights acquired by Sun Shine City that are developed as building for subsequent sales, the cost paid for land use rights are classified and accounted for as part of the costs of properties under development.

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

(c) Measurement of net realisable value and provisions for impairment of inventory

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.

(9) Fixed Assets

(a) Recognition and initial measurement

Fixed assets comprise motor vehicles and office equipment.

Fixed assets are recognised when it is probable that the associated economic benefits will flow to Sun Shine City and the related cost can be reliably measured. Fixed assets purchased or constructed by Sun Shine City 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 assets when it is probable that the associated economic benefits will flow to Sun Shine City 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**
Motor vehicles	5 years	5%	19%
Computer and electronic equipment	3 years	0%	33.33%

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 *(I.note2(11))*.

(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.

(10) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of 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 real estate projects under acquisition or construction are completed and accepted after check and 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 three months, until the acquisition or construction is resumed.

For borrowings that specified for acquisition and construction of real estate projects and qualified for capitalisation, the capitalisation amount is measured as current actual interest 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 real estate projects qualified accumulated, the capitalisation amount should be the weighted average exceeds of accumulated capital expenditures for capitalisation over the amount of specialised borrowings multiplied by the weighted average effective interest rate. The effective interest rate is the rate used to discount the future cash flows in the expected period of continued existence or applicable shorter period of the borrowings to the initial measurement of the borrowings.

(11) Impairment of long-term assets

Fixed Assets and other long-term assets 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.

(12) 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.

According to related laws and regulations, employees of Sun Shine City should participate in the defined contribution plan which requires fixed payment organised by the local government. Sun Shine City determine the monthly pension in accordance with a certain percentage of employees' wage which should not exceeds the upper limit, and pay to local labour and social security agencies. Sun Shine City does not have other responsibilities to retirement welfare besides this monthly payment for its employees.

The expenditures of Sun Shine City to the pension programme are recognised as costs of assets or expenses in the period in which they are accrued.

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 which the employee service is attributable.

(13) Profit distribution

Proposed profit distribution is recognised as a liability in the period in which it is approved by the Board of Directors.

(14) 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 service in the ordinary course of Sun Shine City's activities. Revenue is shown net of rebates, discounts and returns.

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

(a) Sales of goods

Revenue of sales 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 manners and forms; all the significant risks and rewards of ownership of the properties held for sale have been transferred to the buyer; and Sun Shine City 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) Interest income

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

(15) 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.

Sun Shine City 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.

(16) 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.

(17) Segment information

Sun Shine City 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 Sun Shine City 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 Sun Shine City'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 Sun Shine City. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

Sun Shine City has only one segment during the reporting period, therefore no segment information has been prepared.

(18) Critical accounting estimates and judgments

Sun Shine City 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 Sun Shine City's property development cost. The budget cost and development progress of the project is reviewed by Sun Shine City 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

Sun Shine City 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.

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

According to the accounting policy stated in I.note 2(14), 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 stated in I.note 7, Sun Shine City provided guarantees for bank financing for certain customers. These guarantees will terminate upon the mortgage of the real estate ownership certificate to the bank. Through evaluation, Sun Shine City believes the significant risks and rewards of ownership have been transferred when the customers check and accept or see as accept.

3 Taxation

The types and rates of taxes applicable to Sun Shine City are set out as follows:

Type	Tax rate	Taxable base
Enterprise income tax	25%	Taxable income
Business tax	5%	Taxable turnover amount
Land appreciation tax	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	7%	Business tax payable
Education surcharge	3%	Business tax payable
Land use tax	RMB18 yuan per square meters	Land area

4 Notes to the Financial Information

(1) Cash at bank and on hand

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Cash on hand	3	8	21	31
Cash at bank	2,165,491	601,568	120,803	305,791
Total	2,165,494	601,576	120,824	305,822

As at 31 October 2011, restricted bank deposits include security deposits for certain mortgage loans to customers, amounted to RMB8,286,000 (31 December 2010: RMB1,247,000; 31 December 2009: RMB2,614,000; 31 December 2008: RMB2,604,000).

(2) Trade and other receivables

(a) Trade receivables

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Amount due from selling properties	122	21	105	–
Less: provision for bad debts	–	–	–	–
Net	122	21	105	–

The ageing analysis of trade receivables are as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Within one year	122	21	105	–

(b) Other receivables

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Amount due from related parties *(I.note5(4)(a))*	1,139,157	848,685	831,771	751,000
Others	307	448	1,643	3,396
Subtotal	1,139,464	849,133	833,414	754,396
Less: provision for bad debts	–	–	–	–
Net	1,139,464	849,133	833,414	754,396

The ageing analysis of other receivables are as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Within one year	1,139,464	463,495	833,414	204,396
1 to 2 year	–	385,638	–	550,000
Total	1,139,464	849,133	833,414	754,396

(3) Advances to suppliers

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Prepaid land costs, construction costs and project costs	–	–	101	–
Prepaid commission fees to a related party *(I.note5(4)(f))*	9,864	1,926	–	4,579
Total	9,864	1,926	101	4,579

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

	31 October 2011		31 December 2010	
	Amount	% of total balance	Amount	% of total balance
Age				
Within 1 year	9,864	100	1,926	100

	31 December 2009		31 December 2008	
	Amount	% of total balance	Amount	% of total balance
Age				
Within 1 year	101	100	4,579	100

(4) Inventories

Inventories are classified as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Cost –				
Properties under constructions	446,877	356,499	246,381	175,121
Properties held for sale	6,464	11,370	40,633	508,031
Subtotal	453,341	367,869	287,014	683,152
Less: provisions of inventory	–	–	–	–
Net	453,341	367,869	287,014	683,152

For the ten months ended 31 October 2011, the properties held for sale with the carrying amount of RMB4,907,000 (for the ten months ended 31 October 2010: RMB25,468,000, 2010: RMB29,263,000, 2009: RMB467,398,000, 2008: RMB508,392,000) has been recognised as cost of sales *(I.note4(17))*.

As at 31 October 2011, financed costs amounted to RMB43,528,000 is capitalised as the development cost (31 December 2010: RMB32,452,000; 31 December 2009: RMB23,484,000; 31 December 2008: RMB16,474,000). For the ten months ended 31 October 2011, the capitalisation rate is 6.6% (For the ten months ended 31 October 2010: 5.7%, 2010: 5.9%, 2009: 6.9%, 2008: 6.6%).

As at 31 October 2011, certain land use rights and properties under development with carrying amount of RMB445,491,000 (31 December 2010: RMB356,499,000; 31 December 2009 and 31 December 2008: nil) had been pledged to the bank for long-term borrowings of RMB153,120,000 (31 December 2010: RMB245,000,000; 31 December 2009 and 31 December 2008: nil) *(I.note4(14))*.

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

The location and ageing analysis of land use rights are as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
In Mainland China –				
10 to 50 years	14,299	14,299	14,299	14,299
Over 50 years	36,579	37,133	37,282	82,202
Total	50,878	51,432	51,581	96,501

(5) Other current assets

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Prepaid tax	111,654	43,130	2,894	25,809

(6) Fixed Assets

	Motor Vehicles	Computer and electronic equipment	Total
Cost			
1 January 2008	552	102	654
Additions	–	60	60
31 December 2008	552	162	714
Additions	–	–	–
31 December 2009	552	162	714
Additions	–	523	523
31 December 2010	552	685	1,237
Additions	–	146	146
31 October 2011	552	831	1,383

	Motor Vehicles	Computer and electronic equipment	Total
Accumulated Depreciation			
1 January 2008	110	27	137
Depreciation	105	19	124
31 December 2008	215	46	261
Depreciation	105	31	136
31 December 2009	320	77	397
Depreciation	105	201	306
31 December 2010	425	278	703
Depreciation	88	103	191
31 October 2011	513	381	894
Net book value			
1 January 2008	442	75	517
31 December 2008	337	116	453
31 December 2009	232	85	317
31 December 2010	127	407	534
31 October 2011	39	450	489

For the ten months ended 31 October 2011, the amount of depreciation expense charged to administrative expenses were RMB191,000 (For the ten months ended 31 October 2010: RMB255,000; 2010: RMB306,000; 2009: RMB136,000; 2008: RMB124,000).

(7) Accounts payables

The ageing analysis of accounts payable is as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Within 1 year	–	–	–	227,374
Over 1 year	127,139	152,567	190,078	108,330
Total	127,139	152,567	190,078	335,704

(8) Advances from customers

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Advances from sale of properties	1,102,574	506,781	32,750	516,171

Advances from customers are amounts received for properties sold, but the risks and reward of the properties have not been transferred to the customers and revenue have not yet recognised.

(9) Taxes payable

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Enterprise income tax payable	–	6,751	81,028	38,700
Land appreciation tax payable	167,693	173,907	165,784	84,752
Business tax payable	1,896	14,433	792	3,010
Others	128	673	35	47
Total	169,717	195,764	247,639	126,509

(10) Dividends payable

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Beijing Capital Land	138,000	138,000	–	156,042
Reco Camellia	294,042	294,042	156,042	156,042
Total	432,042	432,042	156,042	312,084

(11) Other payables

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Amounts due to related parties *(I.note5(4)(b))*	1,615,748	46,731	5,628	84,226
Public maintenance fund and deed tax received on behalf of the customers	702	4,646	71,346	29,466
Others	2,044	3,175	5,116	1,210
Total	1,618,494	54,552	82,090	114,902

(12) Non-current liabilities due within one year

Long-term payables due within one year

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Reco Camellia *(i)*	18,970	19,868	–	63,220
Beijing Capital Land *(ii)*	24,267	24,267	–	81,387
Total:	43,237	44,135	–	144,607

(i) As at 31 December 2008, the long-term payables were the shareholders' borrowings received from Reco Camellia. The principal of which was USD9,250,000, in which, USD6,250,000 should pay interest 10% higher than the interest rate of bank borrowings stipulated by People's Bank of China and USD3,000,000's fixed interest rate is 6.336% per annum. The above amount and its interest should have been repaid in 2009 according to the contract.

As at 31 December 2009, Sun Shine City repaid the principal of USD6,250,000 and signed an extension contract with Reco Camellia for the rest of the shareholder borrowings. After the extension, the due date for the principal and interest is 31 December 2011; therefore, it has been reclassified as long-term payables (I.note4(13)). On 31 December 2010 and 31 October 2011, the above amount has been classified as non-current liabilities due within one year.

