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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** about this circular or as to the action you should take, you should consult your stockbroker, 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 accompanying reply slips and forms of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

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

**(Stock Code: 2868)**

**(1) MAJOR AND CONNECTED TRANSACTION  
IN RESPECT OF THE PROPOSED ACQUISITIONS OF  
EQUITY INTERESTS IN DONGHUAN XINRONG,  
LIUJIN ZHIYE, CHONGQING RUNZHI AND  
SHENYANG HAOHUA;  
AND  
(2) NOTICE OF EGM**

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

**Nuada Limited**  
*Corporate Finance Advisory*

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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 30 of this circular. A letter from the Independent Board Committee containing its recommendation in respect of the Equity Transfer Agreements and the transactions contemplated thereunder is set out on page 31 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreements and the transactions contemplated thereunder, is set out on pages 32 to 61 of this circular.

A notice convening the EGM to be held at 9:00 a.m. on Friday, 15 July 2016 at F17, Red Goldage, No. 2, Guang Ning Bo Street, Beijing, PRC, together with the reply slip and form of proxy are also enclosed herein.

Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed reply slip and form of proxy in accordance with the instructions printed thereon as soon as possible, but in any event not later than 5:00 p.m. on Thursday, 7 July 2016 for the reply slip and not later than 24 hours before the respective time appointed for holding the EGM or any adjournment thereof for the form of proxy. 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 so desire and in such event, the relevant form(s) of proxy shall be deemed to be revoked. Shareholders who intend to attend the meetings in person or by proxy should complete and return the reply slip in accordance with the instructions printed thereon on or before Thursday, 7 July 2016.

29 June 2016

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## DEFINITIONS

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*Unless the context otherwise requires, capitalised terms used in this circular shall have the meanings as follows:*

“Acquisitions”	the acquisitions of equity interests pursuant to the Equity Transfer Agreements
“Announcement”	the announcement of the Company dated 3 June 2016
“Board”	the board of Directors
“Capital Fangzhou”	Beijing Capital Fangzhou Real Estate Company Limited* (北京首創方舟置業有限公司), a company established in the PRC with limited liability and a connected person of the Company
“Capital Group”	Beijing Capital Group Co., Ltd.* (北京首都創業集團有限公司), a state-owned enterprise incorporated in the PRC on 26 October 1994 and under the direct supervision of the Beijing Municipal Government, the controlling shareholder of the Company and a connected person of the Company
“Capital Investment”	Beijing Capital Investment Development Limited* (首創投資發展有限公司), a company established in the PRC with limited liability and a connected person of the Company
“Chongqing Equity Transfer Agreement”	the equity transfer agreement in relation to Chongqing Runzhi entered into among Chuangzhi Trust, Xinwei Infrastructure and Xinli Yeda on 3 June 2016
“Chongqing Runzhi”	Chongqing Runzhi Construction Development Limited* (重慶潤智建設開發有限公司), a company established in the PRC with limited liability
“Chuangzhi Trust”	Beijing Chuangzhi Trust Finance Investment Centre (Limited Partnership)* (北京創智信融投資中心(有限合夥)), a limited partnership established in the PRC and a connected person of the Company
“Company”	Beijing Capital Land Ltd. (首創置業股份有限公司), a joint stock company incorporated in the PRC with limited liability and whose H shares are listed and traded on the Main Board of the Stock Exchange
“Continuing Connected Transactions”	the transactions contemplated under the Lease Agreement including the proposed annual caps thereunder which are subject to the announcement, reporting and annual review requirements under the Listing Rules
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

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“Donghuan Equity Transfer Agreement”	the equity transfer agreement in relation to Donghuan Xinrong entered into between Capital Group and the Company on 3 June 2016
“Donghuan Xinrong”	Beijing Donghuan Xinrong Investment Management Limited* (北京東環鑫融投資管理有限公司), a company established in the PRC with limited liability
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, to approve the Equity Transfer Agreements and the transactions contemplated thereunder
“Enlarged Group”	the Group and the Target Companies upon completion of the Equity Transfer Agreements
“Equity Transfer Agreements”	the Donghuan Equity Transfer Agreement, the Liujin Equity Transfer Agreement, the Chongqing Equity Transfer Agreement and the Shenyang Equity Transfer Agreement
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Hainan Integrated Outlets Project”	an outlets-backed commercial integrated project located in Wanning, Hainan Province, the PRC and owned as to 55% by the Company as at the Latest Practicable Date
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Board, comprising all the independent non-executive Directors, namely Mr. Wang Hong, Mr. Li Wang and Mr. Wong Yik Chung, John established to advise the Independent Shareholders on the Equity Transfer Agreements and the transactions contemplated thereunder
“Independent Financial Adviser”	Nuada Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser as approved and appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders with regard to the Equity Transfer Agreements and the transactions contemplated thereunder
“Independent Shareholder(s)”	the Shareholder(s), other than (i) Capital Group and its associates and (ii) those who have a material interest in the Equity Transfer Agreements and the transactions contemplated thereunder

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## DEFINITIONS

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“Latest Practicable Date”	27 June 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Lease Agreement”	the lease agreement in relation to certain units in Capital Building* (首創大廈) entered into between Donghuan Xinrong and Capital Group on 3 June 2016, which is subject to the completion of the equity transfer of Donghuan Xinrong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and modified from time to time
“Liujin Equity Transfer Agreement”	the equity transfer agreement in relation to Liujin Zhiye entered into between Capital Investment and Zhongzhi Dingfu on 3 June 2016
“Liujin Zhiye”	Beijing Liujin Zhiye Land Limited Liability Company* (北京鑾金置業有限責任公司), a company established in the PRC with limited liability
“PRC”	the People’s Republic of China, which for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the People’s Government of Beijing Municipality* (北京市人民政府國有資產監督管理委員會)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and modified from time to time
“Share(s)”	the domestic share(s), non-H foreign share(s) and H share(s) of RMB1.00 each in the registered capital of the Company
“Shareholder(s)”	the holder(s) of the Shares of the Company
“Shenyang Equity Transfer Agreement”	the equity transfer agreement in relation to Shenyang Haohua entered into among Capital Investment, Xinli Yeda, Capital Group and Capital Fangzhou on 3 June 2016
“Shenyang Haohua”	Shenyang Haohua Land Limited* (瀋陽昊華置業有限公司), a company established in the PRC with limited liability

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## DEFINITIONS

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“sq. m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	Donghuan Xinrong, Liujin Zhiye, Chongqing Runzhi and Shenyang Haohua, each referred to as a “Target Company”
“US\$”	United States Dollars, the lawful currency of the United States of America
“Xinli Yeda”	Beijing Xinli Yeda Investment Consulting Limited* (北京鑫利業達投資諮詢有限公司), a company established in the PRC with limited liability and a subsidiary of the Company
“Xinwei Infrastructure”	Beijing Xinwei Infrastructure Investment Limited* (北京信威基礎設施投資有限公司), a company established in the PRC with limited liability and a connected person of the Company
“Zhongzhi Dingfu”	Beijing Zhongzhi Dingfu Property Development Limited* (北京眾置鼎福房地產開發有限公司), a company established in the PRC with limited liability and a subsidiary of the Company
“%”	per cent.

*In this circular, unless the context otherwise requires, the terms “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.*

*Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.*

*References to the singular number include references to the plural and vice versa and references to one gender include every gender.*

*The English names of Chinese entities marked with “\*” are translations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

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## LETTER FROM THE BOARD

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

**(Stock Code: 2868)**

*Executive Directors:*

Wang Hao (*Chairman*)

Tang Jun (*President*)

*Non-executive Directors:*

Li Songping

Song Fengjing

Shen Jianping

Sun Baojie

*Independent non-executive Directors:*

Wang Hong

Li Wang

Wong Yik Chung, John

*Registered address:*

Room 6008, Block 1

No. 26 Qingchun Road

Huairou District

Beijing

PRC

*Place of business in the PRC:*

F17, Red Goldage

No. 2, Guang Ning Bo Street

Beijing

PRC

*Place of business in Hong Kong:*

Suites 2906-08, AIA Central

1 Connaught Road Central

Hong Kong

29 June 2016

*To the Shareholders*

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTION  
IN RESPECT OF THE PROPOSED ACQUISITIONS OF  
EQUITY INTERESTS IN DONGHUAN XINRONG,  
LIUJIN ZHIYE, CHONGQING RUNZHI AND  
SHENYANG HAOHUA;  
AND  
(2) NOTICE OF EGM**

### INTRODUCTION

Reference is made to the Announcement. On 3 June 2016, the Group entered into the Equity Transfer Agreements with the controlling shareholder of the Company, Capital Group, and its subsidiaries, namely Capital Investment, Capital Fangzhou, Chuangzhi Trust and Xinwei Infrastructure (as the case may be), for the transfer of the equity interests in the Target Companies. On 3 June 2016, Donghuan Xinrong and Capital Group entered into the Lease Agreement, pursuant to which Donghuan Xinrong has agreed to lease certain units in Capital Building\* (首創大廈) to Capital Group after completion of the transfer of equity interest in Donghuan Xinrong for self-use by Capital Group, subject to the completion of the transfer of equity interest in Donghuan Xinrong.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with (i) further information relating to the Equity Transfer Agreements and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders regarding the Equity Transfer Agreements and the transactions contemplated thereunder; (iii) a letter of advice by Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Equity Transfer Agreements and the transactions contemplated thereunder; (iv) other information as required to be disclosed under the Listing Rules; and (v) to give notice of the EGM.

### A. THE ACQUISITIONS

The Board announces that on 3 June 2016, the Group entered into the Equity Transfer Agreements with the controlling shareholder of the Company, Capital Group, and its subsidiaries, namely Capital Investment, Capital Fangzhou, Chuangzhi Trust and Xinwei Infrastructure (as the case may be), for the transfer of the equity interests in the Target Companies.

Major terms of the Equity Transfer Agreements are set out below:

#### (i) The Donghuan Equity Transfer Agreement

##### *Date*

3 June 2016

##### *Parties*

The Donghuan Equity Transfer Agreement was entered into between:

- (a) Capital Group (as the seller); and
- (b) the Company (as the purchaser).

##### *Interests to be acquired*

The entire equity interest in Donghuan Xinrong and the shareholders' loan of approximately RMB269,412,000 due to Capital Group. Upon completion, Donghuan Xinrong will become a wholly-owned subsidiary of the Company and the entire shareholders' loan will be owed to the Company.

Donghuan Xinrong mainly focuses on the property management and leasing of offices in Capital Building\* (首創大廈) located at No. 6 Chaoyangmenbei Street, Dongcheng District\* in Beijing (北京市東城區朝陽門北大街6號), of which a total GFA of 48,431.44 sq. m. is owned by Donghuan Xinrong.

The initial investment in the entire equity interest in Donghuan Xinrong borne by Capital Group in 2004 involved a total investment cost of approximately RMB10,000,000, and the subsequent acquisitions of units in Capital Building\* (首創大廈) by batches in 2005, 2007 and 2015 by Donghuan Xinrong involved an aggregate cost of approximately RMB465,941,000.



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## LETTER FROM THE BOARD

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### *Consideration*

The consideration for the entire equity interest in Donghuan Xinrong and the shareholders' loan due to Capital Group is RMB1,297,830,000 and RMB269,412,000, respectively, which total amount is approximately RMB1,567,242,000 and will be settled by the Company in two instalments: (1) approximately RMB626,897,000 payable within three working days after satisfaction and/or waiver of all conditions precedent pursuant to the Donghuan Equity Transfer Agreement; and (2) approximately RMB940,345,000 payable within 10 working days after completion of the equity transfer of Donghuan Xinrong. The Company shall have the right to deduct from the aggregate consideration any expenses, compensation, losses or penalties incurred by it and/or Donghuan Xinrong which fall within the indemnity agreed to be provided by Capital Group under the section headed "(i) The Donghuan Equity Transfer Agreement – Indemnity" below.

### *Basis of consideration*

The consideration was determined after arm's length negotiations between the parties of the Donghuan Equity Transfer Agreement on normal commercial terms and with reference to (a) the audited net asset value of Donghuan Xinrong as at 31 December 2015 of approximately RMB989,000,000; (b) the valuation by an independent valuer, taking into account of the market value of the total equity of Donghuan Xinrong as at 31 December 2015 of approximately RMB1,296,980,000; (c) the total amount of shareholders' loan of approximately RMB269,412,000; and (d) the increase in value of Donghuan Xinrong since the initial acquisition of units in Capital Building\* (首創大廈) in 2005 by Capital Group, which was the general upward trend due to the subsequent acquisitions of units in Capital Building\* (首創大廈), the general upward trend in property prices in the Beijing real estate market during the subsequent years and the accumulated income from the leasing operations of Donghuan Xinrong during the relevant years.

### *Conditions precedent*

The Donghuan Equity Transfer Agreement shall become effective upon the fulfillment of the following conditions precedent, none of which are waivable:

- (a) the Donghuan Equity Transfer Agreement having been approved by the board of directors of the parties, the shareholders of the parties (including the Independent Shareholders of the Company) and any internal approval authority of the parties, where necessary;
- (b) the business valuation report by the independent valuer having been completed and approved in accordance with the applicable regulations on state-owned assets valuation and management, and the relevant approved documents having been obtained;
- (c) the acquisition pursuant to the Donghuan Equity Transfer Agreement having been approved by SASAC; and

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## LETTER FROM THE BOARD

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- (d) all necessary approvals, including but not limited to consents, notifications, authorisations or waivers, required for the parties to perform their respective obligations under the Donghuan Equity Transfer Agreement having been obtained from relevant governmental, regulatory bodies (including the Stock Exchange) and relevant third parties, where such approvals have not been revoked prior to completion.

### *Completion*

Completion of the transfer of the entire equity interest in Donghuan Xinrong shall take place on the 7th working day (or such other date agreed by the parties) upon: (i) all the conditions precedent pursuant to the Donghuan Equity Transfer Agreement are fulfilled; (ii) Capital Group having entered into new lease agreement(s) with Donghuan Xinrong in respect of certain units in Capital Building\* (首創大廈) for a term of three years commencing from the completion of the equity transfer of Donghuan Xinrong, being the Lease Agreement; and (iii) Capital Group being in compliance with the Donghuan Equity Transfer Agreement including their representations, warranties and undertakings thereunder.

In the event that any of the above requirements pursuant to the Donghuan Equity Transfer Agreement is not fulfilled by the parties before 31 October 2016 (unless otherwise waived by the Company, save for (i) above which cannot be waived), and the parties are unable to reach consensus on alternative arrangements, Capital Group shall return the first instalment of the consideration to the Company (without interest) within 10 working days. The Donghuan Equity Transfer Agreement and any arrangements contemplated thereunder will lapse and all obligations and liabilities of the parties thereunder will cease to have effect and no party shall have any claim against the other. As at the Latest Practicable Date, save and except for conditions precedent (b) and (c), none of the above requirements have been fulfilled or waived, and the Company expects that the remaining requirements will be fulfilled prior to completion of the equity transfer of Donghuan Xinrong and therefore do not intend to waive any of them. The Company will only consider a grant of waiver to the above requirements only if it is fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the substance of the transactions contemplated under the Donghuan Equity Transfer Agreement remains unaffected in all material aspects.

### *Indemnity*

Capital Group has agreed to indemnify the Company for all liabilities, losses, expenses, compensation, penalties, debts and payables incurred or litigation involved, including damages and costs payable as a result of litigation, suffered by the Company prior to or subsequent to the completion of the equity transfer of Donghuan Xinrong and which arise from circumstances or matters occurring prior to completion of the acquisition of Donghuan Xinrong.

### *Termination*

Either of the parties shall have the right to terminate the Donghuan Equity Transfer Agreement between the signing of the Donghuan Equity Transfer Agreement and completion of the equity transfer of Donghuan Xinrong if any of the following events occur, where upon the Donghuan Equity Transfer Agreement shall cease to have effect and neither party shall have any claim against the other party:

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## LETTER FROM THE BOARD

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- (a) any change in laws renders the parties being unable to perform their respective obligations under the Donghuan Equity Transfer Agreement, and the parties are unable to agree on any alternative arrangements; or
- (b) any force majeure event including, among others, natural disasters, riot, war and changes in government policy.

In addition, the non-defaulting party shall have the right to terminate the Donghuan Equity Transfer Agreement between the signing of the Donghuan Equity Transfer Agreement and completion of the equity transfer of Donghuan Xinrong if any of the following breaches by the defaulting party having taken place, where upon the Donghuan Equity Transfer Agreement shall cease to have effect and neither party shall have any claim against the other party:

- (a) the representations and warranties or undertakings or information, document or data provided by the defaulting party is false or misleading or contains material omission, leading to the purpose of the Donghuan Equity Transfer Agreement being unable to be achieved;
- (b) the breach of any terms of the Donghuan Equity Transfer Agreement by the defaulting party, which has not been rectified by the defaulting party within 15 days of receiving the notice to rectify or compensate the adverse effect from the innocent party, leading to the transactions contemplated under the Donghuan Equity Transfer Agreement being unable to be completed; or
- (c) any material breach of laws and regulations, leading to the transactions contemplated under the Donghuan Equity Transfer Agreement being unable to be completed.

In any event, upon termination of the Donghuan Equity Transfer Agreement, Capital Group shall return the first instalment of the consideration to the Company (without interest) within 10 working days.

**(ii) The Liujin Equity Transfer Agreement**

***Date***

3 June 2016

***Parties***

The Liujin Equity Transfer Agreement was entered into between:

- (a) Capital Investment (as the seller); and
- (b) Zhongzhi Dingfu (as the purchaser).

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## LETTER FROM THE BOARD

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### *Interests to be acquired*

The 60% equity interest in Liujin Zhiye and the shareholders' loan of approximately RMB967,702,000 due to Capital Investment. As at the Latest Practicable Date, the Group is interested in 40% equity interest in Liujin Zhiye and therefore, Liujin Zhiye will become a wholly-owned subsidiary of the Company upon completion, and the entire shareholders' loan will be owed to the Group.

Liujin Zhiye mainly focuses on the primary land development (shantytown renovation) of a property project located in Xihuang Village, Shijingshan District\* in Beijing (北京市石景山西黄村), with a total planned site area of 521,462 sq. m. and a total construction land area of 280,829 sq. m..