(ii) As at 31 December 2008, the long-term payables were the shareholders' borrowings received from the Company. The principal of which was RMB 81,387,000, in which, RMB 57,120,000 should pay interest 10% higher than the interest rate of bank borrowings stipulated by People's Bank of China and RMB 24,267,000's fixed interest rate is 6.336% per annum. The above amount and its interest should have been repaid in 2009 according to the contract, therefore, it has been classified as non-current liabilities due within one year at 31 December 2008.

As at 31 December 2009, Sun Shine City repaid the principal of RMB57,120,000 and signed an extension contract with the Company for the rest of the shareholder borrowings. After the extension, the due date for the principal and interest is 31 December 2011; therefore, it has been reclassified as long-term payables (I.note4(13)). On 31 December 2010 and 31 October 2011, the above amount has been classified as non-current liabilities due within one year.

(13) Long-term payable *(I.note4(12))*

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Reco Camellia	–	–	20,485	–
Beijing Capital Land	–	–	24,267	–
Total	–	–	44,752	–

(14) Long-term borrowings

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Mortgaged loans	153,120	245,000	–	–

As at 31 October 2011, bank borrowings of RMB153,120,000 (31 December 2010: RMB245,000,000; 31 December 2009 and 31 December 2008: nil) were secured by the land use rights and the properties under development of Sun Shine City *(I.note4 (4))*. The interest is floating according to the base rate for 1 to 3 years period that published by People's Bank of China, and adjust every 6 months. It is payable every month, and the principal is due for repayment before March 2013. According to the bank borrowings contract, before the due date, Sun Shine City should repay 37.5%, 75% and 100% of the bank borrowings when the percentage of sale of Phase Three of the Sun Shine City Project reaches 50%, 70% and 80% respectively. Till 31 October 2011, the percentage of sale of the Phase Three has reached 56%, and RMB91,880,000 has been repaid by Sun Shine City according to the contract.

(15) Surplus reserve

	Statutory surplus reserve
31 December 2007	16,898
Increase in current year	20,086
31 December 2008	36,984
Increase in current year	26,617
31 December 2009	63,601
Increase in current year	1,759
31 December 2010	65,360
31 October 2011	65,360

In accordance with the Company Law and Sun Shine City's Articles of Association, Sun Shine City should appropriate 10% of net profit for the year to the statutory surplus reserve and Sun Shine City 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. For 2010, statutory reserve amounted to RMB1,759,000 was transferred (2009: RMB26,617,000; 2008: RMB20,086,000).

Sun Shine City appropriates for the discretionary surplus reserve after the approvals from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities. Sun Shine City did not appropriate discretionary surplus reserve for the year end 2010 (2009 and 2008: nil).

(16) Profit distribution

In accordance with the resolution at the Board of Directors' meeting dated on 31 December 2010, Sun Shine City declared a cash dividend of RMB276,000,000 to the shareholders, with an amount of RMB138,000,000 declared to Beijing Capital Land and RMB138,000,000 to Reco Camellia.

No dividends were declared in 2009.

In accordance with the resolution at the Board of Directors' meeting dated on 31 December 2008, Sun Shine City declared a cash dividend of RMB160,000,000 to the shareholders, with an amount of RMB80,000,000 declared to Beijing Capital Land and RMB80,000,000 to Reco Camellia.

(17) Revenue and cost of sales

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Revenue –					
Sale of properties	7,311	42,549	52,803	988,064	956,530

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Cost of sales –					
Sale of properties	4,907	25,468	29,263	467,398	508,392

(18) Taxes and surcharges

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Business tax	367	2,128	2,640	49,403	47,826
Land Appreciation Tax	602	2,104	2,676	87,345	98,488
Total	969	4,232	5,316	136,748	146,314

(19) Financial (incomes)/expenses

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Interest expenses	11,823	7,874	10,219	8,954	12,164
of which, bank borrowings wholly repayable within five years	11,823	7,874	10,219	8,954	12,164
Less: finance costs capitalised	(11,823)	(7,874)	(10,219)	(8,954)	(12,164)
Interest expenses – net	–	–	–	–	–
Interest income *(I.note5(3)(d))*	(11,087)	(16,230)	(19,868)	–	–
Less: finance income capitalised	739	734	1,252	–	–
Interest income – net	(10,348)	(15,496)	(18,616)	–	–
Exchange gains	(1,284)	(525)	(825)	(433)	(6,837)
Less: Exchange gains capitalised	1,284	525	825	433	6,837
Exchange gains – net	–	–	–	–	–
Others	177	9	969	60	60
Net	(10,171)	(15,487)	(17,647)	60	60

(20) Depreciation and other expenses

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Depreciation of fixed assets	191	255	306	136	124
Auditor's remuneration	140	124	149	140	90

(21) Income tax expenses

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Current income tax – PRC	906	4,700	5,862	88,722	66,954

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

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Total profit	3,623	18,801	23,447	354,889	267,817
Income tax expenses calculated at applicable tax rates (25%)	906	4,700	5,862	88,722	66,954
Income tax expenses	906	4,700	5,862	88,722	66,954

(22) Notes to cash flow statements

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

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Net profit	2,717	14,101	17,585	266,167	200,863
Add: Depreciation of fixed assets *(I.note4(6))*	191	255	306	136	124
Financial income	(10,348)	(15,496)	(18,616)	–	–
(Increase)/decrease in inventory	(73,545)	(47,779)	(71,462)	404,832	113,923
(Increase)/decrease in restricted bank deposits	(7,039)	1,367	1,367	(10)	(2,604)
(Increase)/decrease in operating receivables	(352,771)	(49,744)	(40,640)	293,356	(300,814)
Increase/(decrease) in operating payables	1,751,575	66,791	356,450	(466,996)	164,750
Net cash flow from operating activities	1,310,780	(30,505)	244,990	497,485	176,242

(b) Net increase/(decrease) in cash

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Cash at end of period/year	2,157,208	280,375	600,329	118,210	303,218
Less: cash at beginning of period/year	(600,329)	(118,210)	(118,210)	(303,218)	(127,036)
Net increase/(decrease) in cash	1,556,879	162,165	482,119	(185,008)	176,182

(c) Cash

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Cash on hand and in bank *(I.note4(1))*	2,165,494	601,576	120,824	305,822
Less: restricted bank deposits *(I.note4(1))*	(8,286)	(1,247)	(2,614)	(2,604)
Cash at end of period/year	2,157,208	600,329	118,210	303,218

(d) Other cash receipts related to operating activities

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Proceeds from related parties *(note1. 5(3)(g))*	9,603,148	82,616	479,083	1,273,770	91,353
Maintenance fund and the deed tax received on behalf of customers	547	2,820	4,388	42,766	29,842
Others	1,149	1,636	2,889	7,220	253
Total	9,604,844	87,072	486,360	1,323,756	121,448

(e) Other cash payments related to operating activities

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Payments to related parties *(I.note5(3)(h))*	8,662,996	80,690	438,976	1,015,202	293,906
Maintenance fund and the deed tax paid on behalf of the customers	4,490	71,088	71,088	887	34,138
Sales commission *(I.note5(3)(f))*	6,758	1,981	2,836	7,782	9,037
Marketing expenses	5,325	3,023	4,317	2,893	11,859
Consultant fee	100	200	200	8,245	4,749
Others	5,057	5,240	5,284	5,853	4,703
Total	8,684,726	162,222	522,701	1,040,862	358,392

5 Related parties and related party transactions

(1) The parent company

(a) General information of the parent company

During the Relevant Periods, Sun Shine City's parent companies was Beijing Capital Land, whose registered place and business nature is listed below:

Company name	Place of registration	Nature of business
Beijing Capital Land	Beijing, PRC	Real estate investment and management

Beijing Capital Land is the ultimate holding company of Sun Shine City during the Relevant Periods.

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

The registered capital of Beijing Capital Land has been RMB2,027,960,000 from 1 January 2008 to 31 October 2011 with no changes.

(c) The proportions of equity interest and voting rights in Sun Shine City held by the parent company

	31 October 2011		31 December 2010		31 December 2009		31 December 2008	
	Equity interest	Voting rights	Equity interest	Voting rights	Equity interest	Voting rights	Equity interest	Voting rights
	%	%	%	%	%	%	%	%
Beijing Capital Land	50	50	50	50	50	50	50	50

(2) Nature of related parties that do not control or are not controlled by Sun Shine City

Name of related entities	Relationship with Sun Shine City
Reco Camellia	Foreign shareholder
Beijing GoldenNet Property Investment Consultant Co., Ltd. ("GoldenNet")	Associate of Beijing Capital Land
Shenyang Jitian Real Estate Development Co., Ltd. ("Shenyang Jitian")	Joint Venture of Beijing Capital Land
Xi'an Xin Kai Capital Real Estate Development Company Limited ("Xi'an Xin Kai")	Associate of Beijing Capital Land
Tianjin Capital Xinming Real Estate Development Co., Ltd. ("Tianjin Xinming")	Associate of Beijing Capital Land
Tianjin Capital Xinqing Real Estate Development Co., Ltd. ("Tianjin Xinqing")	Associate of Beijing Capital Land
Shenyang Xinzi Capital Real Estate Development Company Limited ("Shenyang Xinzi")	Associate of Beijing Capital Land
Tianjin Banshan Renjia Real Estate Co., Ltd. ("Tianjin Banshan")	Subsidiary of Beijing Capital Land
Beijing Anhua Century Property Development Co., Ltd. ("Anhua Shiji")	Subsidiary of Beijing Capital Land
Beijing Shangbodi Investment Consultant Co., Ltd. ("Shangbodi")	Subsidiary of Beijing Capital Land
Chongqing Capital Xinshi Real Estate Development Co., Ltd ("Chongqing Xinshi")	Subsidiary of Beijing Capital Land

Name of related entities	Relationship with Sun Shine City
Anshunyuan Real Estate Development Co., Ltd. ("Anshunyuan")	Subsidiary of Beijing Capital Land
Beijing Ruiyuan Fengji Capital Limited ("Ruiyuan Fengji")	Subsidiary of Beijing Capital Land
Capital Tianshun Infrastructure Investment Co., Ltd. ("Capital Tianshun")	Subsidiary of Beijing Capital Land
Chengdu Capital Xinzi Real Estate Development Ltd. ("Chengdu Xinzi")	Subsidiary of Beijing Capital Land
Chengdu Capital Yidu Real Estate Development Co., Ltd. ("Chengdu Yidu")	Subsidiary of Beijing Capital Land
Tianjin Capital Xinyuan Real Estate Development Co., Ltd. ("Tianjin Xinyuan")	Subsidiary of Beijing Capital Land
Yang Guang Co., ("Yangguang")	Under significant influence by the same key management
Beijing Diankong Yangguang Real Estate Development Co., Ltd. ("Diankong Yangguang")	Subsidiary of Yangguang

(3) Related party transactions

The Board of Sun Shine City considers all transactions with related parties are on normal commercial terms, price of related party transactions is agreed by Sun Shine City and its related parties.

(a) Repayment to shareholders

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Reco Camellia	–	–	–	42,476	–
Beijing Capital Land	–	–	–	57,120	–
Total	–	–	–	99,596	–

(b) Loans provided for related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Chongqing Xinshi	–	–	–	496,730	–

(c) Loans received from related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Chongqing Xinshi	346,730	–	–	150,000	–

(d) Interest (income)/expense from related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Beijing Capital Land	1,299	1,166	1,559	5,150	6,185
Reco Camellia	1,096	1,094	1,312	3,804	5,979
Chongqing Xinshi	(10,348)	(15,496)	(18,616)	–	–
Net	(7,953)	(14,009)	(15,745)	8,954	12,164

(e) Receive consulting services from related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Beijing Capital Land	–	11,550	19,081	26,940	9,630

(f) Sales commission paid to related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Golden Net	6,758	1,981	2,836	7,782	9,037

(g) Other proceeds from related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Beijing Capital Land	3,530,878	82,006	421,973	24,780	90,000
Golden Net	–	–	–	–	1,353
Shenyang Jitian	9,000	–	–	195,190	–
Xi'an Xin Kai	310,000	–	–	271,800	–
Tianjin Xinming	110,000	–	40,000	300,000	–
Tianjin Xinqing	60,000	–	–	195,000	–
Tianjin Banshan	224,000	–	–	150,000	–
Anhua Century	876,000	610	610	80,000	–
Shangbodi	–	–	–	57,000	–
Chongqing Xinshi	334,270	–	–	–	–
Anshunyuan	–	–	16,500	–	–
Ruiyuan Fengji	1,685,000	–	–	–	–
Capital Tianshun	1,500,000	–	–	–	–
Chengdu Xinzi	50,000	–	–	–	–
Diankong Yangguang	400,000	–	–	–	–
Chengdu Yidu	210,000	–	–	–	–
Shenyang Xinzi	120,000	–	–	–	–
Tianjin Xinyuan	184,000	–	–	–	–
Total	9,603,148	82,616	479,083	1,273,770	91,353

(h) Other payments to related parties

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Beijing Capital Land	4,187,996	80,080	421,866	516,580	91,607
Golden Net	–	–	–	632	1,299
Shenyang Jitian	–	–	–	169,190	11,000
Xi'an Xin Kai	240,000	–	–	191,800	80,000
Tianjin Xinming	150,000	–	–	–	–
Tianjin Xinqing	30,000	–	–	–	–
Tianjin Banshan	–	–	–	–	110,000
Anhua Shiji	250,000	610	610	80,000	–
Shangbodi	–	–	–	57,000	–
Chongqing Xinshi	100,000	–	–	–	–
Anshunyuan	–	–	16,500	–	–
Ruiyuan Fengji	1,685,000	–	–	–	–
Capital Tianshun	1,500,000	–	–	–	–
Diankong Yangguang	400,000	–	–	–	–
Shenyang Xinzi	120,000	–	–	–	–
Total	8,662,996	80,690	438,976	1,015,202	293,906

(i) Remuneration of key management

	ten months ended 31 October 2011	ten months ended 31 October 2010 (Unaudited)	2010	2009	2008
Remuneration of key management	4,365	2,558	3,410	5,663	7,085

(j) Remuneration of directors

The directors of Sun Shine City from 1 January 2008 to April 2009 are Tang Jun（唐軍）, He Guang（何光）, Zhang Fuxiang（張馥香）, Li Guoshen（李國紳）and Sun Jianjun（孫建軍）; from April 2009 to June 2010 are Tang Jun（唐軍）, Hu Weimin（胡衛民）, Zhang Fuxiang（張馥香）, Sun Jianjun（孫建軍）and Li Guoshen（李國紳）; from June 2010 to 31 October 2011 are Tang Jun（唐軍）, Hu Weimin（胡衛民）, Zhang Fuxiang（張馥香）, Li Yu（李鈺）and Sun Jianjun（孫建軍）.

The directors work at shareholder's companies, and their remuneration are not undertaken by Sun Shine City.

(4) Related party balances

(a) Other receivables (I.note4(2))

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Chongqing Xinshi – Principal *(i)*	–	346,730	346,730	–
Chongqing Xinshi – interest	–	18,616	–	–
Beijing Capital Land – interest	(9,653)	(8,354)	(6,759)	–
Beijing Capital Land – Interest free *(ii)*	1,148,810	491,693	491,800	–
Shenyang Jitian *(ii)*	–	–	–	26,000
Xi'an Xin Kai *(ii)*	–	–	–	80,000
Tianjin Xinming *(ii)*	–	–	–	300,000
Tianjin Xinqing *(ii)*	–	–	–	195,000
Tianjin Banshan *(ii)*	–	–	–	150,000
Total	1,139,157	848,685	831,771	751,000

(i) The amount provided to Chongqing Xinshi was interest free in year 2009. The interest rate in 2010 is the same as the interest rate of bank borrowings stipulated by the People's Bank of China. The loan has no fixed maturity date, is unsecured and unguaranteed, and has been repaid in June 2011.

(ii) The amount received from these related parties is interest free, unsecured and unguaranteed, and has no fixed maturity date.

(b) Other payables (I.note4(11))

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Chongqing Xinshi – Interest	(28,964)	–	–	–
Chongqing Xinshi – Interest free *(i)*	234,270	–	–	–
Beijing Capital Land – Interest	–	–	–	53,010
Reco Camellia – Interest	7,442	6,731	5,628	30,584
Golden Net *(i)*	–	–	–	632
Tianjin Xinming *(i)*	–	40,000	–	–
Anhua Century *(i)*	626,000	–	–	–
Shenyang Jitian *(i)*	9,000	–	–	–
Chengdu Xinzi *(i)*	50,000	–	–	–
Xi'an Xin Kai *(i)*	70,000	–	–	–
Chengdu Yidu *(i)*	210,000	–	–	–
Tianjin Banshan *(i)*	224,000	–	–	–
Tianjin Xinyuan *(i)*	184,000	–	–	–
Tianjin Xinqing *(i)*	30,000	–	–	–
Total	1,615,748	46,731	5,628	84,226

(i) The amount received from these related parties is interest free, unsecured and unguaranteed, and has no fixed maturity date.

(c) Long-term payables

Long-term payable of Sun Shine City is disclosed in I.note4(13).

(d) Non-current liabilities due within one year

Non-current liabilities due within one year of Sun Shine City is disclosed in I.note4(12).

(e) Dividends payables

Dividends payable of Sun Shine City is disclosed in I.note4(10).

(f) Advances to suppliers (I.note4(3))

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Golden Net	9,864	1,926	–	4,579

6 Capital commitments

(1) Capital commitments

Capital expenditures contracted for properties under development at the balance sheet date are as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Contracted but not incurred	94,932	150,990	141,960	57,637
Authorised but not contracted	81,039	17,190	6,460	312,098
Total	175,971	168,180	148,420	369,735

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Within 1 year	–	–	270	1,621
Between 1 and 2 years	–	–	–	270
Total	–	–	270	1,891

7 Financial Guarantees

Sun Shine City has arranged bank financing for certain customers and had provided guarantees to secure obligations of these customers for repayments.

Sun Shine City provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of Sun Shine City's properties. These guarantees will terminate upon the issue of the real estate ownership certificate and the completion of the mortgage registration.

As at 31 October 2011, outstanding guarantees amounted to RMB128,282,000 (31 December 2010: RMB275,146,000; 31 December 2009: RMB522,046,000; 31 December 2008: RMB435,544,000).

8 Financial instruments and risk

Sun Shine City's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk and interest rate risk), credit risk and liquidity risk. Sun Shine City's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of Sun Shine City.

(1) Market risk

(a) Foreign exchange risk

The majority of Sun Shine City's business is operated in mainland China and used Renminbi (RMB) as settlement currency. But Sun Shine City's recognised foreign liabilities and the foreign currency transactions in the future (the assets and liabilities in the foreign currency and the valuate currency of the foreign currency transactions are mainly in USD) are still subject to foreign exchange risk.

Sun Shine City's finance department is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies. The management of Sun Shine City may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. During the ten months ended 31 October 2011 and the year ended 2010, 2009 and 2008, Sun Shine City did not enter into any forward exchange contracts or currency swap contracts.

As at 31 October 2011 and 31 December 2010, 2009 and 2008, the carrying amounts in RMB equivalent of Sun Shine City's liabilities denominated in foreign currencies are summarized below:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Financial liabilities denominated in foreign currency –				
Long-term payables	–	–	20,485	–
Non-current liabilities due within one year	18,970	19,868	–	63,220
Other payables	6,461	6,731	5,628	30,584
Total	25,431	26,599	26,113	93,804

As at 31 October 2011, if the currency had strengthened/weakened by 10% against the USD while all other variables had been held constant, Sun Shine City's net exchange gains/(losses) for the year would have been approximately RMB2,543,000 (31 December 2010: RMB2,660,000, 31 December 2009: RMB2,611,000, 31 December 2008: RMB9,380,000) higher/lower for various financial assets and liabilities denominated in USD.

(b) Interest rate risk

Sun Shine City's interest rate risk arises from long-term interest bearing bank borrowings and payables. Financial liabilities issued at floating rates expose Sun Shine City to cash flow interest rate risk. Financial liabilities issued at fixed rates expose Sun Shine City to fair value interest rate risk. Sun Shine City determines the contracts proportions of fixed rate and floating rate depending on the market conditions. As at 31 October 2011, Sun Shine City's long-term interest bearing borrowings and shareholder's borrowings denominated in RMB and USD with floating rates, amounting to RMB153,120,000 (31 December 2010: RMB245,000,000; 31 December 2009: nil; 31 December 2008: RMB81,387,000 and USD6,250,000).