The initial acquisition of the 60% equity interest in Liujin Zhiye by Capital Investment in 2014 involved an acquisition cost of approximately RMB60,000,000 and the aggregate amount of subsequent commitments made in several batches by Capital Investment in 2014 and 2015 was approximately RMB972,000,000, thus the total cost was approximately RMB1,032,000,000.

### *Consideration*

The consideration for 60% equity interest in Liujin Zhiye and the shareholders' loan due to Capital Investment is RMB1,182,000,000 and approximately RMB967,702,000 respectively, which total amount is approximately RMB2,149,702,000 and will be settled by Zhongzhi Dingfu in two instalments: (1) approximately RMB859,881,000 payable within three working days after the satisfaction and/or waiver of all conditions precedent pursuant to the Liujin Equity Transfer Agreement; and (2) approximately RMB1,289,821,000 payable within 10 working days upon completion of the equity transfer of Liujin Zhiye.

### *Basis of consideration*

The consideration was determined after arm's length negotiations between the parties of the Liujin Equity Transfer Agreement on normal commercial terms and with reference to (a) the audited net asset value of Liujin Zhiye as at 31 December 2015 of approximately RMB1,726,000,000; (b) the valuation by an independent valuer, taking into account of 60% of the market value of the total equity of Liujin Zhiye as at 31 December 2015 of approximately RMB1,147,592,000; (c) the total amount of shareholders' loan of approximately RMB967,702,000; and (d) the increase in value of Liujin Zhiye over the total investment cost, which was mainly due to the accumulated income from the primary land development (shantytown renovation) operations of Liujin Zhiye during the relevant years, which is primarily based on the return on investment of 8% to 15% as determined by the local government authorities.

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## LETTER FROM THE BOARD

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### *Conditions precedent*

The Liujin Equity Transfer Agreement shall become effective upon the fulfillment of the following conditions precedent:

- (a) the Liujin Equity Transfer Agreement having been approved by the board of directors of the parties, the shareholders of the parties (including the Independent Shareholders of the Company) and any internal approval authority of the parties, where necessary;
- (b) the business valuation report by the independent valuer having been completed and approved in accordance with the applicable regulations on state-owned assets valuation and valuation and management, and the relevant approved documents having been obtained;
- (c) the acquisition pursuant to the Liujin Equity Transfer Agreement having been approved by SASAC, and the relevant local government having also been notified of such acquisition;
- (d) Liujin Zhiye having completed the registration of the increase in its share capital; and
- (e) all necessary approvals, including but not limited to consents, notifications, authorisations or waivers, required for the parties to perform their respective obligations under the Liujin Equity Transfer Agreement having been obtained from relevant governmental, regulatory bodies (including the Stock Exchange) and relevant third parties, where such approvals have not been revoked prior to completion.

### *Completion*

Completion of the transfer of the 60% equity interest in Liujin Zhiye shall take place on the 7th working day (or such other date agreed by the parties) upon all the conditions precedent pursuant to the Liujin Equity Transfer Agreement are fulfilled. As at the Latest Practicable Date, save and except for conditions precedent (b) and (c), none of the conditions precedent have been fulfilled. In addition, none of the conditions precedent may be waived by the parties. The completion of the equity transfer of Liujin Zhiye is expected to take place in or around September 2016.

### *Termination*

Either of the parties shall have the right to terminate the Liujin Equity Transfer Agreement between the signing of the Liujin Equity Transfer Agreement and completion of the equity transfer of Liujin Zhiye if any of the following events occur, where upon the Liujin Equity Transfer Agreement shall cease to have effect and neither party shall have any claim against the other party:

- (a) any change in laws renders the parties being unable to perform their respective obligations under the Liujin Equity Transfer Agreement, and the parties are unable to agree on any alternative arrangements; or

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## LETTER FROM THE BOARD

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- (b) any force majeure event including, among others, natural disasters, riot, war and changes in government policy.

In addition, the non-defaulting party shall have the right to terminate the Liujin Equity Transfer Agreement between the signing of the Liujin Equity Transfer Agreement and completion of the equity transfer of Liujin Zhiye if any of the following breaches by the defaulting party having taken place, where upon the Liujin Equity Transfer Agreement shall cease to have effect and neither party shall have any claim against the other party:

- (a) the representations and warranties or undertakings or information, document or data provided by the defaulting party is false or misleading or contains material omission, leading to the purpose of the Liujin Equity Transfer Agreement being unable to be achieved;
- (b) the breach of any terms of the Liujin Equity Transfer Agreement by the defaulting party, which has not been rectified by the defaulting party within 15 days of receiving the notice to rectify or compensate the adverse effect from the innocent party, leading to the transactions contemplated under the Liujin Equity Transfer Agreement being unable to be completed; or
- (c) any material breach of laws and regulations, leading to the transactions contemplated under the Liujin Equity Transfer Agreement being unable to be completed.

In any event, upon termination of the Liujin Equity Transfer Agreement, Capital Investment shall return the first instalment of the consideration to Zhongzhi Dingfu (without interest) within 10 working days.

### **(iii) The Chongqing Equity Transfer Agreement**

#### ***Date***

3 June 2016

#### ***Parties***

The Chongqing Equity Transfer Agreement was entered into between:

- (a) Chuangzhi Trust (as co-sellers);
- (b) Xinwei Infrastructure (as co-sellers); and
- (c) Xinli Yeda (as the purchaser).

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## LETTER FROM THE BOARD

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### *Interests to be acquired*

The entire equity interest in Chongqing Runzhi and the shareholders' loan of approximately RMB209,915,000 due to Chuangzhi Trust. Upon completion, Chongqing Runzhi will become a wholly-owned subsidiary of the Company and the entire shareholders' loan will be owed to the Group.

Chongqing Runzhi mainly focuses on the development of the Yuyue Project\* (渝閱項目) located in Jinma Village, Zouma Town, Jiulongpo District\* in Chongqing (重慶市九龍坡區走馬鎮金馬村), with a total planned site area of 200,001.70 sq. m. and a total planned GFA of 107,985.5 sq. m.. The project is primarily involved in the development of residential properties. As at 31 December 2015, the total completed GFA was 25,311.56 sq. m., of which 6,148.48 sq. m. has been sold.

The initial acquisition of the entire equity interest in Chongqing Runzhi by Chuangzhi Trust in 2015 involved a total acquisition cost of approximately RMB169,000,000 and the aggregate amount of subsequent commitments by Xinwei Infrastructure and Chuangzhi Trust made in 2015 was approximately RMB80,000 and RMB333,000,000, respectively, thus the total cost was approximately RMB502,080,000.

### *Consideration*

The consideration for the entire equity interest in Chongqing Runzhi and the shareholders' loan due to Chuangzhi Trust is approximately RMB280,000 and RMB209,915,000, respectively, which total amount is approximately RMB210,195,000 and will be settled by Xinli Yeda in three instalments: (1) approximately RMB54,078,000 payable within three working days after satisfaction and/or waiver of all conditions precedent pursuant to the Chongqing Equity Transfer Agreement; (2) approximately RMB126,117,000 payable within 10 working days after completion of the equity transfer of Chongqing Runzhi; and (3) RMB30,000,000 payable upon the first anniversary of the completion of the equity transfer of Chongqing Runzhi and after completion of the registration with relevant government authorities. Xinli Yeda shall have the right to deduct from the aggregate consideration any expenses, compensation, losses or penalties incurred by it and/or Chongqing Runzhi which fall within the indemnity agreed to be provided by Chuangzhi Trust and Xinwei Infrastructure under the section headed "(iii) The Chongqing Equity Transfer Agreement – Indemnity" below.

### *Basis of consideration*

The consideration was determined after arm's length negotiations between the parties of the Chongqing Equity Transfer Agreement on normal commercial terms and with reference to (a) the audited net asset value of Chongqing Runzhi as at 31 December 2015 of approximately RMB251,000; (b) the valuation by an independent valuer taking into account of the market value of the total equity of Chongqing Runzhi as at 31 December 2015 of approximately RMB280,000; (c) the total amount of shareholders' loan of approximately RMB209,915,000; and (d) the decrease in value of Chongqing Runzhi over the total investment cost, which was mainly due to accumulated losses from the property development operations of Chongqing Runzhi during the relevant years and amortisations.

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### *Conditions precedent*

The Chongqing Equity Transfer Agreement shall become effective upon the fulfillment of the following conditions precedent, none of which are waivable:

- (a) the Chongqing Equity Transfer Agreement having been approved by the board of directors of the parties, and the shareholders of the parties (including the Independent Shareholders of the Company) and any internal approval authority of the parties, where necessary;
- (b) the business valuation report by the independent valuer having been completed and approved in accordance with the applicable regulations on state-owned assets valuation and management, and the relevant approved documents having been obtained;
- (c) the acquisition pursuant to the Chongqing Equity Transfer Agreement having been approved by SASAC;
- (d) Xinwei Infrastructure having paid up its portion of the registered share capital of Chongqing Runzhi, and Chongqing Runzhi having obtained the new business license after completion of the registration for the increase in share capital for Chongqing Runzhi; and
- (e) all necessary approvals, including but not limited to consents, notifications, authorisations or waivers, required for the parties to perform their respective obligations under the Chongqing Equity Transfer Agreement having been obtained from relevant governmental, regulatory bodies (including the Stock Exchange) and relevant third parties, where such approvals have not been revoked prior to completion.

### *Completion*

Completion of the transfer of the entire equity interest in Chongqing Runzhi shall take place on the 7th working day (or such other date agreed by the parties) upon: (i) all the conditions precedent pursuant to the Chongqing Equity Transfer Agreement are fulfilled; (ii) Chongqing Runzhi having entered into a supplementary agreement with the relevant local land bureau in respect of the property development project; (iii) Chongqing Runzhi having obtained confirmation from the local authorities that it had not received any material penalty within the recent three years; (iv) Chongqing Runzhi has not received any adverse request from the relevant government authorities and/or experienced legal pediment(s) in relation to the commencement of work of the Yuyue Project\* (渝閱項目); and (v) Chuangzhi Trust and Xinwei Infrastructure being in compliance with the Chongqing Equity Transfer Agreement including their representations, warranties and undertakings thereunder.

In the event that any of the above requirements pursuant to the Chongqing Equity Transfer Agreement is not fulfilled by the parties before 31 October 2016 (unless otherwise waived by Xinli Yeda, save for (i) which cannot be waived) and the parties are unable to reach consensus on alternative arrangements, Chuangzhi Trust and/or Xinwei Infrastructure shall return the first instalment of the consideration to Xinli Yeda (without interest) within



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10 working days. The Chongqing Equity Transfer Agreement will lapse and all obligations and liabilities of the parties thereunder will cease to have effect and no party shall have any claim against the other. As at the Latest Practicable Date, save and except for conditions precedent (c) and (d), none of the above requirements have been fulfilled or waived, and Xinli Yeda expects that the remaining requirements will be fulfilled prior to completion of the equity transfer of Chongqing Runzhi and therefore does not intend to waive any of them. Xinli Yeda will only consider a grant of waiver to the above requirements only if it is fair and reasonable and in the interests of Xinli Yeda and its shareholders as a whole, and that the substance of the transactions contemplated under the Chongqing Equity Transfer Agreement remains unaffected in all material aspects.

### *Indemnity*

Chuangzhi Trust and Xinwei Infrastructure have agreed to indemnify Chongqing Runzhi and Xinli Yeda for all liabilities, losses, expenses, compensation, penalties, debts and payables incurred or litigation involved, including damages and costs payable as a result of litigation, suffered by Chongqing Runzhi and/or Xinli Yeda prior to or subsequent to the completion of the equity transfer of Chongqing Runzhi and which arise from circumstances or matters occurring prior to completion of the acquisition of Chongqing Runzhi.

### *Termination*

Any of the parties shall have the right to terminate the Chongqing Equity Transfer Agreement between the signing of the Chongqing Equity Transfer Agreement and completion of the equity transfer of Chongqing Runzhi if any of the following events occur, where upon the Chongqing Equity Transfer Agreement shall cease to have effect and neither party shall have any claim against the third party:

- (a) any change in laws renders the parties being unable to perform their respective obligations under the Chongqing Equity Transfer Agreement, and the parties are unable to agree on any alternative arrangements; or
- (b) any force majeure event including, among others, natural disasters, riot, war and changes in government policy.

In addition, the non-defaulting party(ies) shall have the right to terminate the Chongqing Equity Transfer Agreement between the signing of the Chongqing Equity Transfer Agreement and completion of the equity transfer of Chongqing Runzhi, if any of the following breaches by the defaulting party(ies) having taken place, where upon the Chongqing Equity Transfer Agreement shall cease to have effect and none of the party(ies) shall have any claim against the other parties:

- (a) the representations and warranties or undertakings or information, document or data provided by the defaulting party is false or misleading or contains material omission, leading to the purpose of the Chongqing Equity Transfer Agreement being unable to be achieved;

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## LETTER FROM THE BOARD

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- (b) the breach of any terms of the Chongqing Equity Transfer Agreement by the defaulting party, which has not been rectified by the defaulting party within 15 days of receiving the notice to rectify or compensate the adverse effect from the innocent party, leading to the transactions contemplated under the Chongqing Equity Transfer Agreement being unable to be completed; or
- (c) any material breach of laws and regulations, leading to the transactions contemplated under the Chongqing Equity Transfer Agreement being unable to be completed.

In any event, upon termination of the Chongqing Equity Transfer Agreement, Chuangzhi Trust and/or Xinwei Infrastructure shall return the first instalment of the consideration to Xinli Yeda (without interest) within 10 working days.

### (iv) **The Shenyang Equity Transfer Agreement**

#### *Date*

3 June 2016

#### *Parties*

The Shenyang Equity Transfer Agreement was entered into among:

- (a) Capital Investment (as the seller);
- (b) Xinli Yeda (as the purchaser);
- (c) Capital Group; and
- (d) Capital Fangzhou.

#### *Interests to be acquired*

The entire equity interest in Shenyang Haohua and the aggregate shareholders' loan in the amount of approximately RMB275,228,000 due to Capital Investment, Capital Group and Capital Fangzhou. Upon completion, Shenyang Haohua will become a wholly-owned subsidiary of the Company and the entire shareholders' loan will be owed to the Group.

Shenyang Haohua mainly focuses on the development of the Legendary Bay Project\* (首創•琥珀灣項目) located in Gaokan Subdistrict, Shenyang Qipanshan Tourism Development Zone\* in Shenyang (瀋陽市棋盤山旅遊開發區高坎街道), with a total planned site area of 231,666 sq. m. and a total planned GFA of 170,000 sq. m.. The project is primarily involved in the development of residential properties, retail shops and other facilities.

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The initial investment in the equity interest in Shenyang Haohua by Capital Investment in 2007 involved a total investment cost of approximately RMB4,500,000 and the aggregate amount of subsequent commitments by Capital Investment made in 2015 was approximately RMB325,000,000, thus the total cost was approximately RMB329,500,000.

### *Consideration*

The consideration for the entire equity interest in Shenyang Haohua and the aggregate shareholders' loan due to Capital Investment, Capital Group and Capital Fangzhou is approximately RMB328,000 and RMB275,228,000, respectively, which total amount is approximately RMB275,556,000 and will be settled by Xinli Yeda in three instalments: (1) approximately RMB90,222,000 payable within three working days after satisfaction and/or waiver of all conditions precedent pursuant to the Shenyang Equity Transfer Agreement; (2) approximately RMB165,334,000 payable within 10 working days after completion of the equity transfer of Shenyang Haohua; and (3) RMB20,000,000 payable upon the first anniversary of the completion of the equity transfer of Shenyang Haohua and after completion of the registration with relevant government authorities. Xinli Yeda shall have the right to deduct from the relevant portion of the aggregate consideration any expenses, compensation, losses or penalties incurred by it and/or Shenyang Haohua which fall within the indemnity agreed to be provided by Capital Investment under the section headed "(iv) The Shenyang Equity Transfer Agreement – Indemnity" below.

### *Basis of consideration*

The consideration was determined after arm's length negotiations between the parties of the Shenyang Equity Transfer Agreement on normal commercial terms and with reference to (a) the audited net asset value of Shenyang Haohua as at 31 December 2015 of approximately RMB271,000; (b) the valuation by an independent valuer, taking into account of the market value of the total equity of Shenyang Haohua as at 31 December 2015 of approximately RMB328,000; (c) the total amount of shareholders' loan of approximately RMB275,228,000; and (d) the decrease in value of Shenyang Haohua over the total investment cost, which was mainly due to accumulated losses from the property development operations of Shenyang Haohua during the relevant years and amortisations.

### *Conditions precedent*

The Shenyang Equity Transfer Agreement shall become effective upon the fulfillment of the following conditions precedent, none of which are waivable:

- (a) the Shenyang Equity Transfer Agreement having been approved by the board of directors of the parties, the shareholders of the parties (including the Independent Shareholders of the Company) and any internal approval authority of the parties, where necessary;
- (b) the business valuation report by the independent valuer having been completed and approved in accordance with the applicable regulations on state-owned assets valuation and management, and the relevant approved documents having been obtained;

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- (c) the acquisition pursuant to the Shenyang Equity Transfer Agreement having been approved by SASAC;
- (d) Shenyang Haohua having obtained the new business license after completion of the registration for the increase in share capital for Shenyang Haohua; and
- (e) all necessary approvals, including but not limited to consents, notifications, authorisations or waivers, required for the performance of obligations under the Shenyang Equity Transfer Agreement having been obtained from relevant governmental, regulatory bodies (including the Stock Exchange) and relevant third parties and such approvals not having been revoked prior to completion.

### *Completion*

Completion of the transfer of the entire equity interest in Shenyang Haohua shall take place on the 7th working day (or such other date as agreed by the parties) upon: (i) all the conditions precedent pursuant to the Shenyang Equity Transfer Agreement are fulfilled; (ii) the updated social security registration certificate having been obtained by Shenyang Haohua; (iii) the updated provisional quality certificate for property development enterprises having been obtained by Shenyang Haohua; (iv) Shenyang Haohua having obtained confirmation from the local authorities that it had not received any material penalty within the recent three years; (v) Shenyang Haohua has not received any adverse request from the relevant government authorities and/or experienced legal pediment(s) in relation to the commencement of work of selected phases of the Legendary Bay Project\* (首創•琥珀灣項目); and (vi) Capital Investment being in compliance with the Shenyang Equity Transfer Agreement including its representations, warranties and undertakings thereunder.

In the event that any of the above requirements pursuant to the Shenyang Equity Transfer Agreement is not fulfilled by the parties before 31 October 2016 (unless otherwise waived by Xinli Yeda, save for (i) which cannot be waived) and the parties are unable to reach consensus on alternative arrangements, Capital Investment, Capital Group and Capital Fangzhou shall return the first instalment of the consideration to Xinli Yeda (without interest) within 10 working days. The Shenyang Equity Transfer Agreement will lapse and all obligations and liabilities of the parties thereunder will cease to have effect and no party shall have any claim against the other. As at the Latest Practicable Date, save and except for conditions precedent (b), (c) and (d), none of the above requirements have been fulfilled or waived, and Xinli Yeda expects that the remaining requirements will be fulfilled prior to completion of the equity transfer of Shenyang Haohua and therefore does not intend to waive any of them. Xinli Yeda will only consider a grant of waiver to the above requirements only if it is fair and reasonable and in the interests of Xinli Yeda and its shareholders as a whole, and that the substance of the transactions contemplated under the Shenyang Equity Transfer Agreement remains unaffected in all material aspects.

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### *Indemnity*

Capital Investment has agreed to indemnify Shenyang Haohua and Xinli Yeda for all liabilities, losses, expenses, compensation, penalties, debts and payables incurred or litigation involved, including damages and costs payable as a result of litigation, suffered by Shenyang Haohua and/or Xinli Yeda prior to or subsequent to the completion of the equity transfer of Shenyang Haohua and which arise from circumstances or matters occurring prior to completion of the acquisition of Shenyang Haohua.

### *Termination*

Either of the parties shall have the right to terminate the Shenyang Equity Transfer Agreement between the signing of the Shenyang Equity Transfer Agreement and completion of the equity transfer of Shenyang Haohua if any of the following events occur, where upon the Shenyang Equity Transfer Agreement shall cease to have effect and neither party shall have any claim against the other party:

- (a) any change in laws renders the parties being unable to perform their respective obligations under the Shenyang Equity Transfer Agreement, and the parties are unable to agree on any alternative arrangements; or
- (b) any force majeure event including, among others, natural disasters, riot, war and changes in government policy.

In addition, the non-defaulting party shall have the right to terminate the Shenyang Equity Transfer Agreement between the signing of the Shenyang Equity Transfer Agreement and completion of the equity transfer of Shenyang Haohua, if any of the following breaches by the defaulting party have taken place, where upon the Shenyang Equity Transfer Agreement shall cease to have effect and neither party shall have any claim against the other party:

- (a) the representations and warranties or undertakings or information, document or data provided by the defaulting party is false or misleading or contains material omission, leading to the purpose of the Shenyang Equity Transfer Agreement being unable to be achieved;
- (b) the breach of any terms of the Shenyang Equity Transfer Agreement by the defaulting party, which has not been rectified by the defaulting party within 15 days of receiving the notice to rectify or compensate the adverse effect from the innocent party, leading to the transactions contemplated under the Shenyang Equity Transfer Agreement being unable to be completed; or
- (c) any material breach of laws and regulations, leading to the transactions contemplated under the Shenyang Equity Transfer Agreement being unable to be completed.

In any event, upon termination of the Shenyang Equity Transfer Agreement, Capital Investment, Capital Group and Capital Fangzhou shall return the first instalment of the consideration to Xinli Yeda (without interest) within 10 working days.

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### **B. FINANCIAL EFFECTS OF THE ACQUISITION**

Upon Completion, the Target Companies will become wholly-owned subsidiaries of the Company and thus the assets, liabilities and the financial results of the Target Companies will be consolidated into those of the Group. For details of the unaudited pro forma financial information of the Enlarged Group, please refer to Appendix IV to this circular.

#### **Assets and liabilities**

Based on the unaudited pro forma financial information as set out in Appendix IV to this circular, assuming that the completion of the Acquisitions had taken place on 31 December 2015, the total assets of the Group would have increased from approximately RMB101.8 billion to approximately RMB103.9 billion on a pro forma basis, the total liabilities of the Group would have increased from approximately RMB78.2 billion to approximately RMB80.7 billion on a pro forma basis, and the net assets of the Group would have decreased from RMB23.6 billion to RMB23.2 billion on a pro forma basis.

#### **Earnings**

As set out in the Accountant's Report on the Target Companies as set out in Appendix II to this circular, the revenue and net profit of the Target Companies for the year ended 31 December 2015 were approximately RMB108.5 million and RMB94.4 million, respectively. Since the Group and the Target Companies are all under the common control of Capital Group and that control is not transitory, the Acquisitions are considered as business combination under common control, as if the Acquisitions had been occurred and all the Target Companies had been combined from the beginning of the earliest financial period of the consolidated financial statements presented or the date when they were first under the common control, where this is the shorter period. Accordingly, the Company expects that the revenue and net profit of the Group for the year ended 31 December 2015 will be increased by approximately RMB108.5 million and RMB94.4 million, respectively.

### **C. POTENTIAL CONTINUING CONNECTED TRANSACTIONS**

Upon completion of the Acquisitions, the Target Companies will become wholly-owned subsidiaries of the Company and therefore, transactions between the Target Companies and Capital Group will become continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

On 3 June 2016, Donghuan Xinrong and Capital Group entered into the Lease Agreement, which is subject to the completion of the equity transfer of Donghuan Xinrong, and therefore the transactions contemplated thereunder constitute continuing connected transactions under the Listing Rules.

The principal terms of the Lease Agreement are set out below:

#### **Date**

3 June 2016

#### **Parties**

The Lease Agreement was entered into between:

- (a) Donghuan Xinrong (as the lessor); and
- (b) Capital Group (as the lessee).

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## LETTER FROM THE BOARD

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### Leased premises

The details of the leased premises are as follows:

Description of premises	Total GFA <i>sq. m.</i>	Daily rent	Estimated annual rent	Usage
Unit 907 in Capital Building* (首創大廈) located at No. 6 Chaoyangmenbei Street, Dongcheng District* in Beijing (北京市東城區朝陽門北大街6號)	199.37	RMB8.5 per sq. m.	RMB618,545	Office
Units 1005-1006 in Capital Building* (首創大廈) located at No. 6 Chaoyangmenbei Street, Dongcheng District* in Beijing (北京市東城區朝陽門北大街6號)	428.99	RMB8.5 per sq. m.	RMB1,330,941	Office
Unit 1008 in Capital Building* (首創大廈) located at No. 6 Chaoyangmenbei Street, Dongcheng District* in Beijing (北京市東城區朝陽門北大街6號)	361	RMB8.5 per sq. m.	RMB1,120,003	Office
Unit 1109 in Capital Building* (首創大廈) located at No. 6 Chaoyangmenbei Street, Dongcheng District* in Beijing (北京市東城區朝陽門北大街6號)	257.08	RMB8.5 per sq. m.	RMB797,591	Office
Whole of 15th, 16th and 17th floor of Capital Building* (首創大廈) located at No. 6 Chaoyangmenbei Street, Dongcheng District* in Beijing (北京市東城區朝陽門北大街6號)	6,588.69	RMB8.5 per sq. m.	RMB20,441,411	Office
43 car park spaces in basement first floor of Capital Building* (首創大廈) located at No. 6 Chaoyangmenbei Street, Dongcheng District* in Beijing (北京市東城區朝陽門北大街6號)	N/A	RMB40 per car park space	RMB627,800	Car parking
Room 02 in second level basement of Capital Building* (首創大廈) located at No. 6 Chaoyangmenbei Street, Dongcheng District* in Beijing (北京市東城區朝陽門北大街6號)	209	RMB4.7 per sq. m.	RMB358,540	Office
<b>Total</b>	<b>8,044.13</b>		<b>RMB25,294,830</b>	

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### Payment of rent

The estimated total annual rent receivable by Donghuan Xinrong is approximately RMB25,294,830, exclusive of property management fees, water and electricity fees and other charges. The rent for the leased premises shall be payable monthly. Capital Group shall also be responsible for the property management fees, water and electricity fees and other charges in relation to the leased premises.

### Lease term and renewal of the Lease Agreement

The lease term will be for three years commencing from the completion of the equity transfer of Donghuan Xinrong, which may be renewed by notice in writing from Capital Group no later than 90 days prior to the expiration of the lease term on terms to be agreed between the parties based on the prevailing market conditions and in compliance with the Listing Rules.

### Proposed annual caps

The maximum aggregate amounts payable by Capital Group to Donghuan Xinrong under the Lease Agreement, which are also the respective proposed annual caps, are as follows:

Period from the completion of the equity transfer of Donghuan Xinrong to 31 December 2016	RMB6,400,000
Year ended 31 December 2017	RMB25,300,000
Year ended 31 December 2018	RMB25,300,000
Period from 1 January 2019 to the end of the lease term pursuant to the Lease Agreement	RMB23,187,000

### Historical transaction value

The historic rent paid by Capital Group to Donghuan Xinrong under the lease agreements prior to the Lease Agreement for the year ended 31 December 2015 was approximately RMB10,154,765. Prior to completion of the equity transfer of Donghuan Xinrong, it is a wholly-owned subsidiary of Capital Group and therefore, to the best knowledge of the Company, the historic rent paid by Capital Group to Donghuan Xinrong under the lease agreements prior to the Lease Agreement was determined with reference to the intra-group relationship between Donghuan Xinrong and Capital Group at the relevant time.



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The proposed annual caps are determined on arm's length basis taking into account the prevailing market rent of comparable properties in the surrounding areas of Capital Building\* (首創大廈) and the market trend in recent years in the commercial business areas in Beijing of similar nature as the surrounding areas of Capital Building\* (首創大廈) based on the Company's consultation with DTZ Cushman & Wakefield Limited, an independent property valuer, and the prevailing market rent of locations within Capital Building\* (首創大廈) of the office units and car park spaces comprising the leased premises based on the rent recently negotiated by Donghuan Xinrong at arm's length basis with independent third party lessees of Capital Building\* (首創大廈).

In addition, the proposed annual caps are based on the assumption that the completion of the equity transfer of Donghuan Xinrong may occur between September 2016 and December 2016, and since the commencement date of the Lease Agreement is based on the completion of the equity transfer of Donghuan Xinrong, the proposed annual caps have been determined accordingly.

In the event that the equity transfer of Donghuan Xinrong does not proceed to completion for any reason and/or the Donghuan Equity Transfer Agreement is terminated prior to completion, the Lease Agreement shall lapse and have no effect to the parties thereunder.

### **D. REASONS FOR AND BENEFITS OF THE ACQUISITIONS AND POTENTIAL CONTINUING CONNECTED TRANSACTIONS**

The Group is a leading large integrated real estate developer in the PRC, focusing primarily on developing the three main business streams of residential properties, outlets-backed integrated properties and urban core integrated complexes, complemented by innovative business areas such as primary land development and high-tech industry properties. The Acquisitions provide an opportunity for the Group to expand its property portfolio in major cities in the PRC, being in Beijing, Chongqing and Shenyang, and the Company expects that synergy benefits will be achieved by consolidation of the Group's resources in the relevant locations. In addition, the Group's acquisition of the property project involving primary land development (shantytown renovation) in Shijingshan District\* in Beijing (北京市石景山區) may open up potential business opportunities to the Group via its cooperation with the local government. In addition, the transactions contemplated under the Lease Agreement will allow the Group to receive sustainable rental income at market rates for certain units in Capital Building\* (首創大廈).

The Directors (including the independent non-executive Directors) believe that the terms of the Equity Transfer Agreements and the potential Continuing Connected Transactions are fair and reasonable, are on normal commercial terms or better, and are in the interests of the Company and the Shareholders as a whole. Save for Mr. Wang Hao, Mr. Li Songping, Mr. Song Fengjing and Mr. Shen Jianping who have abstained from voting on the relevant Board resolution(s) for reasons of their directorships or senior management roles in Capital Group, to the best knowledge of the Company and having made all reasonable enquiries, no other Director is required to abstain from voting on the relevant Board resolution(s).

### **E. LISTING RULES IMPLICATIONS**

#### **The Acquisitions**

As at the Latest Practicable Date, Capital Investment, Capital Fangzhou, Chuangzhi Trust and Xinwei Infrastructure are subsidiaries of Capital Group, and Capital Group is the controlling shareholder of the Company and therefore, Capital Group, Capital Investment, Capital Fangzhou,

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Chuangzhi Trust and Xinwei Infrastructure are connected persons of the Company pursuant to the Listing Rules. Accordingly, the Acquisitions constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios in respect of the Acquisitions is 25% or more but less than 100%, the Acquisitions constitute a major transaction for the Company under the Listing Rules and therefore will be subject to the annual reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

### **The Lease Agreement**

Upon completion of the Acquisitions, the Target Companies will become wholly-owned subsidiaries of the Company and therefore, transactions between the Target Companies and Capital Group, the controlling shareholder of the Company and a connected person of the Company pursuant to the Listing Rules, will become continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Lease Agreement, which is subject to the completion of the equity transfer of Donghuan Xinrong, constitute potential continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios in respect of the transaction contemplated under the Lease Agreement are less than 5%, the transactions contemplated thereunder are only subject to the announcement, reporting and annual review requirements under Chapter 14A of the Listing Rules.

## **F. INFORMATION ON THE GROUP**

### **The Company and the Group**

The Company is a joint stock company incorporated in the PRC with limited liability, whose H shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 2868). The Group is a leading large integrated real estate developer in the PRC, focusing primarily on developing the three main business streams of residential properties, outlets-backed integrated properties and urban core integrated complexes, complemented by innovative business areas such as primary land development and high-tech industry properties.

Xinli Yeda, a wholly-owned subsidiary of the Company, is a company established in the PRC with limited liability, and is primarily engaged in investment holding.

Zhongzhi Dingfu, a wholly-owned subsidiary of the Company, is a company established in the PRC with limited liability, and is primarily engaged in property development.

### **Capital Investment**

Capital Investment, a wholly-owned subsidiary of Capital Group, is a company established in the PRC with limited liability, and is primarily engaged in trading and investment.

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## LETTER FROM THE BOARD

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### **Capital Fangzhou**

Capital Fangzhou, a subsidiary of Capital Group, is a company established in the PRC with limited liability, and is primarily engaged in investment holding.

### **Chuangzhi Trust**

Chuangzhi Trust, a subsidiary of Capital Group, is a limited partnership in the PRC, and is primarily engaged in investment holding.

### **Xinwei Infrastructure**

Xinwei Infrastructure, a subsidiary of Capital Group, is a company established in the PRC with limited liability, and is primarily engaged in investment holding.

## **G. INFORMATION ON THE TARGET COMPANIES**

### **Donghuan Xinrong**

Donghuan Xinrong is a company established in the PRC and is primarily engaged in the property management and leasing of offices in Capital Building\* (首創大廈) located at No. 6 Chaoyangmenbei Street, Dongcheng District\* in Beijing (北京市東城區朝陽門北大街6號). As at the Latest Practicable Date, Donghuan Xinrong is wholly-owned by Capital Group.

Capital Building\* (首創大廈) was completed in 1998 and commenced operations in the same year, and comprises of one block of 62 commercial units. As at the Latest Practicable Date and to the best knowledge of the Company, the occupancy rate of Capital Building\* (首創大廈) is approximately 99%. As at the Latest Practicable Date and to the best knowledge of the Company, (a) Donghuan Xinrong does not have any material development or expansion plans; and (b) the Company is not required to, nor intend to, make any future capital investment or commitment to Donghuan Xinrong, as Donghuan Xinrong is expected to first resort to its internal resources and external borrowings, however the Company may be requested in the future to provide funding subject to the scale of the funds required by Donghuan Xinrong and the prevailing financing conditions for Donghuan Xinrong.

### **Liujin Zhiye**

Liujin Zhiye is a company established in the PRC with limited liability and is primarily engaged in property development, sale of commercial residential building, land development, information consultancy and property management, and in particular, the primary land development (shantytown renovation) of a property project located in Xihuang Village, Shijingshan District\* in Beijing (北京市石景山西黃村). Primary land development (shantytown renovation) refers to government programs whereby a primary developer is engaged to develop land in accordance with planning conditions. The developer may be required to engage in land requisitioning, demolition, relocation of occupants, leveling of the land and construction of appropriate urban utilities. No land use right is required for such activities. As at the Latest Practicable Date, Liujin Zhiye is owned by Capital Investment and Zhongzhi Dingfu as to 60% and 40%, respectively.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date and to the best knowledge of the Company, (a) Liujin Zhiye does not hold any properties for purposes of primary land development (shantytown renovation); (b) it does not have any material development or expansion plans save for the completion of the primary land development (shantytown renovation) of the property project located in Xihuang Village, Shijingshan District\* in Beijing (北京市石景山西黃村), which earliest completion time is expected to be in around 2017; and (c) the Company is not required to, nor intend to, make any future capital investment or commitment to Liujin Zhiye, as Liujin Zhiye is expected to first resort to its internal resources and external borrowings, however the Company may be requested in the future to provide funding subject to the scale of the funds required by Liujin Zhiye and the prevailing financing conditions for Liujin Zhiye.

### **Chongqing Runzhi**

Chongqing Runzhi is a company established in the PRC and is primarily engaged in the development of the Yuyue Project\* (渝閱項目), a residential and commercial property project located in Jinma Village, Zouma Town, Jiulongpo District\* in Chongqing (重慶市九龍坡區走馬鎮金馬村). As at the Latest Practicable Date, Chongqing Runzhi is owned by Chuangzhi Trust and Xinwei Infrastructure as to 99.98% and 0.02%, respectively.