The management of Sun Shine City continuously monitors the interest rates. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to Sun Shine City's outstanding floating rate borrowings, and therefore could have a material adverse effect on Sun Shine City's financial results. The management makes decisions with reference to the latest market conditions.

As at 31 October 2011, if interest rates on the floating rate borrowings increased/decreased 50 basis points with all other variables held constant, the interest expenses of bank of Sun Shine City would increased or decreased by RMB766,000 (31 December 2010: RMB1,225,000; 31 December 2009: nil; 31 December 2008: RMB678,000).

(2) Credit risk

Credit risk is managed by portfolio classification. Credit risk mainly arises from cash at bank, receivables and other receivables.

Sun Shine City expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listing banks. Sun Shine City does not expect that there will be any significant losses arise from non-performance by these counterparties.

To manage this risk, deposits are mainly placed with state-owned banks. Sun Shine City has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, Sun Shine City reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. Sun Shine City has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Sun Shine City has arranged bank financing for purchasing certain properties and had provided guarantees to secure obligations of these customers for repayments. If the customers fail to repay the mortgage loans within the guarantee period, Sun Shine City has the obligation to pay the mortgage loan in the limitation of the related loans and its interest. Under this condition, Sun Shine City has the right to dispose the property to the bank to compensate for the payables. Therefore, the management of Sun Shine City believe the credit risk has been largely decreased.

(3) Liquidity risk

Cash flow forecasting is performed by Sun Shine City. The finance departments monitor rolling forecasts of the short-term and long-term liquidity requirements to ensure Sun Shine City 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 Sun Shine City does not breach borrowing limits or covenants on any of borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial assets and liabilities of Sun Shine City at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

			31 October 2011		
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial assets –					
Cash at bank and on hand	2,165,494	–	–	–	2,165,494
Receivables	1,139,586	–	–	–	1,139,586
Total	3,305,080	–	–	–	3,305,080

			31 December 2010		
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial assets –					
Cash at bank and on hand	601,576	–	–	–	601,576
Receivables	849,154	–	–	–	849,154
Total	1,450,730	–	–	–	1,450,730

			31 December 2009		
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial assets –					
Cash at bank and on hand	120,824	–	–	–	120,824
Receivables	833,519	–	–	–	833,519
Total	954,343	–	–	–	954,343

	31 December 2008				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial assets –					
Cash at bank and on hand	305,822	–	–	–	305,822
Receivables	754,396	–	–	–	754,396
Total	1,060,218	–	–	–	1,060,218

	31 October 2011				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial liabilities –					
Payables	2,177,675	–	–	–	2,177,675
Long-term borrowings	10,352	157,193	–	–	167,545
Non-current liabilities due within one year	43,669	–	–	–	43,669
Total	2,231,696	157,193	–	–	2,388,889

	31 December 2010				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial liabilities –					
Payables	639,161	–	–	–	639,161
Long-term borrowings	14,532	14,571	248,304	–	277,407
Non-current liabilities due within one year	46,783	–	–	–	46,783
Total	700,476	14,571	248,304	–	963,351

	31 December 2009				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial liabilities –					
Payables	428,210	–	–	–	428,210
Long-term payables	–	47,437	–	–	47,437
Total	428,210	47,437	–	–	475,647

	31 December 2008				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial liabilities –					
Payables	762,690	–	–	–	762,690
Non-current liabilities due within one year	153,283	–	–	–	153,283
Total	915,973	–	–	–	915,973

The analysis of repayable dates of shareholder borrowings are as follows:

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Bank borrowings wholly repayable within 5 years	153,120	245,000	–	–
Shareholder borrowings wholly repayable within 5 years	43,237	44,135	44,752	144,607

(4) Fair value

(a) Financial instruments not measured in fair value

Financial assets and liabilities not measured in fair value mainly include receivables, payables, long-term borrowings and long-term payables.

Except for Sun Shine City's shareholders' borrowings USD3,000,000 with fixed interest rate, the carrying amount of the above financial assets and liabilities not measured in fair value are a reasonable approximation of their fair value. The book value and fair value of the shareholders' borrowings with fixed interest rate are as follows:

	31 October 2011		31 December 2010	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial liability – Long-term payable	43,237	42,749	44,135	41,551

	31 December 2009		31 December 2008	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial liability – Long-term payable	44,752	40,009	44,771	43,122

The fair value of long-term 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

Sun Shine City has no financial instruments measured in fair value at 31 October 2011, 31 December 2010, 2009 and 2008.

9 Net current assets

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Current assets	3,879,939	1,863,655	1,244,352	1,773,758
Less: Current liabilities	(3,493,546)	(1,388,144)	(710,457)	(1,550,918)
Net current assets	386,393	475,511	533,895	222,840

10 Total assets less current liabilities

	31 October 2011	31 December 2010	31 December 2009	31 December 2008
Total assets	3,880,428	1,864,189	1,244,669	1,774,211
Less: Current liabilities	(3,493,546)	(1,388,144)	(710,457)	(1,550,918)
Total assets less current liabilities	386,882	476,045	534,212	223,293

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Sun Shine City in respect of any period subsequent to 31 October 2011 up to the date of this report. No dividend or distribution has been declared by Sun Shine City in respect of any period subsequent to 31 October 2011.

Yours faithfully,

PricewaterhouseCoopers Zhong Tian CPAs Limited Company

Shanghai, PRC

A. UNAUDITED PRO FORMA OF CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following unaudited pro forma consolidated statements of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Financial Information"), have been prepared on the basis of the notes set out below for the purpose of illustrating the effects of the transactions contemplated under the Agreement (the "Transaction") as if they had taken place on 30 June 2011.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Transaction been completed on 30 June 2011 or at any future date.

ASSETS	Unaudited pro forma consolidated statements of assets and liabilities of the Group as at 30 June 2011	Pro forma adjustments of the Transaction: Audited statements of assets and liabilities of Reco Hibiscus as at 31 October 2011	Audited statement of assets and liabilities of Reco Camellia as at 31 October 2011	Audited statements of assets and liabilities of Chengdu Xinzi as at 31 October 2011	Audited statements of assets and liabilities of Tianjin Xinchuang as at 31 October 2011	Other adjustments		Unaudited pro forma consolidated statements of assets and liabilities of the Enlarged Group as at 30 June 2011
	RMB 000	*RMB 000*	*RMB 000*	*RMB 000*	*RMB 000*	*RMB 000*	*RMB 000*	*RMB 000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*	
Current assets								
Cash at bank and on hand	8,053,296	–	–	–	–	(761,023)	–	7,292,273
Accounts receivable	256,061	–	–	–	–	–	–	256,061
Advances to suppliers	1,724,210	–	–	–	–	–	–	1,724,210
Dividends receivable	265,834	285,765	294,042	–	–	–	(579,807)	265,834
Other receivables	1,088,277	–	26,412	–	–	–	(26,412)	1,088,277
Inventories	21,051,832	–	–	–	–	–		21,051,832
Total current assets	32,439,510	285,765	320,454	–	–	(761,023)	(606,219)	31,678,487
Non-current assets								
Available-for-sale financial assets	107,080	–	–	–	–	–	–	107,080
Long-term receivables	422,453	–	–	–	–	–	–	422,453
Long-term equity investments	1,553,073	107,964	86,922	–	–	–	(194,886)	1,553,073
Investment properties	1,100,430	–	–	–	–	–	–	1,100,430
Fixed assets	514,396	–	–	–	–	–	–	514,396
Intangible assets	43,221	–	–	–	–	–	–	43,221
Long-term prepaid expenses	961	–	–	–	–	–	–	961
Deferred tax assets	223,218	–	–	–	–	–	–	223,218
Total non-current assets	3,964,832	107,964	86,922	–	–	–	(194,886)	3,964,832
TOTAL ASSETS	36,404,342	393,729	407,376	–	–	(761,023)	(801,105)	35,643,319

LIABILITIES	Unaudited pro forma consolidated statements of assets and liabilities of the Group as at 30 June 2011	Pro forma adjustments of the Transaction: Audited statements of assets and liabilities of Reco Hibiscus as at 31 October 2011	Audited statements of assets and liabilities of Reco Camellia as at 31 October 2011	Audited statements of assets and liabilities of Chengdu Xinzi as at 31 October 2011	Audited statements of assets and liabilities of Tianjin Xinchuang as at 31 October 2011	Other adjustments		Unaudited pro forma consolidated statements of assets and liabilities of the Enlarged Group as at 30 June 2011
	RMB 000	*RMB 000*	*RMB 000*	*RMB 000*	*RMB 000*	*RMB 000*	*RMB 000*	*RMB 000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*	
Current liabilities								
Short-term borrowings	1,150,000	–	–	–	–	–	–	1,150,000
Accounts payable	1,965,034	–	–	–	–	–	–	1,965,034
Advances from customers	9,895,644	–	–	–	–	–	–	9,895,644
Employee benefits payable	24,111	–	–	–	–	–	–	24,111
Taxes payable	1,453,098	–	–	–	–	–	–	1,453,098
Interest payable	102,908	–	–	–	–	–	–	102,908
Dividends payable	949,679	192,693	222,672	–	–	–	(579,807)	785,237
Other payables	1,649,444	66,084	60,730	–	–	–	(7,442)	1,768,816
Current portion of non-current liabilities	2,348,300	–	–	–	–	–	(18,970)	2,329,330
Total current liabilities	19,538,218	258,777	283,402	–	–	–	(606,219)	19,474,178
Non-current liabilities								
Long-term borrowings	7,049,270	–	–	–	–	–	–	7,049,270
Debentures payable	2,131,765	–	–	–	–	–	–	2,131,765
Deferred tax liabilities	172,789	14,291	15,989	–	–	–	–	203,069
Total non-current liabilities	9,353,824	14,291	15,989	–	–	–	–	9,384,104
Total liabilities	28,892,042	273,068	299,391	–	–	–	(606,219)	28,858,282

Notes to this unaudited pro forma consolidated statement of assets and liabilities:

1. The unaudited pro forma consolidated statement of assets and liabilities of the Group as at 30 June 2011 are extracted from Appendix VII to the circular to the shareholders of the Company dated 10 November 2011 with respect to proposed acquisitions of Qingdao Yangguang Binhai Properties Company Limited, Qingdao Qianqianshu Properties Company Limited, Yantai Yuangguang Lidu Real Estate Development Company Limited, Yantai Yuangguang Lizhen Real Estate Development Company Limited and Yantai Yuangguang Xinye Real Estate Development Company Limited (the "2011 Transaction"). As such transaction has been completed in December 2011, the Directors have used such unaudited pro forma consolidated statement of assets and liabilities for preparing the Unaudited Pro Forma Financial Information of the Transaction.