Yuyue Project\* (渝閱項目) mainly comprises of two phases of residential units planned for sale, of which the first phase was completed for sale in 2013 and the second phase is in the planning stage and is expected to be available for pre-sale in around 2017 and completed in around 2018. The sales rate of the first phase of Yuyue Project\* (渝閱項目) is approximately 24% as at the Latest Practicable Date and the total GFA of the first phase which is currently available for sale is approximately 19,000 sq.m.. As at the Latest Practicable Date and to the best knowledge of the Company, (a) Chongqing Runzhi does not have any material expansion plans save for the construction of residential units in the second phase; and (b) the Company is not required to, nor intend to, make any future capital investment or commitment to Chongqing Runzhi, as Chongqing Runzhi is expected to first resort to its internal resources and external borrowings, however the Company may be requested in the future to provide funding subject to the scale of the funds required by Chongqing Runzhi and the prevailing financing conditions for Chongqing Runzhi.

### **Shenyang Haohua**

Shenyang Haohua is a company established in the PRC with limited liability and is primarily engaged in the development of the Legendary Bay Project\* (首創•琥珀灣項目), a residential and commercial property project located in Gaokan Subdistrict, Shenyang Qipanshan Tourism Development Zone\* in Shenyang (瀋陽市棋盤山旅遊開發區高坎街道). As at the Latest Practicable Date, Shenyang Haohua is wholly-owned by Capital Investment.

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## LETTER FROM THE BOARD

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Legendary Bay Project\* (首創•琥珀灣項目) mainly comprises of five phases of residential units planned for sale, of which the first phase and part of the third phase were completed for sale in 2010 and 2014, respectively, and the remaining phases are in the planning stage and is expected to be available for pre-sale in around 2017 and completed in around 2018. The sales rates of the first and third phases of Legendary Bay Project\* (首創•琥珀灣項目) are approximately 95% and 9%, respectively, as at the Latest Practicable Date and the total GFA of the first and third phases which are currently available for sale are approximately 2,000 sq. m. and 27,000 sq. m., respectively. As at the Latest Practicable Date and to the best knowledge of the Company, (a) Shenyang Haohua does not have any material expansion plans save for the construction of residential units in the remaining phases; and (b) the Company is not required to, nor intend to, make any future capital investment or commitment to Shenyang Haohua, as Shenyang Haohua is expected to first resort to its internal resources and external borrowings, however the Company may be requested in the future to provide funding subject to the scale of the funds required by Shenyang Haohua and the prevailing financing conditions for Shenyang Haohua.

### Financial information of the Target Companies

The respective net profit/(loss) before taxation and net profit/(loss) after taxation of the Target Companies for the years ended 31 December 2014 and 2015 are set out below:

	<b>For the year ended</b>		<b>For the year ended</b>	
	<b>31 December 2014</b>		<b>31 December 2015</b>	
	<b>Net profit/ (loss) before taxation</b>	<b>Net profit/ (loss) after taxation</b>	<b>Net profit/ (loss) before taxation</b>	<b>Net profit/ (loss) after taxation</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Donghuan Xinrong	172,697	129,072	126,023	94,416
Liujin Zhiye	23,625	17,719	17,503	13,120
Chongqing Runzhi	(83,478)	(83,478)	(75,420)	(75,420)
Shenyang Haohua	(49,648)	(49,648)	(38,576)	(38,576)

The net profit before taxation of Donghuan Xinrong for the year ended 31 December 2015 decreased to approximately RMB126.0 million as compared with the year ended 31 December 2014 mainly due to the increase in rental income and management fee as contributed by the gradual acquisition of additional investment properties held by Donghuan Xinrong and the increasing trend of market rental rates and management fees for the year ended 31 December 2015, which effect was offset by the decrease in gains arising from changes in fair value as contributed by the slowing trend of the appreciation in market value of properties in Beijing for the year ended 31 December 2015. The net profit before taxation of Liujin Zhiye for the year ended 31 December 2015 decreased to approximately RMB17.5 million as compared with the year ended 31 December 2014 mainly due to the higher revenue recorded for the year ended 31 December 2014 as a result of the completion of a primary land development contract in that year and the relevant income of a significant amount was received accordingly in respect of primary land development conducted in previous years by Liujin Zhiye. The net loss before taxation of Chongqing Runzhi for the years ended 31 December 2014 and 2015 was mainly due to the slower sales and lower selling prices of

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## LETTER FROM THE BOARD

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completed properties contributed by the stabilisation and austerity policies of the PRC government and the slowing down of the economy, which weakened the market demand for residential properties in Chongqing. Similarly, the net loss before taxation of Shenyang Haohua for the years ended 31 December 2014 and 2015 was mainly due to the slower sales and lower selling prices of completed properties contributed by the stabilisation and austerity policies of the PRC government and the slowing down of the economy, which weakened the market demand for residential properties in Shenyang.

The Directors, having considered the changes in net profit/(loss) before taxation of each of the Target Companies as discussed above, believe that the Acquisitions are in the interests of the Company and the Shareholders as a whole, due to (a) the audited financial statements and the valuation reports have already reflected the provisions made for accumulated losses and amortisations of the Target Companies, where relevant, and such factors have also been taken into account when determining the respective consideration of the Target Companies, therefore the Company is properly compensated for such losses and amortisations; (b) the easing of stabilisation and austerity policies of the PRC government in recent years have led to gradual stable support in property prices and demand which is expected to particularly benefit the sale of properties by Chongqing Runzhi and Shenyang Haohua; (c) the effective cost control systems and measures of the Group which is expected to create synergies and benefits when implemented in the operations of the Target Companies, thereby raising the overall profitability of the Target Companies; and (d) the established branding and experience of the Group which is expected to improve the quality and competitiveness of the operations of the Target Companies, thereby improving on the value of the Target Companies.

The respective net assets/(net liabilities) of the Target Companies as at 31 December 2014 and 2015 are set out below:

	<b>As at 31 December 2014 RMB'000</b>	<b>As at 31 December 2015 RMB'000</b>
Donghuan Xinrong	894,927	989,343
Liu jin Zhiye	793,263	1,726,383
Chongqing Runzhi	(257,329)	251
Shenyang Haohua	(286,153)	271

### H. EGM

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve, among others, the proposed Equity Transfer Agreements and the transactions contemplated thereunder. The voting at the EGM will be conducted by way of poll. The Equity Transfer Agreements will be proposed by way of ordinary resolutions at the EGM to be approved by the Independent Shareholders.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, Capital Group is interested in 1,649,205,700 Shares (representing approximately 54.47% of the total issued share capital of the Company), China Resource Products Limited is interested in 357,998,300 Shares (representing approximately 11.82% of the total issued share capital of the Company, including 82,762,100 Shares indirectly held through Yieldwell International Enterprise Limited) and Yieldwell International Enterprise Limited is interested in 82,762,100 Shares (representing approximately 2.73% of the total issued share capital of the Company). Capital Group, being the controlling shareholder of the Company, and any Shareholder who has a material interest in the Equity Transfer Agreements and the transactions contemplated thereunder, together with China Resource Products Limited and Yieldwell International Enterprise Limited (both being associates of Capital Group by virtue of Capital Group's 31.53% indirect interests in them respectively), will abstain from voting on the relevant resolution(s) to be proposed at the EGM for approving the proposed Equity Transfer Agreements and the transactions contemplated thereunder. Save for Capital Group, China Resource Products Limited and Yieldwell International Enterprise Limited, to the best knowledge of the Company, none of the Shareholders are required to abstain from voting on the resolutions proposed at the EGM. In addition, save for Mr. Wang Hao, Mr. Li Songping, Mr. Song Fengjing and Mr. Shen Jianping who have abstained from voting on the relevant Board resolution(s) for reasons of their directorships or senior management roles in Capital Group, to the best knowledge of the Company and having made all reasonable enquiries, no other Director is required to abstain from voting on the relevant Board resolution(s).

A notice convening the EGM to be held at 9:00 a.m. on Friday, 15 July 2016 at F17, Red Goldage, No. 2, Guang Ning Bo Street, Beijing, PRC, together with the reply slip and form of proxy are also enclosed herein.

Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed reply slip and form of proxy in accordance with the instructions printed thereon as soon as possible, but in any event not later than 5:00 p.m. on Thursday, 7 July 2016 for the reply slip and not later than 24 hours before the respective time appointed for holding the EGM or any adjournment thereof for the form of proxy. 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 so desire and in such event, the relevant form(s) of proxy shall be deemed to be revoked. Shareholders who intend to attend the meetings in person or by proxy should complete and return the reply slip in accordance with the instructions printed thereon on or before Thursday, 7 July 2016.

### **I. RECOMMENDATIONS**

Your attention is drawn to the letter from the Independent Board Committee set out on page 31 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 32 to 61 of this circular, consider that the Equity Transfer Agreements and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Independent Shareholders. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Equity Transfer Agreements and the transactions contemplated thereunder.



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## LETTER FROM THE BOARD

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The Directors (including the independent non-executive Directors) consider that the Equity Transfer Agreements and the transactions contemplated thereunder are fair and reasonable, are on normal commercial terms or better, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Equity Transfer Agreements and the transactions contemplated thereunder.

### **J. FURTHER INFORMATION**

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

### **WARNING**

**The transactions contemplated under the Equity Transfer Agreements are separately subject to the approval of the Independent Shareholders at the EGM and in addition, the Acquisitions and the potential Continuing Connected Transactions are subject to, among others, the satisfaction of the conditions precedent and other requirements pursuant to the Equity Transfer Agreements and the Lease Agreement, respectively. Therefore, the respective transactions contemplated under the Equity Transfer Agreements and the Lease Agreement may or may not proceed to completion. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the H Shares and other securities of the Company.**

Yours faithfully,  
By Order of the Board  
**Beijing Capital Land Ltd.**  
**Tang Jun**  
*President*



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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 2868)**

29 June 2016

*To the Independent Shareholders*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION  
IN RESPECT OF THE PROPOSED ACQUISITIONS OF  
EQUITY INTERESTS IN DONGHUAN XINRONG,  
LIUJIN ZHIYE, CHONGQING RUNZHI AND  
SHENYANG HAOHUA**

We refer to the circular dated 29 June 2016 issued by the Company of which this letter forms part of (the “**Circular**”). Capitalised terms used in this letter shall have the same meaning as those defined in the Circular unless otherwise specified.

Under the Listing Rules, the Equity Transfer Agreements constitute a connected transaction for the Company, and is subject to the approval of the Independent Shareholders at the EGM.

We have been authorised by the Board to form the Independent Board Committee to consider the Equity Transfer Agreements and the transactions contemplated thereunder (together the “**Transactions**”) and advise the Independent Shareholders as to the fairness and reasonableness of the Transactions, and to recommend how the Independent Shareholders should vote at the EGM.

We wish to draw your attention to the letter from the Board set out on pages 5 to 30 of the Circular and the letter from the Independent Financial Adviser which contains its advice to us in respect of the Transactions, as set out on pages 32 to 61 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the Transactions are fair and reasonable and on normal commercial terms or better, and the Transactions are in the interests of the Company and the Independent Shareholders.

Accordingly, we recommend the Independent Shareholders to vote in favour of all the resolution(s) to be proposed at the EGM to approve the Transactions.

Yours faithfully,  
for and on behalf of the  
Independent Board Committee

**Wang Hong**

**Li Wang**

**Wong Yik Chung, John**

*Independent Non-Executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 29 June 2016 prepared for the purpose of inclusion in this circular.*

**Nuada Limited**  
*Corporate Finance Advisory*

Unit 1805-08, 18/F  
OfficePlus @Sheung Wan  
93-103 Wing Lok Street  
Sheung Wan, Hong Kong  
香港上環永樂街93-103號  
協成行上環中心18樓1805-08室

29 June 2016

*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 EQUITY INTERESTS IN DONGHUAN XINRONG, LIUJIN ZHIYE,  
CHONGQING RUNZHI AND SHENYANG HAOHUA**

### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisitions, details of which are set out in the section headed “Letter from the Board” (the “**Letter**”) in the Company’s circular dated 29 June 2016 (the “**Circular**”) to the Shareholders, of which this letter forms part. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 3 June 2016, the Group entered into the Equity Transfer Agreements with Capital Group, being the controlling shareholder of the Company, and its subsidiaries, namely Capital Investment, Capital Fangzhou, Chuangzhi Trust and Xinwei Infrastructure (as the case may be), for the transfer of the equity interests in the Target Companies, namely, Donghuan Xinrong, Liu jin Zhiye, Chongqing Runzhi and Shenyang Haohua. Details of the Equity Transfer Agreements are set out in the paragraph headed “6. Principal terms of the Equity Transfer Agreements” below in this letter.

Upon Completion, (i) the Target Companies will become wholly-owned subsidiaries of the Company; (ii) the shareholders’ loan of Donghuan Xinrong due to Capital Group of approximately RMB269,412,000 will be owed to the Company; and (iii) the shareholders’ loan of Liu jin Zhiye due to Capital Investment of approximately RMB967,702,000, the shareholders’ loan of Chongqing Runzhi due to Chuangzhi Trust of approximately RMB209,915,000 and the aggregate shareholders’ loan of Shenyang Haohua due to Capital Investment, Capital Group and Capital Fangzhou of approximately RMB275,228,000 will be owed to the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, Capital Investment, Capital Fangzhou, Chuangzhi Trust and Xinwei Infrastructure are subsidiaries of Capital Group, and Capital Group is the controlling shareholder of the Company and therefore, Capital Group, Capital Investment, Capital Fangzhou, Chuangzhi Trust and Xinwei Infrastructure are connected persons of the Company pursuant to the Listing Rules. Accordingly, the Acquisitions constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. As one of the applicable percentage ratios in respect of the Acquisitions is 25% or more but less than 100%, the Acquisitions constitute a major transaction for the Company under the Listing Rules and therefore will be subject to the annual reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Capital Group is interested in 1,649,205,700 Shares (representing approximately 54.47% of the total issued share capital of the Company), China Resource Products Limited is interested in 357,998,300 Shares (representing approximately 11.82% of the total issued share capital of the Company, including 82,762,100 Shares indirectly held through Yieldwell International Enterprise Limited) and Yieldwell International Enterprise Limited is interested in 82,762,100 Shares (representing approximately 2.73% of the total issued share capital of the Company). Capital Group, being the controlling shareholder of the Company, and any Shareholder who has a material interest in the Equity Transfer Agreements and the transactions contemplated thereunder, together with China Resource Products Limited and Yieldwell International Enterprise Limited (both being associates of Capital Group by virtue of Capital Group's 31.53% indirect interests in them respectively) will abstain from voting on the relevant resolution(s) to be proposed at the EGM for approving the proposed Equity Transfer Agreements and the transactions contemplated thereunder. Save for Capital Group, China Resource Products Limited and Yieldwell International Enterprise Limited, to the best knowledge of the Company, none of the Shareholders are required to abstain from voting on the resolutions proposed at the EGM. In addition, save for Mr. Wang Hao, Mr. Li Songping, Mr. Song Fengjing and Mr. Shen Jianping who have abstained from voting on the relevant Board resolution(s) for reasons of their directorships or senior management roles in Capital Group, to the best knowledge of the Company and having made all reasonable enquiries, no other Director is required to abstain from voting on the relevant Board resolution(s).

The Independent Board Committee, comprising Mr. Wang Hong, Mr. Li Wang and Mr. Wong Yik Chung, John, all being the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Acquisitions are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendation of the Independent Financial Adviser.

We, Nuada Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Our role as the Independent Financial Adviser is to (i) give our independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisitions are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (ii) advise the Independent Shareholders on how to vote in relation to (i) above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We are independent from, and are not associated with the Company, its substantial shareholder(s) or connected person(s) as defined under the Listing Rules, and accordingly are considered eligible to give independent advice on the terms of the Acquisitions. During the past two years, we did not act as the independent financial adviser of the Company and did not provide other services to the Company. Apart from normal professional fees for our services to the Company in connection with our engagement as the Independent Financial Adviser, no other arrangement exists whereby we will receive any fees and/or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence.

### **BASIS OF THE OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date.

The Directors collectively and individually accept full responsibility, including 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 the Circular are accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisitions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Acquisitions and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **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:

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 1. General information of the parties involved in the Acquisitions

#### *The Company and the Group*

The Company is a joint stock company incorporated in the PRC with limited liability, whose H shares are listed and traded on the Main Board of the Stock Exchange (stock code: 2868). The Group is a leading large integrated real estate developer in the PRC, focusing primarily on developing the three main business streams of residential properties, outlets-backed integrated properties and urban core integrated complexes, complemented by innovative business areas such as primary land development and high-tech industry properties.

#### *Xinli Yeda and Zhongzhi Dingfu*

Xinli Yeda and Zhongzhi Dingfu, the wholly-owned subsidiaries of the Company, are the companies established in the PRC with limited liability, and are primarily engaged in investment holding and property development respectively.

#### *Capital Group*

Capital Group, a connected person and a controlling shareholder of the Company, is a stated-owned enterprise incorporated in the PRC on 26 October 1994 and under the direct supervision of the Beijing Municipal Government.

#### *Capital Investment*

Capital Investment, a wholly-owned subsidiary of Capital Group, is a company established in the PRC with limited liability, and is primarily engaged in trading and investment.

#### *Capital Fangzhou and Xinwei Infrastructure*

Capital Fangzhou and Xinwei Infrastructure, the subsidiaries of Capital Group, are the companies established in the PRC with limited liability, and are primarily engaged in investment holding.

#### *Chuangzhi Trust*

Chuangzhi Trust, a subsidiary of Capital Group, is a limited partnership in the PRC, and is primarily engaged in investment holding.

### 2. Financial information of the Group

The table below is the general financial information of the Group for the two years ended 31 December 2014 and 2015 extracted from the Company's annual report for the year ended 31 December 2015 (the "Annual Report").

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**Table 1: Summary of the consolidated financial results of the Group**

	<b>For the year ended 31 December 2015 (audited) <i>RMB' million</i></b>	<b>For the year ended 31 December 2014 (audited) <i>RMB' million</i></b>
<b>Financial performance</b>		
Revenue	15,834	10,058
Operating profit	3,609	2,875
Profit for the year	2,885	2,264
	<b>As at 31 December 2015 (audited) <i>RMB' million</i></b>	<b>As at 31 December 2014 (audited) <i>RMB' million</i></b>
<b>Financial position</b>		
Cash at bank and on hand	17,748	13,897
Total assets	101,801	78,680
Total liabilities	78,165	57,266
Net assets	23,636	21,414

According to the Annual Report, the audited consolidated revenue of the Group rose from approximately RMB10.1 billion for the year ended 31 December 2014 (“FY2014”) to approximately RMB15.8 billion for the year ended 31 December 2015 (“FY2015”), representing an increase of approximately 57.42%. As stated in the Annual Report and according to the management of the Company, the growth of revenue in FY2015 was mainly attributable to (i) a strategy of balancing sales price and volume; and (ii) a set of procedures throughout its business value chain which enhance its premium pricing capabilities as well as its cost control capabilities.

The operating profit of the Company increased by approximately 25.50% from approximately RMB2.9 billion in FY2014 to approximately RMB3.6 billion in FY2015. Owing to the increase in operating profit, the Group’s profit for the year rose from approximately RMB2.3 billion in FY2014 to approximately RMB2.9 billion in FY2015, representing an increase of approximately 27.45%.

As at 31 December 2015, the Group’s cash at bank and on hand amounted to approximately RMB17.7 billion, representing an increase of approximately 27.71% as compared as compared with that of approximately RMB13.9 billion as at 31 December 2014. Total assets of the Group as at 31 December 2015 amounted to approximately RMB101.8 billion whereas total liabilities of the Group amounted to approximately RMB78.2 billion, resulting in a net assets position of approximately RMB23.6 billion.

Based on (i) the increasing trend of financial performance of the Group and sufficient internal resources in terms of cash in bank and on hand of approximately RMB17.7 billion as mentioned above; and (ii) the reasons for and benefits of the Acquisitions as analyzed in the paragraph headed “5. Reasons for and benefits of the Acquisitions” below, we are of the view and concur with the view of the Directors that the Acquisitions offer an opportunity for the Group to further expand its property portfolio in major cities in the PRC.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Information of the Target Companies

#### 3.1 Business of the Target Companies

##### *Donghuan Xinrong*

Donghuan Xinrong is a company established in the PRC and is primarily engaged in the property management and leasing of offices in Capital Building\* (首創大廈) located at No. 6, Chaoyangmenbei Street, Dongcheng District\* in Beijing (北京市東城區朝陽門北大街6號), of which a total GFA of approximately 48,431.44 sq. m. is owned by Donghuan Xinrong. Capital Building\* (首創大廈) was completed in 1998 and commenced operations in the same year, and comprises of one block of 62 commercial units.

As at the Latest Practicable Date and to the best knowledge of the Company, (i) Donghuan Xinrong is wholly owned by Capital Group; (ii) the occupancy rate of Capital Building\* (首創大廈) is approximately 99%; (iii) Donghuan Xinrong does not have any material development or expansion plans; and (iv) the Company is not required to, nor intend to, make any future capital investment or commitment to Donghuan Xinrong, as Donghuan Xinrong is expected to first resort to its internal resources and external borrowings, however the Company may be requested in the future to provide funding subject to the scale of the funds required by Donghuan Xinrong and the prevailing financing conditions for Donghuan Xinrong.

##### *Liujin Zhiye*

Liujin Zhiye is a company established in the PRC with limited liability and is primarily engaged in property development, sale of commercial residential building, land development, information consultancy and property management, and in particular, the primary land development (shantytown renovation) of a property project located in Xihuang Village, Shijingshan District\* in Beijing (北京市石景山西黃村), with a total planned site area of 521,462 sq. m. and a total construction land area of 280,829 sq. m.. Primary land development (shantytown renovation) refers to government programs whereby a primary developer is engaged to develop land in accordance with planning conditions. The developer may be required to engage in land requisitioning, demolition, relocation of occupants, leveling of the land and construction of appropriate urban utilities. No land use right is required for such activities.

As at the Latest Practicable Date and to the best knowledge of the Company, (i) Liujin Zhiye is owned by Capital Investment and Zhongzhi Dingfu as to 60% and 40%, respectively; (ii) Liujin Zhiye does not hold any properties for purposes of primary land development (shantytown renovation); (iii) Liujin Zhiye does not have any material development or expansion plans save for the completion of the primary land development (shantytown renovation) of the property project located in Xihuang Village, Shijingshan District\* in Beijing (北京市石景山西黃村), which earliest completion time is expected to be in around 2017; and (iv) the Company is not required to, nor intend to, make any future capital investment or commitment to Liujin Zhiye, as Liujin Zhiye is expected to first resort to its internal resources and external borrowings, however the Company may be requested in the future to provide funding subject to the scale of the funds required by Liujin Zhiye and the prevailing financing conditions for Liujin Zhiye.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Chongqing Runzhi*

Chongqing Runzhi is a company established in the PRC and is primarily engaged in the development of the Yuyue Project\* (渝閱項目), a residential and commercial property project located in Jinma Village, Zouma Town, Jiulongpo District\* in Chongqing (重慶市九龍坡區走馬鎮金馬村), with a total planned site area of approximately 200,001.70 sq. m. and a total planned GFA of approximately 107,985.50 sq. m.. The project is primarily involved in the development of residential properties. As advised by the Directors, the total completed GFA was approximately 25,311.56 sq. m., of which approximately 6,148.48 sq. m. has been sold as at 31 December 2015.

As at the Latest Practicable Date and to the best knowledge of the Company, (i) Chongqing Runzhi is owned by Chuangzhi Trust and Xinwei Infrastructure as to 99.98% and 0.02% respectively; (ii) Yuyue Project\* (渝閱項目) mainly comprises of two phases of residential units planned for sale, of which the first phase was completed for sale in 2013 and the second phase is in the planning stage and is expected to be available for pre-sale in around 2017 and completed in around 2018. The sales rate of the first phase of Yuyue Project\* (渝閱項目) is approximately 24% as at the Latest Practicable Date and the total GFA of the first phase which is currently available for sale is approximately 19,000 sq. m.; (iii) Chongqing Runzhi does not have any material expansion plans save for the construction of residential units in the second phase; and (iv) the Company is not required to, nor intend to, make any future capital investment or commitment to Chongqing Runzhi, as Chongqing Runzhi is expected to first resort to its internal resources and external borrowings, however the Company may be requested in the future to provide funding subject to the scale of the funds required by Chongqing Runzhi and the prevailing financing conditions for Chongqing Runzhi.

### *Shenyang Haohua*

Shenyang Haohua is a company established in the PRC with limited liability and is primarily engaged in the development of the Legendary Bay Project\* (首創•琥珀灣項目), a residential and commercial property project located in Gaokan Subdistrict, Shenyang Qipanshan Tourism Development Zone\* in Shenyang (瀋陽市棋盤山旅遊開發區高坎街道), with a total planned site area of approximately 231,666 sq. m. and a total planned GFA of approximately 170,000 sq. m.. The project is primarily involved in the development of residential properties, retail shops and other facilities.

As at the Latest Practicable Date and to the best knowledge of the Company, (i) Shenyang Haohua is wholly owned by Capital Investment; (ii) Legendary Bay Project\* (首創•琥珀灣項目) mainly comprises of five phases of residential units planned for sale, of which the first phase and part of the third phase was completed for sale in 2010 and 2014, respectively, and the remaining phases are in the planning stage and is expected to be available for pre-sale in around 2017 and completed in around 2018; (iii) the sales rates of the first and third phases of Legendary Bay Project\* (首創•琥珀灣項目) are approximately 95% and 9%, respectively, as at the Latest Practicable Date and the total GFA of the first and third phases which are currently available for sale are approximately 2,000 sq. m. and 27,000 sq. m., respectively; (iv) Shenyang Haohua does not have any material expansion plans save for the construction of residential units in the



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remaining phases; and (v) the Company is not required to, nor intend to, make any future capital investment or commitment to Shenyang Haohua, as Shenyang Haohua is expected to first resort to its internal resources and external borrowings, however the Company may be requested in the future to provide funding subject to the scale of the funds required by Shenyang Haohua and the prevailing financing conditions for Shenyang Haohua.

Based on the above, we note that the principal activities of Donghuan Xinrong, Liujin Zhiye, Chongqing Runzhi and Shenyang Haohua are in line with the existing business of the Group.

### 3.2 Financial information of the Target Companies

The financial information of Donghuan Xinrong, Liujin Zhiye, Chongqing Runzhi and Shenyang Haohua for each of FY2014 and FY2015, which were audited by PricewaterhouseCoopers Zhong Tian LLP, are set out below on Table 2, Table 3, Table 4 and Table 5 respectively (please refer to Appendix II to the Circular for detailed information):

**Table 2: Summary of the financial information of Donghuan Xinrong**

	<b>FY2015</b> <b>(audited)</b> <i>RMB'000</i>	<b>FY2014</b> <b>(audited)</b> <i>RMB'000</i>
<b>Financial performance</b>		
Net profit before taxation	126,023	172,697
Net profit after taxation	94,416	129,072
<b>Financial position</b>		
Total assets	1,673,162	1,508,069
Total liabilities	683,819	613,142
Net assets	989,343	894,927

As stated in Appendix II to the Circular, (i) the total assets of Donghuan Xinrong as at 31 December 2015 principally comprised investment properties of approximately RMB1,572.0 million; and (ii) the total liabilities of Donghuan Xinrong as at 31 December 2015 mainly comprised deferred tax liabilities of approximately RMB309.4 million and other payables of approximately RMB298.5 million which were mainly derived from the shareholders' loan due to Capital Group of an amount approximately RMB269.4 million.

As disclosed in the Letter, the total initial investment in the entire equity interest in Donghuan Xinrong borne by Capital Group in 2004 involved a total investment cost of approximately RMB10.0 million, and the subsequent acquisitions of units in Capital Building\* (首創大廈) by batches in 2005, 2007 and 2015 by Donghuan Xinrong involved an aggregate cost of approximately RMB465.9 million.

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**Table 3: Summary of the financial information of Liujin Zhiye**

	<b>FY2015</b> <b>(audited)</b> <i>RMB'000</i>	<b>FY2014</b> <b>(audited)</b> <i>RMB'000</i>
<b>Financial performance</b>		
Net profit before taxation	17,503	23,625
Net profit after taxation	13,120	17,719
<b>Financial position</b>		
Total assets	5,060,102	830,424
Total liabilities	3,333,719	37,161
Net assets	1,726,383	793,263

As stated in Appendix II to the Circular, (i) the total assets of Liujin Zhiye as at 31 December 2015 principally comprised cash at bank and on hand of approximately RMB2,261.7 million and long term receivables of approximately RMB2,379.7 million; and (ii) the total liabilities of Liujin Zhiye as at 31 December 2015 mainly comprised long-term borrowing of approximately RMB2,344.2 million and other payables of approximately RMB968.3 million which were mainly derived from the shareholders' loans due to Capital Investment of an amount approximately RMB967.7 million.

As disclosed in the Letter, the initial acquisition of the 60% equity interest in Liujin Zhiye by Capital Investment in 2014 involved an acquisition cost of approximately RMB60.0 million and the aggregate amount of subsequent commitments made in several batches by Capital Investment in 2014 and 2015 was approximately RMB972.0 million, thus the total cost was approximately RMB1,032.0 million.

**Table 4: Summary of the financial information of Chongqing Runzhi**

	<b>FY2015</b> <b>(audited)</b> <i>RMB'000</i>	<b>FY2014</b> <b>(audited)</b> <i>RMB'000</i>
<b>Financial performance</b>		
Net loss before taxation	(75,420)	(83,478)
Net loss after taxation	(75,420)	(83,478)
<b>Financial position</b>		
Total assets	282,684	264,614
Total liabilities	282,433	521,943
Net assets/(liabilities)	251	(257,329)

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As stated in Appendix II to the Circular, (i) the total assets of Chongqing Runzhi as at 31 December 2015 principally comprised inventories of approximately RMB229.9 million, representing the properties under development and properties held for sales of approximately RMB110.6 million and approximately RMB119.3 million respectively; and (ii) the total liabilities of Chongqing Runzhi as at 31 December 2015 mainly comprised other payables of approximately RMB232.0 million which were mainly derived from the shareholders' loan due to Chuangzhi Trust of an amount approximately RMB209.9 million.

As disclosed in the Letter, the initial acquisition of the entire equity interest in Chongqing Runzhi by Chuangzhi Trust in 2015 involved a total acquisition cost of approximately RMB169.0 million and the aggregate amount of subsequent commitments by Xinwei Infrastructure and Chuangzhi Trust made in 2015 was approximately RMB80,000 and RMB333.0 million respectively, thus the total cost was approximately RMB502.1 million.

**Table 5: Summary of the financial information of Shenyang Haohua**

	<b>FY2015</b> <b>(audited)</b> <i>RMB'000</i>	<b>FY2014</b> <b>(audited)</b> <i>RMB'000</i>
<b>Financial performance</b>		
Net loss before taxation	(38,576)	(49,648)
Net loss after taxation	(38,576)	(49,648)
<b>Financial position</b>		
Total assets	319,999	340,393
Total liabilities	319,728	626,546
Net assets/(liabilities)	271	(286,153)

As stated in Appendix II to the Circular, (i) the total assets of Shenyang Haohua as at 31 December 2015 principally comprised inventories of approximately RMB314.4 million, representing the properties under development and properties held for sales of approximately RMB82.9 million and approximately RMB231.5 million respectively; and (ii) the total liabilities of Shenyang Haohua as at 31 December 2015 mainly comprised other payables of approximately RMB275.7 million which were mainly derived from the shareholders' loan due to Capital Investment, Capital Group and Capital Fangzhou of an aggregate amount approximately RMB275.2 million.

As disclosed in the Letter, the initial investment in the equity interest in Shenyang Haohua by Capital Investment in 2007 involved a total investment cost of approximately RMB4.5 million and the aggregate amount of subsequent commitments by Capital Investment made in 2015 was approximately RMB325.0 million, thus the total cost was approximately RMB329.5 million.

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We noted that (i) Chongqing Runzhi and Shenyang Haohua were in loss-making positions in FY2014 and FY2015; and (ii) Donghuan Xinrong and Liujin Zhiye were in profit-making positions in FY2014 and FY2015. In these regards, we have discussed with the management of the Company and were advised as follows:

### *Donghuan Xinrong*

The net profit before taxation of Donghuan Xinrong for the year ended 31 December 2015 decreased to approximately RMB126.0 million as compared with the year ended 31 December 2014 mainly due to the increase in rental income and management fee as contributed by the gradual acquisition of additional investment properties held by Donghuan Xinrong and the increasing trend of market rental rates and management fees for the year ended 31 December 2015, which effect was offset by the decrease in gains arising from changes in fair value as contributed by the slowing trend of the appreciation in market value of properties in Beijing for the year ended 31 December 2015.

### *Liujin Zhiye*

The net profit before taxation of Liujin Zhiye for the year ended 31 December 2015 decreased to approximately RMB17.5 million as compared with the year ended 31 December 2014 mainly due to the higher revenue recorded for the year ended 31 December 2014 as a result of the completion of a primary land development contract in that year and the relevant income of a significant amount was received accordingly in respect of primary land development conducted in previous years by Liujin Zhiye.

### *Chongqing Runzhi and Shenyang Haohua*

The net loss before taxation of Chongqing Runzhi and Shenyang Haohua for the years ended 31 December 2014 and 2015 were mainly due to the slower sales and lower selling prices of completed properties contributed by the stabilisation and austerity policies of the PRC government and the slowing down of the economy, which weakened the market demand for residential properties in Chongqing and Shenyang respectively.

Despite (i) the decrease in profit before taxation of Donghuan Xinrong and Liujin Zhiye for FY2015 as compared with FY2014; and (ii) the loss-making position of Chongqing Runzhi and Shenyang Haohua in FY2014 and FY2015, having taken into account:

- (i) the audited financial statements and the valuation reports have already reflected the provisions made for accumulated losses and amortisations of the Target Companies, where relevant, and such factors have also been taken into account when determining the respective consideration of the Target Companies, therefore the Company is properly compensated for such losses and amortizations;
- (ii) the easing of stabilization and austerity policies of the PRC government in recent years have led to gradual stable support in property prices and demand which is expected to particularly benefit the sale of properties by Chongqing Runzhi and Shenyang Haohua;

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- (iii) the effective cost control systems and measures of the Group which is expected to create synergies and benefits when implemented in the operations of the Target Companies, thereby raising the overall profitability of the Target Companies; and
- (iv) the established branding and experience of the Group which is expected to improve the quality and competitiveness of the operations of the Target Companies, thereby improving on the value of the Target Companies,

we are of the view and concur with the view of the Directors that the Acquisitions are in the interests of the Company and the Shareholders as a whole.

#### 4. Overview on property market in Beijing, Chongqing and Shenyang

To assess the outlook of property market in the PRC, particularly in Beijing, Chongqing and Shenyang, we have studied the statistics published by the National Bureau of Statistics of the PRC\* (中華人民共和國國家統計局), Beijing Statistical Information Net\* (北京統計信息網), Statistical Information of Chongqing\* (重慶統計信息網) and Shenyang Statistical Information Net\* (瀋陽統計信息網) respectively as follows:

**Table 6: Statistics of floor space of commercialized building sold in the PRC**

Region	2014 <i>million sq. m.</i>	2015 <i>million sq. m.</i>	Year-	January –	January –	Quarter-
			on-year growth rate %	March 2015 <i>million sq. m.</i>	March 2016 <i>million sq. m.</i>	on-quarter growth rate %
Beijing	14.59	15.55	6.56	2.04	2.52	23.73
Chongqing	51.00	53.81	5.51	10.20	12.58	23.43
Shenyang	14.98	10.65	(28.92)	1.39	1.38	(0.36)
PRC	1,206.49	1,284.95	6.50	182.54	242.99	33.11

*Source: National Bureau of Statistics of the PRC, Beijing Statistical Information Net, Statistical Information of Chongqing and Shenyang Statistical Information Net. The later three are official statistics website of the government of Beijing, Chongqing and Shenyang respectively.*

According to the National Bureau of Statistics of the PRC, the floor space of commercialized building sold (the “**Sold Floor Space**”) in the PRC was approximately 1,206.49 million sq. m. and approximately 1,284.95 million sq. m. for 2014 and 2015 respectively, representing an increase of approximately 6.50%. For the three months ended 31 March 2016, the Sold Floor Space in the PRC was approximately 242.99 million sq. m., representing an increase of approximately 33.11% as compared with that of the same period in 2015.