The following pro forma adjustments are made to reflect the effect of the Transaction.

2. The adjustment represents the inclusion of the statement of assets and liabilities of Reco Hibiscus as at 31 October 2011 as extracted from the accountant's report of Reco Hibiscus as set out in Appendix II to this circular.

3. The adjustment represents the inclusion of the statement of assets and liabilities of the Reco Camellia as at 31 October 2011 as extracted from the accountant's report of Reco Camellia as set out in Appendix III to this circular.

4. The statement of assets and liabilities of Chengdu Xinzi have been included in the unadjusted unaudited consolidated statements of assets and liabilities of the Group.

5. The statement of assets and liabilities of Tianjin Xinchuang have been included in the unadjusted unaudited consolidated statements of assets and liabilities of the Group.

6. Pursuant to the Agreements, the total consideration for the Acquisitions is RMB 761,023,000. The difference between the consideration paid and the carrying value of equity interest of the Target Companies will be recognized as equity. Detail of the Acquisition is set out as follows:

	RMB 000
Considerations of the Acquisition	761,023
Less: Carrying value of the equity interest of the Target Companies	485,415
Including: Carrying value of 45% equity interest of Chengdu Xinzi	120,371
Carrying value of 45% equity interest of Tianjin Xinchuang	104,709
Carrying value of 100% equity interest of Reco Hibiscus	143,454
Carrying value of 100% equity interest of Reco Camellia	116,881
Difference between consideration and carrying value of the equity interests of the Target Companies	275,608

Above difference will be recognized as deduction of "Capital Surplus" in the Group's consolidated owner's equity upon completion.

7. After the Transaction, Reco Camellia and Reco Hibiscus will become subsidiaries of the Company. The dividends receivable and other receivables from Anhua Shiji and Sun Shine City, and the investments in Anhua Shiji and Sun Shine City will be treated as inter-company balances and eliminated.

8. No other adjustments have been made to reflect any trading results or other transactions of the Group subsequent to 30 June 2011 and of the Target Companies subsequent to 31 October 2011.

The following is the text of a report received from PricewaterhouseCoopers Zhong Tian CPAs Limited Company, for the purpose of incorporation in this circular.

pwc 普华永道

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF BEIJING CAPITAL LAND LTD.

We report on the unaudited pro forma financial information set out on pages 309 to 315 under the heading of "Unaudited Pro Forma Financial Information" (the "Unaudited Pro Forma Financial Information") in Appendix VIII of the circular dated 13 February, 2012 (the "Circular") of Beijing Capital Land Ltd. (the "Company"), in connection with the proposed acquisitions of 45% equity interest of Tianjin Xinchuang Land Limited, 45% equity interest of Chengdu Xinzi Land Limited, 100% equity interest of Reco Hibiscus Private Limited and 100% equity interest of Reco Camellia Private Limited (Colletively, "the Target Companies") (the "Transaction") by the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Transaction might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 309 to 315 of the Circular.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountant's Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unaudited pro forma consolidated statements of assets and liabilities of the Group as at 30 June 2011 as set out in the "Unaudited Pro Forma Financial Information" section of this Circular with the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2011 as set out in Appendix VII to the circular dated 10 November 2011 with respect to the 2011 Transaction, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2011 or any future date.

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

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

13 February 2012

The following is the text of the letter, summary of values and valuation certificates, prepared for inclusion in this circular, received from Savills Valuation and Professional Services Limited, an independent property valuer, in connection with their valuations as of 30 November 2011 of the properties held by Anhua Shiji, Sun Shine City, Tianjin Xinchuang and Chengdu Xinzi.

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savills.com

The Directors
Beijing Capital Land Ltd.
Room 501, No. 1 Yingbinzhong Road
Huairou District
Beijing
The People's Republic of China

13 February 2012

Dear Sirs,

In accordance with the instructions from Beijing Capital Land Ltd. (the "Company") for us to value the properties held by Beijing Anhua Shiji Real Estate Development Company Limited ("Anhua Shiji"), Beijing Sun Shine City Real Estate Development Company Limited ("Sun Shine City"), Tianjin Xinchuang Land Limited ("Tianjin Xinchuang") and Chengdu Capital Xinzi Real Estate Development Limited ("Chengdu Xinzi") situated in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections in December 2011, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of the properties as at 30 November 2011 ("date of valuation") for public circular purpose.

Our valuation of each of the properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

In undertaking our valuation, we have assumed that, unless otherwise stated, transferable land use rights in respect of the properties for their specific terms at nominal annual land use fee have been granted and that any premium payable have already been fully paid. We have also assumed that the owners of the properties have enforceable titles to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the unexpired terms as granted.

We have valued Properties Nos. 1, 2, 3 and 4, which were completed as at the date of valuation, by making reference to comparable market transactions as available in the markets assuming sale with vacant possession.

Property No. 5 is held under development. In the course of our valuation, we have valued the property in its existing state and on the basis that it shall be developed and completed in accordance with the latest development scheme provided by the Company and Sun Shine City. We have assumed that all licences, permits and approvals have been obtained from the relevant government authorities. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable market transactions and taken into account the costs to be expended to complete the development.

We have been provided with copies of extracts of title documents relating to the properties. However, we have not searched the original documents to verify ownership or to verify any amendments that may not appear on the copies handed to us. In the course of our valuation, we have relied to a considerable extent on information given by the Company, Anhua Shiji, Sun Shine City, Tianjin Xinchuang, Chengdu Xinzi and the Company's legal adviser, Beijing Jingtian, on the titles to the properties. We have also accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, development proposal, estimated construction cost to be spent, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, Anhua Shiji, Sun Shine City, Tianjin Xinchuang and Chengdu Xinzi, which is material to our valuation. We have also advised by the Company, Anhua Shiji, Sun Shine City, Tianjin Xinchuang and Chengdu Xinzi that no material facts have been omitted from the information supplied.

We have inspected the properties and did not note any serious defects. However, no structural survey has been made and we are unable to report that the properties are free from rot, infestation or any other defects. No tests were carried out on any of the services. We have also not carried out investigations on site to determine the suitability of the ground condition and services for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

No allowance has been made in our report for any charges, mortgages or amounts owing on any property nor for any expenses, which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the properties, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and in accordance with the Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors.

Unless otherwise stated, all money amounts stated are in Renminbi ("RMB").

We enclose herewith our summary of values and valuation certificates.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services Limited
Anthony C.K. Lau
MRICS MHKIS RPS(GP)
Director

Note: Mr. Anthony C.K. Lau is a qualified valuer and has over 19 years' experience of valuing properties in both Hong Kong and the PRC.

SUMMARY OF VALUES

Group I – Properties held for sale in the PRC

No.	Property	Market value in existing state as at 30 November 2011
1.	Various residential and retail units and car parking spaces of The Reflections, No. 11 Yuyuantan South Road, Haidian District, Beijing, PRC	RMB700,300,000
2.	Three residential units and 10 car parking spaces of Phases I and II, Urban Town, Liufang North Street, Chaoyang District, Beijing, PRC	RMB5,770,000
3.	Room 11-2-401 of Butchart Garden, Huangrui South Road, Ruijing Residential Area, Beichen District, Tianjin, PRC	RMB933,000
4.	Nine residential units and 161 car parking spaces of Chengdu A-Z Town, No. 2 Jianshe Road, Chenghua District, Chengdu, Sichuan Province, PRC	RMB33,070,000
	Sub-total	**RMB740,073,000**

Group II – Property held for development in the PRC

No.	Property	Market value in existing state as at 30 November 2011
5.	Phase Ⅲ of Urban Town, Liufang North Street, Chaoyang District, Beijing, PRC	RMB1,450,000,000
	Sub-total	**RMB1,450,000,000**
	Grand total	**RMB2,190,073,000**

VALUATION CERTIFICATE

Group I – Properties held for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2011
1.	Various residential and retail units and car parking spaces of The Reflections, No. 11 Yuyuantan South Road, Haidian District, Beijing, PRC	The Reflections (the "development") is a residential development erected on a parcel of land with a site area of approximately 17,915.10 sq.m. (192,838 sq.ft.). It was completed in 2009.	The property is currently vacant.	RMB700,300,000

The property comprises various residential and retail units and car parking spaces of the development with a total gross floor area of approximately 28,404.52 sq.m. (305,746 sq.ft.). Breakdown gross floor areas and uses are tabulated as follows:

Use	Approximate gross floor area *(sq.m.)*	*(sq.ft.)*
Residential	13,596.52	146,353
Basement Car Parks	12,021.00	129,394
Commercial	775.16	8,344
Others	2,011.84	21,655
Total	**28,404.52**	**305,746**

The land use rights of the property have been granted for terms expiring on 28 August 2044 for ancillary use, 28 August 2054 for basement car parking use and 28 August 2074 for residential use respectively.

Notes:

1. Pursuant to the State-owned Land Use Certificate – Jing Hai Guo Yong (2008 Chu) No. 4608 dated 15 January 2009, the land use rights of a parcel of land with a site area of approximately 17,915.10 sq.m. have been granted to Anhua Shiji for terms expiring on 28 August 2044 for ancillary use, 28 August 2054 for basement car parking use and 28 August 2074 for residential use respectively.

2. Pursuant to the following Real Estate Ownership Certificates, the building ownership rights of various buildings with a total gross floor area of approximately 80,281.16 sq.m. are vested in Anhua Shiji. Details of the said certificates are as follows:

Certificate No.	**Issue Date**	**Gross Floor Area** *(sq.m.)*	**Use**
X Jing Fang Quan Zheng Hai Zi No. 103587	31 August 2009	40,248.48	Commercial and Residential
X Jing Fang Quan Zheng Hai Zi No. 103589	31 August 2009	40,032.68	Residential
	Total	**80,281.16**	

As advised by Anhua Shiji, the property comprises portions of the buildings as stated in the Real Estate Ownership Certificates mentioned above.

3. Pursuant to the Construction Land Planning Permit – 2003 Gui Di Zi No. 0351 dated 8 September 2003, Anhua Shiji is permitted to develop a parcel of land with a site area of approximately 17,915.08 sq.m. for residential use.