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In the regional performance of property market in Chongqing and Beijing, they also achieved growths in Sold Floor Space as stated in the Statistical Information of Chongqing and Beijing Statistical Information Net. The Sold Floor Space in Chongqing rose from approximately 51.00 million sq. m. in 2014 to approximately 53.81 million sq. m. in 2015, representing an increase of approximately 5.51%, and more recently, rose from approximately 10.20 million sq. m. for the three months ended 31 March 2015 to approximately 12.58 million sq. m. for the three months ended 31 March 2016, representing an increase of approximately 23.43%. Meanwhile, the Sold Floor Space in Beijing was approximately 14.59 million sq. m. in 2014 and approximately 15.55 million sq. m. in 2015, representing an increase of approximately 6.56%. For the three months ended 31 March 2016, the Sold Floor Space in Beijing was approximately 2.04 million sq. m., representing an increase of approximately 23.73% as compared to the same period in 2015.

However, the property market in Shenyang did not perform in line with the general property market in the PRC. According to the Shenyang Statistical Information Net, the Sold Floor Space in Shenyang was approximately 14.98 million sq. m. and approximately 10.65 million sq. m. for the year of 2014 and 2015 respectively, representing a decrease of approximately 28.92%. However, Shenyang's property market performance then improved slightly from a year-on-year decrease of approximately 28.92% to a minimal quarter-on-quarter decrease of approximately 0.36% for the three months ended 31 March 2016. According to the management of the Company, the decrease in sale of commercialized building in Shenyang was mainly due to market instability. In light of this, we have reviewed the government of Liaoning Province issued the "Opinion on the Destocking Unsold Property\* (關於化解房地產庫存的若干意見) (the "**Opinion**") on 24 February 2016. As mentioned in the Opinion, the government of Liaoning Province acknowledged that it is important to reduce the amount of unsold properties and promote a healthy growth of the local property market. Accordingly, it encourages municipal government to put effort in this regard, measures including (i) reducing supply of land; (ii) allowing application for changing the usage of undeveloped land property; (iii) attracting people living in rural area to move in and purchase houses in urban area by, among other incentives, providing education for their children; and (iv) lower the relevant tax rates for purchasing houses. Taking into account (i) notwithstanding the general sales performance in the property market of Shenyang was unsatisfactory, it was improving in the first quarter of 2016 with on par sales record compared with first quarter of 2015; and (ii) the Opinion reflected that local government of the PRC is aware of the relatively high amount of unsold property in Liaoning Province and will carry out measures to alleviate the issue, the Directors consider that sales performance of Shenyang property market may improve in the near future.

Based on the above statistics, we consider that the prospect of property market in Beijing and Chongqing will remain positive.

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**5. Reasons for and benefits of the Acquisitions**

As discussed with the Directors, the Company would like to focus primarily on developing the three main business streams of residential properties, outlets-backed integrated properties and urban core integrated complexes, complemented by innovative business areas such as primary land development and high-tech industries properties. The Directors consider that (i) the Acquisitions provide an opportunity for the Group to expand its property portfolio in major cities in the PRC, particularly in Beijing, Chongqing and Shenyang; (ii) the synergy benefits will be achieved by consolidation of the Group's resources in the relevant locations through the Acquisitions; and (iii) the Group's acquisition of the property project involving primary land development (shantytown renovation) in Shijingshan District\* in Beijing (北京市石景山區) may open up potential business opportunities to the Group via its cooperation with the local government.

In light of this, we have reviewed the Group's property portfolio of investment properties and property development as shown in the Annual Report. Set out below are the details of property portfolio of investment properties and property development in Beijing, Chongqing and Shenyang as at 31 December 2015 as extracted from the Annual Report:

**Table 7: Property portfolio of investment properties and property development in Beijing, Chongqing and Shenyang of the Group as at 31 December 2015**

<b>Project number</b>	<b>City</b>	<b>Project</b>	<b>Location</b>	<b>Type</b>	<b>Total GFA of land bank <i>sq. m.</i></b>
1	Beijing	Sunshing Building	Xicheng District, Beijing	Commercial/Office	52,095
2	Beijing	Beijing Hujialou Project	Chaoyang District, Beijing	Residential/Commercial	67,082
3	Beijing	Beijing Lize Financial Business District Project	Fengtai District, Beijing	Commercial/Office	234,656
4	Beijing	Beijing Lize Financial Business District Project	Fengtai District, Beijing	Apartment/Office	190,573
5	Beijing	Beijing Yuyuantan Project	Haidian District, Beijing	Residential	3,403
6	Beijing	Beijing Haidian Yongfeng Industrial Base Project Plot F1	Haidian District, Beijing	Residential/ Apartment/ Commercial/ Office	246,705

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<b>Project number</b>	<b>City</b>	<b>Project</b>	<b>Location</b>	<b>Type</b>	<b>Total GFA of land bank <i>sq. m.</i></b>
7	Beijing	Beijing Haidian Yongfeng Industrial Base Project Plot B2	Haidian District, Beijing	Apartment/Commercial/Office	178,550
8	Beijing	Beijing Haidian Taipingzhuang Project	Haidian District, Beijing	Residential/Apartment	20,266
9	Beijing	Beijing Zhaoquanying F1-01 Project	Shunyi District, Beijing	Apartment/Commercial	40,035
10	Beijing	Beijing Zhaoquanying Land No. 4 Project	Shunyi District, Beijing	Residential/Apartment	162,327
11	Beijing	Beijing Zhaoquanying Land No. 2 Project	Shunyi District, Beijing	Residential/Apartment/Commercial	157,350
12	Beijing	Beijing Shunyi No. 17 Project	Shunyi District, Beijing	Residential/Apartment	106,173
13	Beijing	Beijing Zhaoquanying F2-01 Project	Shunyi District, Beijing	Apartment/Commercial	45,670
14	Beijing	Beijing Shunyi Renhe Town Project	Shunyi District, Beijing	Residential/Commercial	133,807
15	Beijing	Beijing Shunyi New Town Block No. 26 Project	Shunyi District, Beijing	Residential/Commercial	276,467
16	Beijing	Beijing Miyun Yunfeng Shanzhuang Project	Miyun District, Beijing	Residential	108,983
17	Beijing	Beijing Miyun New Town Project	Miyun District, Beijing	Residential/Commercial	164,161
18	Beijing	Fangshan Capital Outlets	Fangshan District, Beijing	Commercial	151,687
19	Beijing	Fangshan Capital Outlets Project	Fangshan District, Beijing	Residential	6,242
20	Beijing	Beijing Changyang Land No. 4 Project	Fangshan District, Beijing	Residential/Commercial	8,278



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<b>Project number</b>	<b>City</b>	<b>Project</b>	<b>Location</b>	<b>Type</b>	<b>Total GFA of land bank <i>sq. m.</i></b>
21	Beijing	Beijing Fangshan Gaojiao Park Project	Fangshan District, Beijing	Residential/ Apartment/ Commercial	137,641
22	Beijing	Beijing Huang Xin Zhuang Project	Fangshan District, Beijing	Residential	185,406
23	Beijing	Beijing Daxing SunVillage Project	Daxing District, Beijing	Residential/ Apartment/ Commercial	53,836
<b>Total GFA of land bank in Beijing</b>					<b>2,731,393</b>
24	Chongqing	Chongqing Hong'ensi Project	Jiangbei District, Chongqing	Residential/ Commercial	117,389
25	Chongqing	Chongqing Xiyong Project	Shapingba District, Chongqing	Residential/ Apartment/ Commercial	216,700
26	Chongqing	Chongqing Jialingchang Project	Shapingba District, Chongqing	Residential/ Commercial	771,944
<b>Total GFA of land bank in Chongqing</b>					<b>1,106,033</b>
27	Shenyang	Shenyang Shenyang Road Project	Hunnan New District, Shenyang, Liaoning Province	Residential/ Apartment/ Commercial	86,827
28	Shenyang	Shenyang Shenzhong Street Project	Hunnan New District, Shenyang, Liaoning Province	Residential/ Commercial	548,760

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<b>Project number</b>	<b>City</b>	<b>Project</b>	<b>Location</b>	<b>Type</b>	<b>Total GFA of land bank sq. m.</b>
29	Shenyang	Shenyang Yinhe Bay Project	Qi Pan Shan District, Shenyang, Liaoning Province	Residential/ Commercial	362,114
<b>Total GFA of land bank in Shenyang</b>					<b>997,701</b>

*Notes:*

1. *Information stated in the table updated as at 31 December 2015.*
2. *Total GFA of land bank refers to GFA where contract was yet to be signed and is based on the latest obtained documents or the Company's latest planning.*

According to Table 7, as at 31 December 2015, the Group holds (i) twenty-three existing property projects in Beijing which comprise total GFA of land bank of approximately 2,731,393 sq. m.; (ii) three existing property projects in Chongqing which comprise total GFA of land bank of approximately 1,106,033 sq. m.; and (iii) three existing property projects in Shenyang which comprise total GFA of land bank of approximately 997,701 sq. m.. We also noted that the Group holds (i) an aggregate of four existing projects located in Xicheng, Chaoyang and Fengtai Districts of Beijing (project numbers: 1-4) which are close to the Dongcheng District, Beijing of Capital Building\* (首創大廈) held by Donghuan Xinrong; (ii) an aggregate of six existing projects located in Fengtai and Haidian Districts, Beijing (project numbers: 3-8) which are close to the Xihuang Village, Shijingshan District\* in Beijing (北京市石景山西黃村) developed by Liujin Zhiye; (iii) two existing projects located in Shapingba District, Chongqing (project numbers: 25-26) which are close to the Jiulongpo District, Chongqing of Yuyue Project\* (渝閱項目) held by Chongqing Runzhi; and (iv) an existing project located in Qi Pan Shan District, Shenyang (project number: 29) which represents the relevant district area of Legendary Bay Project\* (首創•琥珀灣項目) held by Shenyang Haohua. The existing property projects in Beijing, Chongqing and Shenyang demonstrate that the Group has relevant resources, knowledge and experience

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in property development and investment in relevant cities. Therefore, we are of the view and concur with the view of the Directors that the synergy benefits could be achieved by consolidation of the Group's resources in the relevant cities.

Furthermore, we have discussed with the management of the Company on the Liujin Equity Transfer Agreement. As at the Latest Practicable Date, Zhongzhi Dingfu, the wholly-owned subsidiary of the Company, holds 40% equity interest in Liujin Zhiye. The management of the Company advised that the Company intends to acquire the remaining of 60% equity interest of Liujin Zhiye so as to obtain full control of the property project involving primary land development (shantytown renovation) in Xihuang Village, Shijingshan District\* in Beijing (北京市石景山西黄村). As confirmed by the management of the Company, the Group then can open up potential business opportunities to the Group via its cooperation with the local government smoothly.

Taking into account that (i) the Group has relevant resources, knowledge and past experience in developing and investing the property market in the relevant cities; (ii) the prospects of the property market in Chongqing and Beijing will be positive as discussed in the paragraph headed "4. Overview on property market in Shenyang, Chongqing and Beijing" above; and (iii) the acquisition of the remaining 60% equity interest of Liujin Zhiye can obtain full control of Liujin Zhiye so as to develop the property project smoothly, we are of the view and concur with the view of the Directors that the Acquisitions offer an opportunity for the Group to expand its property portfolio in the relevant cities in the PRC, which is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **6. Principal terms of the Equity Transfer Agreements**

#### **6.1 Interests to be acquired**

Pursuant to the Equity Transfer Agreements and subject to their respective terms and conditions, the Group acquires:

- (i) the entire equity interest in Donghuan Xinrong of approximately RMB1,297,830,000 and a shareholders' loan of approximately RMB269,412,000 due to Capital Group;
- (ii) 60% equity interest in Liujin Zhiye of approximately RMB1,182,000,000 and a shareholders' loan of approximately RMB967,702,000 due to Capital Investment;
- (iii) the entire equity interest in Chongqing Runzhi of approximately RMB280,000 and a shareholders' loan of approximately RMB209,915,000 due to Chuangzhi Trust; and
- (iv) the entire equity interest in Shenyang Haohua of approximately RMB328,000 and the aggregate shareholders' loan in an aggregate amount of approximately RMB275,228,000 due to Capital Investment, Capital Group and Capital Fangzhou.

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Upon completion, (i) the Target Companies will become wholly-owned subsidiaries of the Company; (ii) the shareholders' loan of Donghuan Xinrong due to Capital Group of approximately RMB269,412,000 will be owed to the Company; and (iii) the shareholders' loan of Liujin Zhiye due to Capital Investment of approximately RMB967,702,000, the shareholders' loan of Chongqing Runzhi due to Chuangzhi Trust of approximately RMB209,915,000 and the aggregate shareholders' loan of Shenyang Haohua due to Capital Investment, Capital Group and Capital Fangzhou of approximately RMB275,228,000 will be owed to the Group.

### 6.2 Consideration

The cash consideration for the Acquisitions (the "Consideration") is approximately RMB4,203 million. As stated in the Letter and according to the management of the Company, the Consideration was arrived at after arm's length negotiations between the parties of the Equity Transfer Agreements on normal commercial terms and with reference to the following basis:

#### *Donghuan Equity Transfer Agreement*

(i) the audited net asset value of Donghuan Xinrong as at 31 December 2015 of approximately RMB989.0 million; (ii) the valuation by the independent valuer, taking into account of the market value of total equity of Donghuan Xinrong as at 31 December 2015 of approximately RMB1,297.0 million, which is close to the consideration of RMB1,297.8 million for the equity interest of Donghuan Xinrong; (iii) the total amount of shareholders' loans of approximately RMB269.4 million; and (iv) the increase in value of Donghuan Xinrong since the initial acquisition of units in Capital Building\* (首創大廈) in 2005 by Capital Group, which was the general upward trend due to the subsequent acquisitions of units in Capital Building\* (首創大廈), the general upward trend in property prices in Beijing real estate market during the subsequent years and the accumulated income from the leasing operations of Donghuan Xinrong during the relevant years.

#### *Liujin Equity Transfer Agreement*

(i) the audited net asset value of Liujin Zhiye as at 31 December 2015 of approximately RMB1,726.0 million; (ii) the valuation by an independent valuer, taking into account of 60% of the market value of the total equity of Liujin Zhiye as at 31 December 2015 of approximately RMB1,147.6 million, which is close to the consideration of RMB1,182.0 million for the equity interests of Liujin Zhiye; (iii) the total amount of shareholders' loans of approximately RMB967.7 million; and (iv) the increase in value of Liujin Zhiye over the total investment cost, which was mainly due to the accumulated income from the primary land development (shantytown renovation) operations of Liujin Zhiye during the relevant years, which is primarily based on the return on investment of 8% to 15% as determined by the local government authorities.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Chongqing Equity Transfer Agreement*

(i) the audited net asset value of Chongqing Runzhi as at 31 December 2015 of approximately RMB251,000; (ii) the valuation by an independent valuer, taking into account of the market value of the total equity of Chongqing Runzhi as at 31 December 2015 of approximately RMB280,000, which is equivalent to the consideration of RMB280,000 for the equity interest of Chongqing Runzhi; (iii) the total amount of shareholders' loans of approximately RMB209.9 million; and (iv) the decrease in value of Chongqing Runzhi over the total investment cost, which was mainly due to accumulated loss from the property development operations of Chongqing Runzhi during the relevant years and amortisations.

### *Shenyang Equity Transfer Agreement*

(i) the audited net asset value of Shenyang Haohua as at 31 December 2015 of approximately RMB271,000; (ii) the valuation by an independent valuer, taking into account of the market value of the total equity of Shenyang Haohua as at 31 December 2015 of approximately RMB328,000, which is equivalent to the consideration of RMB328,000 for the equity interests of Shenyang Haohua; (iii) the total amount of shareholders' loans of approximately RMB275.2 million; and (iv) the decrease in value of Shenyang Haohua over the total investment cost, which was mainly due to accumulated loss from the property development operations of Shenyang Haohua during the relevant years and amortisations.

#### *6.2.1 The consideration on Donghuan Xinrong Chongqing Runzhi and Shenyang Haohua*

We have reviewed the valuation report (the “**Valuation Report**”) in respect of the value of all properties held by the Target Companies (namely Donghuan Xinrong, Chongqing Runzhi and Shenyang Haohua) prepared by DTZ Cushman & Wakefield Limited, an independent valuer (the “**Valuer**”), and noted that the fair value of all the properties held by the Target Companies was RMB2,142,700,000. Set out below is the summary as extracted from the Valuation Report in Appendix V to the circular.