4. Pursuant to the Construction Works Planning Permit – 2004 Gui (Hai) Jian Zi No. 0314 dated 16 December 2004, Anhua Shiji is permitted to construct with a gross floor area of approximately 150,200.00 sq.m.

   As advised by Anhua Shiji, portions of the property have not obtained any Real Estate Ownership Certificates ("the said portions of the property without title certificates") and the said portions of the property without title certificates comprise portions of the buildings as stated in the Construction Works Planning Permit mentioned above.

5. Pursuant to the Construction Works Commencement Permit – 00 (Jian) 2005.0391 dated 1 March 2005, Anhua Shiji has obtained the permission to commence construction for a gross floor area of approximately 150,200.00 sq.m. for a period from March 2005 to December 2006.

   As advised by Anhua Shiji, the said portions of the property without title certificates comprise portions of the buildings as stated in the Construction Works Commencement Permit mentioned above.

6. As advised by Anhua Shiji, portions of the property with a total gross floor area of 20,156,80 sq.m. have been pre-sold at a total consideration of RMB468,820,031. In arriving at our opinion of the market value of the property , we have taken into account the said amount.

7. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter-alia, the following information:

   i. the State-owned Land Use Certificate and Real Estate Ownership Certificates as stated in Notes 1 and 2 are legal and valid;

   ii. Anhua Shiji has legally obtained the land use rights of the property and is entitled to occupy, use, develop, transfer, lease, mortgage and dispose of such land use rights by other legal means within the term of the land use rights without paying any additional land premium or land fee;

   iii. Anhua Shiji has legally obtained the building ownership rights of portions of the buildings of the property as stated in Note 2 and is entitled to occupy, use, transfer, lease, mortgage and dispose of such building ownership rights by other legal means;

   iv. as advised by Anhua Shiji, the property is free from any mortgages, seizures and tenancies;

   v. the Construction Land Planning Permit, Construction Works Planning Permit and Construction Works Commencement Permit as stated in Notes 3, 4 and 5 are legal and valid;

   vi. as advised by Anhua Shiji, the Pre-sale Permits of Building No. 3 and the car parks expired already. Before the Real Estate Ownership Certificates for such portions of the property have been obtained, the buyers of such portions cannot apply for the title transfer of the building ownership rights; and

   vii. the application for the Real Estate Ownership Certificate of Building No. 3 and the car parks of the property is in progress and there will be no legal impediments for Anhua Shiji to obtain the Real Estate Ownership Certificate for such buildings after the relevant demolition & resettlement works have been completed.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2011
2.	Three residential units and 10 car parking spaces of Phases I and II, Urban Town, Liufang North Street, Chaoyang District, Beijing, PRC	Urban Town (the "development") is a residential development erected on two parcels of land with a total site area of approximately 75,479.80 sq.m. (812,465 sq.ft.). The development comprises 3 phases. Phases I and II were completed in 2009 and Phase III is under construction. The property comprises three residential units and 10 car parking spaces of Phases I and 2. In accordance with the supplied information, the property has a total gross floor area of approximately 673.89 sq.m. (7,254 sq.ft.) Breakdown gross floor areas and uses are tabulated as follows: and	The property is currently vacant.	RMB5,770,000

Use	Approximate gross floor area (sq.m.)	(sq.ft.)
Residential	353.33	3,803
Car Parks	320.56	3,451
Total	673.89	7,254

The land use rights of the property have been granted for terms expiring on 26 August 2044 for commercial and basement commercial uses, 26 August 2054 for residential basement car parking, commercial basement car parking and basement office (property management) uses and 26 August 2074 for residential use respectively.

Notes:

1. Pursuant to two State-owned Land Use Certificates, the land use rights of two parcels of land with a total site area of approximately 75,479.80 sq.m. have been granted to Sun Shine City. Details of the certificates are as follows:

Certificate No.	Issue Date	Site Area *(sq.m.)*	Use	Expiry Date
Jing Chao Guo Yong (2008 Chu) No. 0282	19 September 2008	67,460.00	Commercial and Basement	26 August 2044
			Commercial Residential Basement Car parking, Commercial Basement Car Parking and Basement Office (Property Management)	26 August 2054
			Residential	26 August 2074
Jing Chao Guo Yong (2008 Chu) No. 0283	19 September 2008	8,019.80	Commercial	26 August 2044
			Basement Office (Property Management)	26 August 2054
			Residential	26 August 2074
Total		**75,479.80**		

2. Pursuant to the following Real Estate Ownership Certificates, the building ownership rights of various buildings with a total gross floor area of approximately 119,292.53 sq.m. are vested in Sun Shine City. Details of the certificates are as follows:

Certificate No.	Issue Date	Gross Floor Area *(sq.m.)*	Use
X Jing Fang Quan Zheng Chao Zi Di No. 612560	6 November 2008	84,383.34	Car Parking, Basement Car Parking, Residential and Self-occupancy
X Jing Fang Quan Jing Chao Zi Di No. 890782	11 August 2010	34,909.19	Residential and Self-occupancy
	Total	**119,292.53**	

As advised by Sun Shine City, the property comprises portions of the buildings as stated in the Real Estate Ownership Certificates mentioned above.

3. As advised by Sun Shine City, portions of the property with a total gross floor area of approximately 262.46 sq.m. have been agreed to be sold at a total consideration of RMB2,470,502. In arriving at our opinion of the market value of the property, we have taken into account the said amount.

4. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter-alia, the following information:

   i. the State-owned Land Use Certificates and Real Estate Ownership Certificates as stated in Notes 1 and 2 are legal and valid;

   ii. Sun Shine City has legally obtained the land use rights of the property and is entitled to occupy, use, develop, transfer, lease, mortgage and dispose of such land use rights by other legal means within the term of the land use rights without paying any additional land premium or land fee;

   iii. Sun Shine City has legally obtained the building ownership rights of the buildings of the property as stated in Note 2 and is entitled to occupy, use, transfer, lease, mortgage and dispose of such building ownership rights by other legal means; and

   iv. as advised by Sun Shine City, the property is free from any mortgages, seizures, demolition & resettlement works and tenancies.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2011
3.	Room 11-2-401 of Butchart Garden, Huangrui South Road, Ruijing Residential Area, Beichen District, Tianjin, PRC	Butchart Garden is a part of a large-scale residential development, namely Ruijing Residential Area (the "development"). The development was completed in 2009. The property comprises a residential unit of Butchart Garden with a gross floor area of approximately 127.37 sq.m. (1,371 sq.ft.). The land use rights of the development have been granted for a term expiring on 17 May 2076 for residential use.	The property was vacant as at the date of valuation.	RMB933,000

Notes:

1. Pursuant to the Construction Works Commencement Permit – Jian Shi 1211320200703053, Tianjin Xinchuang has obtained the permission to commence construction for various buildings with a total gross floor area of approximately 76,124.00 sq.m.

   As advised by Tianjin Xinchuang, the property comprises portion of the buildings as stated in the Construction Works Commencement Permit mentioned above.

2. Pursuant to the Pre-sale Permit – Jin Guo Tu Fang Shou Xu Zi (2008) No. 137-003, the building with a gross floor area of approximately 2,466.12 sq.m. is permitted for pre-sale.

   As advised by Tianjin Xinchuang, the property comprises portion of the building as stated in the Pre-sale Permit for Commodity Housing mentioned above.

3. Pursuant to the Construction Completion Examination Document – (Jin Zhi) Bei Zi No. 2008-640, the construction works of the building with a gross floor area of approximately 2,453.00 sq.m have been certified for completion.

   As advised by Tianjin Xinchuang, the property comprises portion of the buildings as stated in the Construction Completion Examination Documents mentioned above.

4. As advised by Tianjin Xinchuang, the property has been pre-sold at a consideration of RMB933,000. In arriving at our opinion of the market value of the property, we have taken into account the said amount.

5. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter-alia, the following information:

   (i) as advised by Tianjin Xinchuang, the property is free from any mortgages, seizures and demolition & resettlement works and tenancies; and

   (ii) there are no legal impediments for the property to be sold or let.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2011
4.	Nine residential units and 161 car parking spaces of Chengdu A-Z Town, No. 2 Jianshe Road, Chenghua District, Chengdu, Sichuan Province, PRC	Chengdu A-Z Town (the "development") is a residential development erected on a parcel of land with a site area of approximately 68,270.20 sq.m. (734,860 sq.ft.). It was completed in 2010. The property comprises nine residential units and 161 car parking spaces of the development with a total gross floor area of approximately 7,528.88 sq.m. (81,041 sq.ft.). Breakdown gross floor areas and uses are tabulated as follows:	The property is currently vacant.	RMB33,070,000

Use	Approximate gross floor area *(sq.m.)*	*(sq.ft.)*
Residential	1,263.77	13,603
Car Parks	6,265.11	67,438
Total	7,528.88	81,041

The land use rights of the property have been granted for terms expiring on 6 April 2046 for commercial use and 6 April 2076 for residential use respectively.

Notes:

1. Pursuant to the State-owned Land Use Certificate – Cheng Guo Yong (2010) No. 1061, the land use rights of a parcel of land with a site area of approximately 68,270.20 sq.m. have been granted to Chengdu Xinzi for terms expiring on 6 April 2046 for commercial use and 6 April 2076 for residential use respectively.

2. Pursuant to the following Initial Registration Records, the building ownership rights of various buildings with a total gross floor area of approximately 306,704.74 sq.m. are vested in Chengdu Xinzi. Details of the said records are as follows:

Record No.	**Block No.**	**Floor Level**	**Gross Floor Area** *(sq.m.)*	**Use**
Jian Zheng 1924698	1	1-33	128,735.82	Residential
Jian Zheng 2185394	2	6-29	43,052.06	Residential
Jian Zheng 2118446	3	1-14	9,301.19	Residential
Jian Zheng 2118380	4	1-14	9,301.19	Residential
Jian Zheng 2117629	5	1-14	9,241.21	Residential
Jian Zheng 2118281	6	1-11	11,221.95	Residential
Jian Zheng 2117619	7	1-9	4,578.65	Residential
Jian Zheng 2118161	8	1-6	1,893.91	Residential
Jian Zheng 2118249	9	1-13	7,252.90	Residential
Jian Zheng 2118422	10	1-14	9,261.66	Residential
Jian Zheng 2118439	11	1-7	3,824.36	Residential
Jian Zheng 1924736	1	-1	14,515.94	Car Parking
Jian Zheng 1924727	1	-2	14,116.93	Car Parking
Jian Zheng 2447448	Basement	-3	13,385.82	Car Parking
	Basement	-3	473.04	Others
Jian Zheng 2447495	Basement	-2	13,797.94	Car Parking
	Basement	-2	198.83	Others
Jian Zheng 2447459	Basement	-1	8,526.78	Commercial
	Basement	-1	4,024.56	Car Parking
		Total	**306,704.74**	

As advised by the Group, the property comprises portions of the buildings as stated in the Initial Registration Records mentioned above.

3. As advised by Chengdu Xinzi, 96 car parking spaces of the property with a total gross floor area of approximately 3,194.30 sq.m. have been pre-sold at a total consideration of approximately RMB12,256,500. In arriving at our opinion of the market value of the property, we have taken into account the said amount.

4. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter-alia, the following information:

   i. the State-owned Land Use Certificate is legal and valid;

   ii. Chengdu Xinzi has legally obtained the land use rights of the property and is entitled to occupy, use, develop, transfer, lease, mortgage and dispose of such land use rights by other legal means within the term of the land use rights without paying any additional land premium or land fee;

   iii. Chengdu Xinzi has legally obtained the building ownership rights of the buildings of the property as stated in Note 2 and is entitled to occupy, use, transfer, lease, mortgage and dispose of such building ownership rights by other legal means;

   iv. as advised by Chengdu Xinzi, the property is free from any mortgages, seizures, demolition & resettlement works and tenancies; and

   v. there are no legal impediments for the property to be sold or let.

Group II – Property held for development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2011
5.	Phase Ⅲ of Urban Town, Liufang North Street, Chaoyang District, Beijing, PRC	Urban Town (the "development") is a residential development erected on two parcels of land with a total site area of approximately 75,479.80 sq.m. (812,465 sq.ft.). The development comprises 3 phases. Phases I and II were completed in 2009 and Phase III is under construction. The property comprises Phase Ⅲ of the development which is being constructed. According to the supplied latest development proposal, the property will be developed into a complex development and is scheduled to be completed in May 2012. Upon completion, the property shall have a total gross floor area of approximately 68,099.47 sq.m. (733,022 sq.ft.). Breakdown gross floor areas and uses of the property are tabulated as follows:	The property is under construction.	RMB1,450,000,000

Use	Approximate gross floor area (sq.m.)	(sq.ft.)
High-rise Residential	34,564.28	372,050
Office	10,261.08	110,450
Commercial	3,590.11	38,644
Basement Commercial	2,350.00	25,295
Basement Car Park	6,640.00	71,473
Civil Defense	6,187.00	66,597
Others	4,507.00	48,513
Total	68,099.47	733,022

The land use rights of the property have been granted for terms expiring on 26 August 2044 for commercial and basement commercial uses, 26 August 2054 for residential basement car parking, commercial basement car parking and basement office (property management) uses and 26 August 2074 for residential use respectively.

Notes:

1. Pursuant to two State-owned Land Use Certificates, the land use rights of two parcels of land with a total site area of approximately 75,479.80 sq.m. have been granted to Sun Shine City. Details of the certificates are as follows:

Certificate No.	**Issue Date**	**Site Area** *(sq.m.)*	**Use**	**Expiry Date**
Jing Chao Guo Yong (2008 Chu) No. 0282	19 September 2008	67,460.00	Commercial and Basement	26 August 2044
			Commercial Residential Basement Car Parking, Commercial Basement Car Parking and Basement Office (Property Management)	26 August 2054
			Residential	26 August 2074
Jing Chao Guo Yong (2008 Chu) No. 0283	19 September 2008	8,019.80	Commercial	26 August 2044
			Basement Office (Property Management)	26 August 2054
			Residential	26 August 2074
Total		**75,479.80**		

2. Pursuant to the Construction Land Planning Permit – 2005 Gui Di Zi No. 0174, Sun Shine City is permitted to develop a parcel of land with a site area of approximately 82,190.50 sq.m.

3. Pursuant to the Construction Works Planning Permit – 2009 Gui (Chao) Jian Zi No. 0151, Sun Shine City is permitted to construct Building No. 7 with a gross floor area of approximately 66,894.00 sq.m.

   As advised by Sun Shine City, the property comprises portions of the building as stated in the Construction Works Planning Permit mentioned above.

4. Pursuant to the Construction Works Commencement Permit – 2009 Shi (Chao) Jian Zi No. 0390, Sun Shine City has obtained the permission to commence construction for Building No. 7 with a gross floor area of approximately 66,894.00 sq.m.

   As advised by Sun Shine City, the property comprises portions of the building as stated in the Construction Works Commencement Permit mentioned above.

5. Pursuant to the Pre-sale Permit – Jing Fang Shou Zheng Zi (2010) No. 174, portions of Building No. 7 with a gross floor area of approximately 47,241.48 sq.m. is permitted for pre-sale.

   As advised by Sun Shine City, the property comprises portions of the building as stated in the Pre-sale Permit for Commodity Housing mentioned above.

6. As advised by Sun Shine City, portions of the property with a total gross floor area of approximately 32,419.54 sq.m. has been pre-sold at a total consideration of approximately RMB1,179,560,557. In arriving at our opinion of the market value of the property, we have taken into account the said amount.

7. As advised by Sun Shine City, the estimated construction cost for the completion of the proposed development was approximately RMB381,918,860 and the outstanding construction cost to be spent to complete the property was approximately RMB106,255,365. We have taken into account the said amounts in our valuation.

8. The market value of Phase Ⅲ of the property as if completed as at 30 November 2011 was RMB1,884,000,000.

9. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter-alia, the following information:

   i. the State-owned Land Use Certificates are legal and valid;

   ii. Sun Shine City has legally obtained the land use rights of the property and is entitled to occupy, use, develop, transfer, lease, mortgage and dispose of such land use rights by other legal means within the term of the land use rights without paying any additional land premium or land fee;

   iii. the property is subject to a mortgage;

   iv. as advised by Sun Shine City, the property is free from any seizures, demolition & resettlement works and tenancies;

   v. the aforesaid Construction Land Planning Permit, Construction Works Planning Permit and Construction Works Commencement Permit are legal and valid; and

   vi. portions of the commercial areas and the whole of the basement car parks have not obtained any Pre-sale Permits for Commodity Housing, there will be no legal impediments for the development to be sold or let provided that the relevant Pre-sale Permits for Commodity Housing and Real Estate Ownership Certificates have been obtained.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interests of Directors

(a) As at the Latest Practicable Date, none of the Directors, supervisors and the chief executive of the Company or their associates had any interests or short positions in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the supervisors of the Company).

(b) As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Group not determinable by the Company within one year without payment of compensation (other than statutory compensation).

(c) As at the Latest Practicable Date, none of the Directors had direct or indirect material interest in any assets which have been, since 31 December 2010 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or by or proposed to be acquired or disposed of by or leased to or by any member of the Group.

(d) There is no contract or arrangement subsisting at the date of this circular in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following persons (not being a Director or chief executive of the Company), so far as are known to any Director, had an interest or short position 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 were directly or indirectly, interested in ten per cent. or more of the nominal value of any class of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholders	Number of Shares directly and indirectly held	Class of Shares	Approximate percentages in relevant class of shares *(%)* Direct interests	Indirect interests	Aggregate interests	Approximate percentages in total issued share capital *(%)* Direct interests	Indirect interests	Aggregate interests
Capital Group	924,441,900 [(1)]	Non-listed Shares	30.88 (long position)	60.90 (long position)	91.78	15.34 (long position)	30.25 (long position)	45.58
	32,436,000 [(1)]	H Shares	–	3.22 (long position)	3.22	–	1.60 (long position)	1.60
Beijing Sunshine Real Estate Comprehensive Development Company	322,654,800 [(2)]	Non-listed Shares	4.71 (long position)	27.33 (long position)	32.04	2.34 (long position)	13.57 (long position)	15.91
	32,436,000 [(2)]	H Shares	–	3.22 (long position)	3.22	–	1.60 (long position)	1.60
Beijing Capital Sunshine Real Estate Development Co., Ltd.	275,236,200 [(3)]	Non-listed Shares	–	27.33 (long position)	27.33	–	13.57 (long position)	13.57
	32,436,000 [(3)]	H Shares	–	3.22 (long position)	3.22	–	1.60 (long position)	1.60
Beijing Capital Technology Investment Ltd.	172,006,700	Non-listed Shares	17.08 (long position)	–	17.08	8.48 (long position)	–	8.48
Beijing Shou Chuang Jian She Co., Ltd.	118,747,600	Non-listed Shares	11.79 (long position)	–	11.79	5.86 (long position)	–	5.86
China Resource Products Limited	275,236,200	Non-listed Shares	27.33 (long position)	–	27.33	13.57 (long position)	–	13.57
	32,436,000	H Shares	3.22 (long position)	–	3.22	1.60 (long position)	–	1.60
Yieldwell International Enterprise Limited	82,762,100	Non-listed Shares	8.22 (long position)	–	8.22	4.08 (long position)	–	4.08

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
Fexi Holdings Limited	82,762,100 (4)	Non-listed Shares	–	8.22 (long position)	8.22	–	4.08 (long position)	4.08
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	81,496,000	H Shares	7.98 (long position)	–	7.98	4.02 (long position)	–	4.02

Notes:

1. Of these 924,441,900 Shares, 311,032,800 Shares are directly held by Capital Group, the remaining 613,409,100 Shares are deemed corporate interests under the SFO indirectly held through Beijing Sunshine Real Estate Comprehensive Development Company, Beijing Capital Technology Investment Ltd., Beijing Shou Chuang Jian She Co., Ltd. and China Resource Products Limited. 32,436,000 H Shares are deemed corporate interests under the SFO indirectly held through China Resource Products Limited.

2. Of these 322,654,800 Shares, 47,418,600 Shares are directly held by Beijing Sunshine Real Estate Comprehensive Development Company, the remaining 275,236,200 Shares are deemed corporate interests under the SFO indirectly held through China Resource Products Limited. 32,436,000 H Shares are deemed corporate interests under the SFO indirectly held through China Resource Products Limited.

3. 275,236,200 non-listed Shares and 32,436,000 H Shares are deemed corporate interests under the SFO indirectly held through China Resource Products Limited.

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

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

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, so far as is known to the Directors, there is no person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any of its subsidiaries or held any option in respect of such capital.