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**Table 8: Details of properties held by the Target Companies**

<b>Properties and locations</b>	<b>Owners of properties</b>	<b>Particulars of occupancy</b>	<b>Valuation method</b>	<b>Market value in existing state attributable to the Target Companies as at 30 April 2016</b>
<i>Property A:</i> Portions of Capital Building, No. 6 Chaoyangmenbei Street, Dongcheng District, Beijing, the PRC	Donghuan Xinrong	As at the Valuation Date, the property was approximately 99% occupied and subject to various tenancies with the latest expiry on 14 October 2019 at a monthly rental income of approximately RMB7,400,000 (exclusive of management fee).	Investment Method	RMB 1,573,000,000
			<b>Sub-total for Donghuan Xinrong:</b>	<b>RMB 1,573,000,000</b>
<i>Property B:</i> The unsold portions of Building Nos. 1-27, Phase 1 of Yuyue Project, No. 1 Jinmahu Road, Zouma Town, Jiulongpo District, Chongqing, the PRC	Chongqing Runzhi	Vacant and held for sale	Direct Comparison Method	RMB129,800,000

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<b>Properties and locations</b>	<b>Owners of properties</b>	<b>Particulars of occupancy</b>	<b>Valuation method</b>	<b>Market value in existing state attributable to the Target Companies as at 30 April 2016</b>
<b><i>Property C:</i></b> The development site for the proposed development to be known as the remaining portion of Phase 1, and Phase 2 of Yuyue Project, Jinma Village, Zouma Town, Jiulongpo District, Chongqing, the PRC	Chongqing Runzhi	Vacant land pending development	Direct Comparison Method	RMB110,900,000
			<b>Sub-total for Chongqing Runzhi:</b>	<b>RMB240,700,000</b>
<b><i>Property D:</i></b> The unsold portions of Phases 1 and 3.1 of Legendary Bay Project, Qijianfang Village, Gaokan Subdistrict, Shenyang Qipanshan Tourism Development Zone, Shenyang, Liaoning Province, the PRC	Shenyang Haohua	Vacant and held for sale	Direct Comparison Method	RMB246,000,000

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<b>Properties and locations</b>	<b>Owners of properties</b>	<b>Particulars of occupancy</b>	<b>Valuation method</b>	<b>Market value in existing state attributable to the Target Companies as at 30 April 2016</b>
<i>Property E:</i> The development site for the proposed development to be known as Phases 2, 3.2 and 4 of Legendary Bay Project, Qijianfang Village, Gaokan Subdistrict, Shenyang Qipanshan Tourism Development Zone, Shenyang, Liaoning Province, the PRC	Shenyang Haohua	Vacant land pending development	Direct Comparison Method	RMB83,000,000
			<b>Sub-total for Shenyang Haohua:</b>	<b>RMB329,000,000</b>
			<b>Total for Donghuan Xinrong, Chongqing Runzhi and Shenyang Haohua:</b>	<b>RMB2,142,700,000</b>

*Experience of the Valuer and its engagement*

We have compiled with all the requirements under note (1)(d) to the Rule 13.80 of the Listing Rules, in particular, we have discussed with the Valuer the expertise of the person signing the Valuation Report, namely, Mr. Andrew K.F. Chan. After discussion with Mr. Andrew K.F. Chan, we noted that he (i) is a Registered Professional Surveyor and a Registered China Real Estate Appraiser; and (ii) holds a Master Degree of Science and has over 28 years of experience in valuation of properties in the PRC. We consider that the responsible person of the Valuer for the Valuation Report has relevant qualification as well as sufficient experience in performing the valuation. We have reviewed the terms of engagement letter and scope of work of the Valuer, and consider that such engagement is under normal commercial terms and the scope of Valuer's work is appropriate in conducting the valuation.



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### *Valuation method*

We have discussed with the Valuer in respect of the methodology of, and the basis and assumptions adopted for the valuation. In considering the valuation of the properties as shown on Table 8 (the “**Properties**”), the Valuer adopts two methodologies, namely Direct Comparison Method (for Properties B, C, D, E) and Investment Method (for Property A).

Under Direct Comparison Method, the Valuer has assumed sale of each of these properties in its existing state by making reference to comparable property sale transactions (for Properties B and D which are completed properties), or to comparable land sale transaction (for Properties C and E which are properties held for future development), as available in the relevant market subject to suitable adjustments. As we have discussed with the Valuer and understand that (i) Properties B and D are mostly strata residential units and ancillary commercial podium units with frequent comparable sales transactions and readily available information about such sales, and the use of Direct Comparison Method in these cases is in line with market practice; and (ii) it is common market practice in evaluating land properties, i.e. Properties C and E, by making reference to comparable land sales transactions as available in the relevant market. Therefore, we concur with the view of the Valuer that Direct Comparison Method is appropriate in valuing Properties B, C, D and E.

As shown on Table 8, in valuing Property A, which is a completed property held by Donghuan Xinrong for investment in the PRC, the Valuer has used the Investment Method on the basis of capitalisation of rental income derived from the existing tenancies with due allowance for reversionary potential of the property. We have discussed with the Valuer in this regard and having taken into account that (i) there are few transactions involving large scale properties of the same nature and tenancy structure in the same district, and therefore Direct Comparison Method may not be possible; and (ii) the property generating rental income from letting arrangements and such rental comparables are more readily available, we are of the view and concur with the view of the Valuer that Investment Method is appropriate in valuing Property A.

Moreover, the Valuer also advised that, in valuing the Properties, they have complied with (i) The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors; and (ii) the requirement set out in Chapter 5 and Practice Note 12 of the Listing Rule of the Stock Exchange (collectively, the “**Standards and Guidance**”).

Given that the valuation methodologies adopted by the Valuer are common market practice and in compliance with the Standards and Guidance, we consider that the methodologies, bases and assumptions adopted by the Valuer in determining the valuations are appropriate.

### *Assessment on the considerations*

Based on the audited financial information of the Donghuan Xinrong, Chongqing Runzhi and Shenyang Haohua set out in Appendix II to the Circular, the aggregated net assets value of Donghuan Xinrong, Chongqing Runzhi and Shenyang Haohua as at 31 December 2015 amounted to approximately RMB989.0 million, RMB251,000 and RMB271,000 respectively, whereas the book value of property interests in Donghuan Xinrong, Chongqing Runzhi and Shenyang Haohua

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was approximately RMB1,572.0 million (representing the amount of investment property as at 31 December 2015), RMB229.9 million (representing the amount of inventories for properties under development and properties held for sales as at 31 December 2015) and RMB314.4 million (representing the amount of inventories for properties under development and properties held for sales as at 31 December 2015) respectively (the “**Property Interests**”). Accordingly, we estimate the adjusted net assets value (the “**Adjusted NAV**”) of Donghuan Xinrong, Chongqing Runzhi and Shenyang Haohua as follows:

**Table 9: Calculation of the Adjusted NAV for Donghuan Xinrong, Chongqing Runzhi and Shenyang Haohua:**

	<b>Donghuan Xinrong</b> <i>RMB</i>	<b>Chongqing Runzhi</b> <i>RMB</i>	<b>Shenyang Haohua</b> <i>RMB</i>
Net assets value as at 31 December 2015	989,000,000	251,000	271,000
Add/(Less):			
Shareholder’s loan as at 31 December 2015	269,412,000	209,915,000	275,228,000
Deferred tax liabilities as at 31 December 2015	309,370,000	–	–
Fair value of the property interests as appraised by the Valuer on 30 April 2016	1,573,000,000	240,700,000	329,000,000
Book value of property interests as recorded on 31 December 2015	(1,572,000,000)	(229,898,000)	(314,448,000)
Adjusted NAV	1,568,782,000	220,968,000	290,051,000
Aggregate Adjusted NAV			2,079,801,000

In assessing the Adjusted NAV of Donghuan Xinrong, we noted that there is a deferred income tax liabilities of approximately RMB309.4 million. As stated in the Appendix II to the Circular, the deferred income tax liabilities at the balance sheet date are measured at the tax rates that are expected to apply to the year when the asset is realized (i.e. Capital Building\* (首創大廈)) or the liability is settled. The management of the Company confirmed that the Company will only have the obligation to settle such income tax in respect of the aforesaid deferred tax liabilities (actual amount of which is subject to the then tax rate and value of the assets) if they dispose of the assets of Donghuan Xinrong, i.e. Capital Building\* (首創大廈). According to the management of the Company, they intend to hold Capital Building\* (首創大廈) for long term investment and have no intention to dispose of Capital Building\* (首創大廈) after completion of the Acquisitions. In addition, if the disposal of Capital Building\* (首創大廈) is carried out through disposing the equity interest of Donghuan Xinrong, we are advised by the management of the Company that the

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Group does not need to pay such deferred tax liabilities according to the relevant tax rules and regulations in the PRC. Therefore, we are of the view and concur with the view of the Directors that it is appropriate not to take the deferred income tax liabilities into account of the net asset value when assessing the net asset value of Donghuan Xinrong as at 31 December 2015, and the amount is accordingly added back to the net asset value of Donghuan Xinrong.

We also noted that Donghuan Xinrong, Chongqing Runzhi and Shenyang Haohua have shareholders' loans of approximately RMB269,412,000, RMB209,915,000 and RMB275,228,000 respectively. Pursuant to the Equity Transfer Agreement, the shareholders' loan will be owed to the Group upon completion of the Acquisitions. Accordingly, we also consider not to take into account of these shareholders' loans in assessing the net assets value of Donghuan Xinrong, Chongqing Runzhi and Shenyang Haohua as at 31 December 2015.

Furthermore, we have taken into account of the property valuation surplus in Donghuan Xinrong, Chongqing Runzhi and Shenyang Haohua of approximately RMB1.0 million, RMB10.8 million and RMB14.6 million respectively with reference to the valuation prepared by the Valuer as at 30 April 2016 as compared to those as at 31 December 2015. Having considered that (i) the Property Interests represent the majority portion of the total assets of Donghuan Xinrong, Chongqing Runzhi and Shenyang Haohua as at 31 December 2015; and (ii) it is more meaningful to make reference to the latest market value of the Property Interests as appraised by the Valuer on 30 April 2016 than the book value as recorded on 31 December 2015 when assessing the true value of them, we consider that it is more indicative to compare the consideration of Donghuan Xinrong, Chongqing Runzhi and Shenyang Haohua with the Adjusted NAV so as to assess the fairness and reasonableness of the relevant consideration.

Based on the above valuations as stated in the Valuation Report and the Adjusted NAV as calculated on Table 9, the consideration for acquiring the entire equity interests of Donghuan Xinrong, Chongqing Runzhi and Shenyang Haohua represent discounts of approximately 0.10%, 4.88% and 5.00% respectively to their Adjusted NAVs. As such, we are of the view that the considerations for acquiring the entire equity interests of Donghuan Xinrong, Chongqing Runzhi and Shenyang Haohua are fair and reasonable.

### *6.2.2 The consideration on Liujin Zhiye*

As stated in the Letter, Liujin Zhiye mainly focuses on the primary land development (shantytown renovation) located in Xihuang Village, Shijingshan District\* in Beijing (北京市石景山西黄村), with a total planned site area of approximately 521,462 sq. m. and a total construction land area of approximately 280,829 sq. m.. According to the management of the Company, in 2014, Liujin Zhiye was commissioned by the government of Shijingshan District, Beijing to work as a main part of the redevelopment and settlement of squatter area in Xihuang Village, Shijingshan District\* in Beijing (北京市石景山西黄村). Therefore, Liujin Zhiye does not hold any land use rights in the relevant development project. Accordingly, no valuation can be carried out for assessing the value of relevant property interest in Liujin Zhiye.

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Based on the audited account of Liujin Zhiye as at 31 December 2015, the total assets of Liujin Zhiye principally comprised cash at bank and on hand of approximately RMB2,261.7 million (2014: RMB821.7 million) and long term receivables of approximately RMB2,379.7 million (2014: nil), representing approximately 44.70% and 47.03% of the total assets respectively. The above long-term receivables represents the money to be received from the Finance Bureau of Shijingshan District, Beijing in 2017 for the primary development costs input by Liujin Zhiye for the aforesaid commissioned development project as well as relevant primary development profits, after being reviewed by relevant authorities.

The consideration of RMB1,182,000,000 for acquiring 60% equity interests of Liujin Zhiye represents a premium of approximately 14.11% (the “**Premium**”) over 60% of the net assets of Liujin Zhiye as at 31 December 2015 (i.e. approximately RMB1,035.8 million). We have reviewed the “Notice on profit margin on the redevelopment project of squatter areas in Shijingshan, Beijing”\* (北京市石景山區人民政府關於棚戶區改造和環境整治項目利潤率的通知) issued by the government of Shijingshan, Beijing to Liujin Zhiye on 21 May 2015 provided by the Company, and noted that the return on investment for Liujin Zhiye’s land development project is initially set at 12%, with a range of 8% to 15% based on the completion date of the project. In view of this, we have also reviewed the “Notice on tender of preliminary duties on the redevelopment project of squatter areas and land-use rights”\* (關於印發棚戶區改造前期工作及擬似改造土地使用權一次性招標的指導意見的通知) issued by Beijing Municipal Bureau of Land and Resources\* (北京市國土資源局) on 20 June 2014, and noted that those returns on investment for the redevelopment project of squatter areas in Beijing are not higher than 15% generally. Despite the Premium, we consider that (i) Liujin Zhiye is commissioned by local government to carry out work for a primary land development of a property project in Beijing and would receive a stable income with a determined return on investment of 8% to 15%, which is similar to other similar land development project in Beijing generally; and (ii) the full control of Liujin Zhiye upon completion of the Acquisitions constitutes more profit-sharing which can generate higher return towards the Group, we are of the view and concur with the view of the management of the Company that the consideration of acquiring Liujin Zhiye is fair and reasonable.

### *6.2.3 Conclusion on considerations*

To assess the fairness and reasonableness of the Consideration, we have attempted to compare the price-to-earnings ratio (“**P/E Ratio**”) and the price-to-book ratio (“**P/B Ratio**”) to other companies listed on the Stock Exchange (“**Comparables**”) that (i) are principally engaged property development and investment in the PRC with operations similar to that of the Target Companies; and (ii) generated over 50% of their respective revenue in the latest full financial year from property development and investment in the PRC. However, as some of the Target Companies recorded losses in FY2015, we cannot use the P/E ratio to assess the Consideration. Due to Hong Kong securities market was volatile since last year and represented the general downward trend, we consider that the share prices of the Comparables may not reflect their actual value and thus comparing with P/B ratio of the Comparables may not be reliable.

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Nevertheless, having considered that:

- (i) the assessment on fair values of the Property Interests was done by the Valuer using Direct Comparison Method (by comparing to the market comparables) and Investment Method respectively;
- (ii) the considerations for acquiring the entire equity interests of Donghuan Xinrong, Chongqing Runzhi and Shenyang Haohua represent discounts of approximately 0.10%, 4.88% and 5.00% respectively to their Adjusted NAVs, taking into account the fair values of the Property Interests;
- (iii) despite the Premium, Liujin Zhiye would receive a stable income with a determined return on investment of 8% to 15% from local government for its commissioned work for a primary land development of a property project in Beijing; and
- (iv) the full control of Liujin Zhiye upon completion of the Acquisitions constitutes more profit-sharing which can generate higher return towards the Group

we are of the view and concur with view of the management of the Company that the Consideration is fair and reasonable.

### 6.3 Payment terms

Pursuant to the Equity Transfer Agreements, the Consideration payable by the Group shall be approximately RMB4,203 million, details of which are as follows:

	Donghuan Equity Transfer Agreement RMB'000 <i>(approximate)</i>	Liujin Equity Transfer Agreement RMB'000 <i>(approximate)</i>	Chongqing Equity Transfer Agreement RMB'000 <i>(approximate)</i>	Shenyang Equity Transfer Agreement RMB'000 <i>(approximate)</i>	Total for the relevant terms of consideration RMB'000 <i>(approximate)</i>
<b>Payment terms of consideration</b>					
(i) Payable within three working days after satisfaction and/or waiver of all conditions precedent pursuant to the relevant equity transfer agreement	626,897	859,881	54,078	90,222	1,631,078
(ii) Payable within ten working days after completion of the equity transfer of Target Company	940,345	1,289,821	126,117	165,334	2,521,617
(iii) Payable upon first anniversary of the completion of the equity transfer of Target Company and after completion of the registration with relevant government authorities	-	-	30,000	20,000	50,000
<b>Total consideration</b>	<b>1,567,242</b>	<b>2,149,702</b>	<b>210,195</b>	<b>275,556</b>	<b>4,202,695</b>

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Pursuant to the terms of the Equity Transfer Agreements and as discussed with the management of the Company, we understand that first installment of consideration for each of the Equity Transfer Agreements would be returned (without interest) within ten working days upon its termination. As such, we are of the view that the Group's interest is safeguarded.

### **7. Possible financial effects of the Acquisitions on the Group**

Based on our discussion and the representation from the management of the Company, we understand that the management of the Company has taken into account the following factors when considering the potential impact of the Acquisitions on the financial position of the Group:

#### **7.1 *Effect on earnings***

After completion of the Acquisitions, the Target Companies will become the wholly-owned subsidiaries of the Company and their respective financial results will be fully consolidated into the consolidated financial statements of the Group.

Based on the audited financial statements of the Target Companies, Donghuan Xinrong and Liujin Zhiye were in profit-making positions for the two years ended 31 December 2014 and 31 December 2015 which would contribute to the profit of the Group.

Meanwhile, Chongqing Runzhi and Shenyang Haohua were loss-making for the two years ended 31 December 2014 and 31 December 2015. In the event that Chongqing Runzhi and Shenyang Haohua are unable to turnaround to a profit making position in the near future, they might bring negative impacts on the Group's financial performance. As mentioned in the paragraph headed "5. Reasons for and benefits of the Acquisitions" above, the Group has certain existing property projects in Chongqing and Shenyang. After discussion with the management of the Company, we understand that the Group may consolidate and/or re-allocate the resources in the relevant city for better resources management upon completion of Acquisitions.

#### **7.2 *Effect on net assets***

As set out in the Company's annual report 2015, the audited net assets of the Group as at 31 December 2015 amounted to approximately RMB23,636 million. Having taken into consideration of (i) the net asset value of the Target Companies as at 31 December 2015 of approximately RMB2,716 million; and (ii) the combination cost of the Acquisitions of approximately RMB3,168 million which is set out in Appendix IV to the Circular, the management of the Company expects that the Acquisitions will cause a decrease in the Group's net assets of approximately RMB452 million which will be recognised as deduction of share premium in the Group's consolidated equity upon completion of Acquisitions.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Taking into consideration of the above principal factors and reasons, we consider that (i) although the Acquisitions are not in ordinary and usual course of business of the Group, it is on normal commercial terms; and (ii) the terms of Equity Transfer Agreements are fair and reasonable and in the interests of the Company and Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution(s) at the EGM to approve the Acquisitions.