4. LITIGATION

As at the Latest Practicable Date, none of any member of the Enlarged Group was engaged in any litigation of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

5. MATERIAL CONTRACTS

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular which is or may be material:

(a) the equity transfer agreement made between the Group and each of Beijing Dongfang Yalian Investment Company Limited and General Corporation of Agriculture, Industry and Commerce of Huangxinzhuang, Fangshan District, Beijing representively dated 25 February 2010 in relation to the acquisition of 20% and 25% interest (as the case may be) in Beijing Anshun Yuan Property Development Company Limited;

(b) the joint venture agreement made between the Group and China Creative Properties Limited dated 2 June 2010 in relation to the formation of Beijing Capital Outlet Fangshan Real Estate Development Company Limited;

(c) the subscription agreement dated 14 February 2011 entered into between BECL Investment Holding Limited as issuer (the "Issuer"), the Company as guarantor and The Hongkong and Shanghai Banking Corporation Limited as the lead manager in relation to the issue by the Issuer of the RMB1,150,000,000 4.75% guaranteed bonds due 2014;

(d) the equity transfer agreement entered into between S.C. Real Estate Development Company Limited (a wholly owned subsidiary of the Company) and Yang Guang Co., Ltd. dated 20 October 2011 in relation to the acquisitions of the entire interests in Qingdao Yangguang Binhai Properties Company Limited, Qingdao Qianqianshu Properties Company Limited, Yantai Yuangguang Lidu Real Estate Development Company Limited, Yantai Yuangguang Lizhen Real Estate Development Company Limited and Yantai Yuangguang Xinye Real Estate Development Company Limited;

(e) the Camellia S&P Agreement;

(f) the Hibiscus S&P Agreement;

(g) the Xinchuang Equity Transfer Agreement; and

(h) the Xinzi Equity Transfer Agreement.

6. QUALIFICATION

The following is a qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Kingsway	a licenced corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as set out in schedule 5 of the SFO

PricewaterhouseCoopers Zhong Tian CPAs Limited Company ("PwC")	Audit firm that is licensed to conduct securities and futures related business in China and approved by the relevant PRC authorities to act as an auditor or a reporting accountant for a PRC incorporated company listed in Hong Kong
Savills	Independent property valuer

As at the Latest Practicable Date, each of Kingsway, PwC and Savills was not beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and did not have any interest, either directly or indirectly, in any assets which have been, since 31 December 2010 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. CONSENT

Each of Kingsway, PwC and Savills has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter, report or certificate or summary of its opinion (as the case may be) and references to names in the form and context in which they appear herein.

8. MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2010 (being the date to which the latest published audited financial statements of the Company were made up).

9. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their associates had interests in a business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the place of business of the Company in Hong Kong at Suites 5806-08, Two International Finance Centre, 8 Finance Street, Central, Hong Kong up to and including Monday, 27 February 2012:

(a) the Articles;

(b) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(c) the accountant's report on the financial information of Reco Hibiscus, the text of which is set out in Appendix II to this circular;

(d) the accountant's report on the financial information of Reco Camellia, the text of which is set out in Appendix III to this circular;

(e) the accountant's report on the financial information of Chengdu Xinzi, the text of which is set out in Appendix IV to this circular;

(f) the accountant's report on the financial information of Tianjin Xinchuang, the text of which is set out in Appendix V to this circular;

(g) the accountant's report on the financial information of Anhua Shiji, the text of which is set out in Appendix VI to this circular;

(h) the accountant's report on the financial information of Sun Shine City, the text of which is set out in Appendix VII to this circular;

(i) the report from PwC on the Unaudited Pro Forma Financial Information of the Enlarged Group, the text of which is set out in Appendix VIII to this circular;

(j) the valuation report prepared by Savills, the text of which is set out in Appendix IX to this circular;

(k) the written consents referred to in paragraph 7 in this appendix;

(l) the letter from Kingsway;

(m) the letter addressed to the Independent Shareholders from the Independent Board Committee, the text of which is set out on pages 37 to 38 of this circular;

(n) the annual reports of the Company for the two financial years ended 31 December 2009 and 31 December 2010 respectively;

(o) the interim report of the Company for the six months ended 30 June 2011; and

(p) circular of the Company dated 10 November 2011 in respect of the acquisitions of the entire interests in Qingdao Yangguang Binhai Properties Company Limited, Qingdao Qianqianshu Properties Company Limited, Yantai Yuangguang Lidu Real Estate Development Company Limited, Yantai Yuangguang Lizhen Real Estate Development Company Limited and Yantai Yuangguang Xinye Real Estate Development Company Limited.

11. MISCELLANEOUS

(a) The legal address of the Company is at Room 501, No.1, Yingbinzhong Road, Huairou District, Beijing, PRC.

(b) The principal place of business of the Company in the PRC is at F15, Red Goldage, No.2, Guang Ning Bo Street, Beijing, PRC.

(c) The principal place of business of the Company in Hong Kong is at Suites 5806-08, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

(d) The Hong Kong share registrar of the Company is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) The secretary of the Company is Mr. Lee Sing Yeung, Simon, who is a fellow of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and an associate member of both the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

(f) In the event of any inconsistencies, the English text of this circular and form of proxy shall prevail over the Chinese text.

首創置業股份有限公司
BEIJING CAPITAL LAND LTD.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2868)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "EGM") of Beijing Capital Land Ltd. (the "Company") will be held on Monday, 5 March 2012 at F17, Red Goldage, No.2, Guang Ning Bo Street, Beijing, People's Republic of China (the "PRC") at 9:00 a.m. to consider and, if thought fit, pass the following resolutions as ordinary resolutions:–

ORDINARY RESOLUTIONS

"**THAT**:

1. (a) the Camellia S&P Agreement (as defined and described in the circular of the Company dated 13 February 2012 (the "Circular"), a copy of the Camellia S&P Agreement, signed by the Chairman of the meeting for the purposes of identification, has been produced to the meeting marked "A") made between the Company and Recosia China Pte Ltd ("Recosia China") and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

   (b) the board of directors of the Company be and is hereby generally and unconditionally authorized to do all such acts and things and execute all such documents and to take all such steps as it considers necessary or expedient or desirable in connection with or to give effect to the Camellia S&P Agreement and to implement the transactions contemplated thereunder and to agree to such variation, amendments or waivers of matters relating thereto as are, in the opinion of the board of directors of the Company, in the interest of the Company;

2. (a) the Hibiscus S&P Agreement (as defined and described in the Circular, a copy of the Hibiscus S&P Agreement, signed by the Chairman of the meeting for the purposes of identification, has been produced to the meeting marked "B") made between the Company and Recosia China and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

   (b) the board of directors of the Company be and is hereby generally and unconditionally authorized to do all such acts and things and execute all such documents and to take all such steps as it considers necessary or expedient or desirable in connection with or to give effect to the Hibiscus S&P Agreement and to implement the transactions contemplated thereunder and to agree to such variation, amendments or waivers of matters relating thereto as are, in the opinion of the board of directors of the Company, in the interest of the Company;

3. (a) the Xinchuang Equity Transfer Agreement (as defined and described in the Circular, a copy of the Xinchuang Equity Transfer Agreement, signed by the Chairman of the meeting for the purposes of identification, has been produced to the meeting marked "C") made between Crown Smart Limited (a wholly owned subsidiary of the Company) and Reco Ziyang Pte Ltd ("Reco Ziyang") and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

   (b) the board of directors of the Company be and is hereby generally and unconditionally authorized to do all such acts and things and execute all such documents and to take all such steps as it considers necessary or expedient or desirable in connection with or to give effect to the Xinchuang Equity Transfer Agreement and to implement the transactions contemplated thereunder and to agree to such variation, amendments or waivers of matters relating thereto as are, in the opinion of the board of directors of the Company, in the interest of the Company;

4. (a) the Xinzi Equity Transfer Agreement (as defined and described in the Circular, a copy of the Xinzi Equity Transfer Agreement, signed by the Chairman of the meeting for the purposes of identification, has been produced to the meeting marked "D") made between Best Crystal Limited (a wholly owned subsidiary of the Company) and Reco Ziyang and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

   (b) the board of directors of the Company be and is hereby generally and unconditionally authorized to do all such acts and things and execute all such documents and to take all such steps as it considers necessary or expedient or desirable in connection with or to give effect to the Xinzi Equity Transfer Agreement and to implement the transactions contemplated thereunder and to agree to such variation, amendments or waivers of matters relating thereto as are, in the opinion of the board of directors of the Company, in the interest of the Company."

By order of the board of
Beijing Capital Land Ltd.
Lee Sing Yeung, Simon
Company Secretary

Hong Kong, 13 February 2012

Notes:

(1) Eligibility to attend the EGM

Shareholders of the Company whose names appear on the register of members of the Company at the close of business on Monday, 27 February 2012, may attend the EGM after completing the registration procedures.

(2) Registration procedures for the EGM

Shareholders who intend to attend the EGM have to return the reply slip together with any necessary registration documents to the Company in person or by post or fax on or before Monday, 27 February 2012.

(3) Proxy

i. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote at the meeting on his or her behalf. A proxy need not be a Shareholder.

ii. In order to be valid, the proxy form and, if such proxy form is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or authority, shall be deposited by holders of Domestic Promoter Shares or Foreign Promoter Shares at the place of business of the Company in the PRC not less than 24 hours before the time for holding of the EGM, or by the holder of H Shares at the place of business of the Company in Hong Kong by such time.

iii. If more than one proxy is appointed, such proxies shall only be entitled to vote by poll.

iv. Shareholders or their proxies shall produce their identification documents when attending the EGM.

(4) Book close

The register of members of the Company will be closed from Tuesday, 28 February 2012 to Monday, 5 March 2012 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for attending the EGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 27 February 2012.

(5) Miscellaneous

i. It is expected that the EGM will last for not more than half a day. All attending Shareholders shall arrange for their transportation and accommodation and shall borne all expenses in this connection.

ii. The Company's place of business in the PRC:–

F15, Red Goldage
No.2, Guang Ning Bo Street
Beijing, PRC
Telephone: 86-10-6652 3000
Facsimile: 86-10-6652 3171

iii. The Company's place of business in Hong Kong:–

Suites 5806-08
Two International Finance Centre
8 Finance Street
Central
Hong Kong
Telephone: 852-2869 9098
Facsimile: 852-2869 9708