Yours faithfully,  
For and on behalf of  
**Nuada Limited**  
**Kim Chan**  
*Director*

*Mr. Kim Chan is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 16 years of experience in corporate finance industry.*

\* *The English name is a translation of its Chinese name and is included for identification purposes only.*

**1. FINANCIAL INFORMATION OF THE GROUP**

Details of the financial information of the Group for each of the three years ended 31 December 2013, 2014 and 2015 are disclosed in the following annual reports of the Company for the years ended 31 December 2013, 2014 and 2015, respectively, which have been published and are available on the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://www.bjcapitaland.com.cn>):

- The Annual Report 2013 of the Company for the year ended 31 December 2013 published on 9 February 2014 (available on: <http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0209/LTN20140209015.pdf>), please refer to pages 88 to 232 in particular.
- The Annual Report 2014 of the Company for the year ended 31 December 2014 published on 26 February 2015 (available on: <http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0226/LTN20150226229.pdf>), please refer to pages 87 to 252 in particular.
- The Annual Report 2015 of the Company for the year ended 31 December 2015 published on 28 March 2016 (available on: <http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0328/LTN20160328107.pdf>), please refer to pages 75 to 230 in particular.

**2. STATEMENT OF INDEBTEDNESS**

As at the close of business on 30 April 2016, 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 aggregate outstanding borrowings of approximately RMB55,755 million comprising:

- (a) outstanding bank borrowings of approximately RMB40,205 million among which RMB4,064 million were secured by properties, plant, equipment and the land use rights, RMB9,030 million were secured by certain relevant properties under development, RMB723 million were secured by bank deposits, RMB2,080 million were secured by the equity of subsidiaries and RMB100 million were secured by accounts receivable;
- (b) other loans of approximately RMB6,600 million which were secured by certain relevant properties under development;
- (c) unsecured loan of approximately RMB17,608 million; and
- (d) corporate bonds of approximately RMB15,550 million.

As at 30 April 2016, the Enlarged Group provided guarantees amounted to RMB525 million for long-term borrowing of a joint venture of the Group.

As at 30 April 2016, the Enlarged Group provided guarantees amounted to RMB6,566 million to secure repayments obligations of mortgage loan for certain customers.



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 30 April 2016 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

### **3. WORKING CAPITAL**

The Directors, after due and careful enquiry, are of the opinion that following Completion, 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.

### **4. MATERIAL ACQUISITION**

On 24 March 2016, Tianjin Xingtai Jixing Real Estate Co., Ltd.\* (天津興泰吉鑫置業有限公司), a wholly-owned subsidiary of the Company, entered into a cooperation framework agreement in relation to the injection of registered capital into Tianjin Lianjin Real Estate Development Company Limited\* (天津聯津房地產開發有限公司), the “Project Company”, and co-development of the site located at north west of the intersection of Guangrong Road and Hanyang North Road, Hongqiao District, Tianjin, the PRC\* (天津市紅橋區咸陽北路與光榮道交口西北側) so as to acquire 25% equity interest in the Project Company for an aggregate consideration of RMB643,750,000, and such consideration would be satisfied by internal resources of the Group. Please refer to the Company’s announcement dated 24 March 2016 for details.

On 8 June 2016, BECL Investment Holding Limited, a wholly-owned subsidiary of the Company, and Beijing Capital Juda Limited, a non-wholly owned subsidiary of the Company, entered into a subscription agreement in relation to the subscription of 905,951,470 new convertible preference shares (“CPS”) to be issued and allotted by Beijing Capital Juda Limited at the issue price of HK\$2.78 per CPS. Beijing Capital Juda Limited is an investment holding company which shares are listed on the Main Board of the Stock Exchange (Stock Code: 1329) and, together with its subsidiaries, it is principally engaged in commercial property development, with focus on the development of outlets-backed commercial integrated projects in selected cities in the PRC. On the same date, the Company and Renowned Brand Outlet Store Enterprise Limited (“Renowned Brand”), a wholly-owned subsidiary of the Company, entered into the acquisition agreements with subsidiaries of Beijing Capital Juda Limited in relation to the disposal of the equity interests in Beijing Chuangxin Jianye Real Estate Investment Ltd.\* (北京創新建業地產投資有限公司) and Zhejiang Outlets Property Real Estate Co., Ltd.\* (浙江奧特萊斯置業有限公司) by the Company and Renowned Brand for a total consideration of RMB2,372,327,068, which would be satisfied by cash payment by the purchasers. All proceeds arising from the issue of the CPS pursuant to the subscription agreement will be used by Beijing Capital Juda Limited for the purpose of funding and partial settlement of the consideration payable pursuant to the acquisition agreements. Please refer to the Company’s announcement dated 8 June 2016 for details.

On 27 June 2016, Shanghai Capital Zhengheng Property Co., Ltd\* (上海首創正恒置業有限公司), a wholly-owned subsidiary of the Company, and Shanghai Poly Jianjin Real Estate Co., Ltd.\* (上海保利建錦房地產有限公司), an independent third party of the Company, entered into a capital injection

agreement in relation to the capital injection by of not more than RMB2,779,500,000 into Shanghai Yujing Real Estate Co., Ltd.\* (上海裕憬房地產開發有限公司) and Shanghai Xuanxi Real Estate Co., Ltd.\* (上海暄熹房地產開發有限公司) by Shanghai Capital Zhengheng Property Co., Ltd.\* (上海首創正恒置業有限公司), which represents 51% of the land premium payable for a parcel of land located in Zhoupu Town, Pudong New District, Shanghai (上海浦東新區周浦鎮) of RMB5,450,000,000, based on its pro-rata interest in Shanghai Yujing Real Estate Co., Ltd.\* (上海裕憬房地產開發有限公司). Such commitment would be satisfied by the internal resources of the Group. Please refer to the Company's announcement dated 27 June 2016 for details.

Save as disclosed above and the Acquisitions, the Group has not entered into any material acquisitions after 31 December 2015, being the date to which the latest published audited accounts of the Company have been made up, and the aggregate remuneration payable to and benefits in kind receivable by the Directors have not been varied as a consequence of such material acquisitions.

## **5. FINANCIAL AND TRADING PROSPECTS**

Looking ahead into 2016, the property industry will adapt to the “New Normal”, characterised by better quality and higher efficiency. While the total developable lands for residential use are limited, the trend of regional divergence will become more obvious. The property markets in first- and second-tier cities will still display great potential for growth, whereas third- and fourth-tier cities are unlikely to record a turnaround from high inventory levels in the short run. In the long run, factors including further rural-urban migration will support market demand, so the property industry is expected to continue its rally for a prolonged period of time.

In the new development phase of the industry, property developers will be confronted with new transformation opportunities. Firstly, as the industry enters an “era of quality” from an “era of quantity”, the market demand for quality products will increase as a result of industry upgrades and growing purchasing power. It is important for developers to figure out how to provide products with a high cost-performance ratio and how to transform their business models into a light-asset service-oriented structure. Secondly, the market will shift its focus from “residential property” to “industrial property”. To support expanding industry infrastructure, the industrial property sector will enjoy strong growth, particularly the consumer property and industrial park property segments. Using property as the foundation of developing industries, developers may be able to create a unique business operation model by adding relevant facilities and services to projects.

In 2016, the Group will further upgrade its development strategies with the principle of “quality growth”. In addition to expanding scale, the Group will strive to improve operational performance. Playing to its own advantages and riding on its competitive differentiation strategy, the Group aims to achieve its business transformation and upgrades in the following aspects:

- Improve sales quality by balancing sales price and volume – the Group will strengthen its product supply management to guarantee that product supply will be sufficient and launched at a reasonable pace throughout the year. With the development of integrated sales channels and innovations in consumer finance, the Group will strive to achieve its full-year target of RMB38 billion in contracted sales. The Group will continue to balance price and volume and efficiently manage accounts receivables.

- Adopt differentiation strategy to acquire core resources – the Group will remain focused on five core cities, and also tap into the Shenzhen market. The investment focus will be on upgrade-oriented residential projects and core complex projects. The Group will establish a rail transit department and an industrial land department as part of its competitively differentiated strategy, with the aim of acquiring more resources in Beijing’s central business district. Moreover, the Group will expand overseas investments at a stable pace. While the Group already has a foothold in Australia, it will explore further investment opportunities in core cities throughout Europe and the United States, which the Group expects could become a new profit growth driver in the future.
- Streamline business value chain and boost operational efficiency – the Group will fully implement product standardization procedures and establish a residential product experience center, aiming to build up its urban high-end product line. In terms of procurement, the Group will deepen strategic cooperation with suppliers and expand the scope of work of main strategic contractors, improving the quality of its supply chain. The Group will also take measures to execute cost control and establish a precise, transparent and standardised cost control system.
- Cultivate new growth point that will generate long-term profits – as part of its long-term development roadmap, the Group will initiate new projects with moderate investments, exploring new business segments that have potential to provide future profit growth momentum. The Group will build up an “education + property developer” model and boost international cooperation based on the Sino-France University City project and the Wuqing international school project. It will also attempt to explore a sustainable business model for retirement properties based on the current retirement project in Shunyi, focusing on mid-to-high-end products and cooperating with professional retirement institutions. In addition, the Group will leverage on the Zhongguancun Integrated Circuit Design Industrial Park project and strategically collaborate with professional high-tech industrial park management teams in order to explore markets such as industrial property and technology property.
- Optimise capital structure and drive financing innovation – the Group will actively propel the submission of A-Share listing application to set up domestic equity financing channels. The Group will fully deploy its flexible red-chip platform to connect international funds and commercial networks and bring in strategic investors to improve the Group’s core capital capacity. The Group will also adopt equity financing at the project level to deepen joint ventures, focusing existing residential fund on core regions of first-tier cities, with the aim to ultimately push the model to all projects. As for debt financing, the Group will control financing costs and maintain its debt at a reasonable scale following its upcoming offering of RMB10 billion of private placement bonds. The Group will also get access to better resources through mergers and acquisitions, focusing on property related industries, financing, and state-owned enterprise (SOE) reforms to pave the way for the Group’s business transformation while providing new growth drivers. Concurrently, these new businesses are expected to create synergies with the Group’s traditional businesses.

Upon completion of the Equity Transfer Agreements, the Enlarged Group will enhance its portfolio in quality properties in core urban areas, potentially contributing to the net profit of the Enlarged Group. In addition, through the Acquisitions, the Enlarged Group will raise the efficiency in capital utilisation and reduce the overall cost of capital, thus allowing the Enlarged Group to improve its quality resources whilst the property industry is in an adjustment stage. The Directors believe that there is future growth potential in the property industry in the long term, and the stable financial performance and the strong capital resources of the Enlarged Group will enable it to achieve sustainable future development.

As at the Latest Practicable Date, save and except for (i) the transactions already disclosed in announcements and circulars of the Company prior to the Latest Practicable Date (including, among others, the Acquisitions); (ii) the acquisitions, disposals and investments in joint ventures by the Group in its ordinary course of business which has not materialized into and/or constituted discloseable inside information of the Company as at the Latest Practicable Date; and (iii) the potential acquisition or disposal involving the Hainan Integrated Outlets Project, the Company does not have any intention or has not entered into any negotiation, agreement, arrangement or understanding (finalised or concluded) in relation to (a) the acquisition of any new business; (b) any disposal, scaling-down and/or termination of the Group's existing business and/or major operating assets; and (c) the injection of any new business to the Group.

**A. ACCOUNTANT'S REPORT ON DONGHUAN XINRONG**

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



普华永道

The Directors  
Beijing Capital Land Ltd.

Dear Sirs,

We report on the financial information of Beijing Donghuan Xinrong Investment Management Limited (the "Target Company Donghuan Xinrong") and its subsidiaries (together, the "Target Group Donghuan Xinrong"), which comprises the consolidated balance sheets as at 31 December 2015, 2014 and 2013, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2015, 2014 and 2013 (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 Sections I to III below for inclusion in Appendix II to the circular of the Company dated 29 June 2016 (the "Circular") in connection with the proposed acquisition of the Target Group Donghuan Xinrong by the Company.

The Target Company Donghuan Xinrong was incorporated in the People's Republic of China (the "PRC") on 8 March 2004 as a limited liability company under the Company Law of the PRC.

As at the date of this report, the Target Company Donghuan Xinrong has direct and indirect interests in the subsidiaries as set out in Note 4 of Section II below.

The financial statements of the Target Group Donghuan Xinrong for each of the years ended 31 December 2015, 2014 and 2013 were audited by PricewaterhouseCoopers Zhong Tian LLP pursuant to separate terms of engagement with the Target Company Donghuan Xinrong.

The directors of the Target Company Donghuan Xinrong are responsible for the preparation and fair presentation of the financial statements of the Target Group Donghuan Xinrong for the Relevant Periods in accordance with the Accounting Standards for Business Enterprises of the People's Republic

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of China (“CAS”) issued by the China Ministry of Finance (the “Underlying Financial Statements”), and for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error. We have audited the Underlying Financial Statements in accordance with China Standards on Auditing (“CSAs”) issued by Chinese Institute of Certified Public Accountants (“CICPA”) pursuant to separate terms of engagement.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

### **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 CAS and accounting policies adopted by the Company and its subsidiaries (together, the “Group”) as set out in the annual report of the Company for the year ended 31 December 2015.

### **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 Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by 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 the Target Group Donghuan Xinrong as at 31 December 2015, 2014 and 2013 and of the Target Group Donghuan Xinrong’s results and cash flows for the Relevant Periods.

## I. FINANCIAL STATEMENTS OF THE TARGET GROUP DONGHUAN XINRONG

The following is the consolidated financial information of Target Group Donghuan Xinrong prepared by the directors of the Company as at 31 December 2015, 2014 and 2013, and for each of the years ended 31 December 2015, 2014 and 2013 (the "Financial Information").

### 1. CONSOLIDATED BALANCE SHEETS

(All amounts in RMB'000 Yuan unless otherwise stated.)

Item	Note	31 December 2015	31 December 2014	31 December 2013
<b>Assets</b>				
<b>Current assets</b>				
Cash at bank and on hand	5(1)	93,280	75,350	52,465
Accounts receivable	5(2)(a)	5,854	4,377	3,151
Other receivables	5(2)(b)	934	583	445
Inventories	5(3)	205	186	228
<b>Total current assets</b>		100,273	80,496	56,289
<b>Non-current assets</b>				
Investment properties	5(4)	1,572,000	1,427,000	1,293,000
Fixed assets	5(5)	882	542	644
Long-term prepaid expenses		7	31	55
<b>Total non-current assets</b>		1,572,889	1,427,573	1,293,699
<b>Total assets</b>		1,673,162	1,508,069	1,349,988

Item	Note	31 December 2015	31 December 2014	31 December 2013
<b>Liabilities and owners' equity</b>				
<b>Current liabilities</b>				
Accounts payable	5(6)	45	45	407
Advances from customers	5(7)	4,563	5,798	4,284
Employee benefits payable	5(8)	450	661	318
Taxes payable	5(9)	10,862	8,712	6,150
Other payables	5(10)	298,529	313,065	325,781
Current portion of non-current liabilities	5(11)	6,000	—	—
<b>Total current liabilities</b>		<u>320,449</u>	<u>328,281</u>	<u>336,940</u>
<b>Non-current liabilities</b>				
Long-term borrowings	5(12)	54,000	—	—
Deferred tax liabilities	5(13)	309,370	284,861	247,193
<b>Total non-current liabilities</b>		<u>363,370</u>	<u>284,861</u>	<u>247,193</u>
<b>Total liabilities</b>		<u><u>683,819</u></u>	<u><u>613,142</u></u>	<u><u>584,133</u></u>
<b>Owners' equity</b>				
Paid-in Capital	5(14)	10,000	10,000	10,000
Capital reserve		2	2	2
Surplus reserve	5(15)	5,107	3,065	1,471
Undistributed profits	5(16)	974,234	881,860	754,382
<b>Total owners' equity</b>		<u>989,343</u>	<u>894,927</u>	<u>765,855</u>
<b>Total liabilities and owners' equity</b>		<u><u>1,673,162</u></u>	<u><u>1,508,069</u></u>	<u><u>1,349,988</u></u>



## 2. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

*(All amounts in RMB'000 Yuan unless otherwise stated.)*

Item	Note	2015	2014	2013
<b>Revenue</b>	5(17)	108,541	100,054	88,679
<i>Less:</i> Cost of sales	5(17)	(19,312)	(17,913)	(18,089)
Taxes and surcharges	5(18)	(6,083)	(5,744)	(5,259)
Selling and distribution expenses	5(19)	(4,319)	(1,944)	(1,667)
General and administrative expenses	5(19)	(23,695)	(21,550)	(15,599)
Financial expenses – net	5(20)	(10,447)	(14,196)	(17,597)
Gains arising from changes in fair value	5(21)	81,363	134,000	24,000
		<u>126,048</u>	<u>172,707</u>	<u>54,468</u>
<b>Operating profit</b>		126,048	172,707	54,468
<i>Add:</i> Non-operating income		–	1	35
<i>Less:</i> Non-operating expenses		(25)	(11)	(22)
		<u>126,023</u>	<u>172,697</u>	<u>54,481</u>
<b>Total profit</b>		126,023	172,697	54,481
<i>Less:</i> Income tax expenses	5(22)	(31,607)	(43,625)	(14,690)
		<u>94,416</u>	<u>129,072</u>	<u>39,791</u>
<b>Net profit</b>		94,416	129,072	39,791
<b>Other comprehensive income for the period, net of tax</b>		–	–	–
<b>Total comprehensive income for the period</b>		<u>94,416</u>	<u>129,072</u>	<u>39,791</u>

## 3. CONSOLIDATED CASH FLOW STATEMENTS

(All amounts in RMB'000 Yuan unless otherwise stated.)

Item	Note	2015	2014	2013
<b>Cash flow from operating activities</b>				
Cash received from sales of goods or rendering of services		105,829	100,342	89,835
Cash received relating to other operating activities		2,777	3,835	2,568
<b>Sub-total of cash inflows</b>		<u>108,606</u>	<u>104,177</u>	<u>92,403</u>
Cash paid for goods and services		(19,331)	(18,235)	(17,942)
Cash paid to and on behalf of employees		(21,366)	(19,205)	(13,726)
Payments of taxes and surcharges		(11,030)	(9,139)	(7,274)
Cash paid relating to other operating activities		(5,416)	(3,891)	(3,388)
<b>Sub-total of cash outflows</b>		<u>(57,143)</u>	<u>(50,470)</u>	<u>(42,330)</u>
<b>Net cash flows from operating activities</b>	5(23)(a)	<u>51,463</u>	<u>53,707</u>	<u>50,073</u>
<b>Cash flows from investing activities</b>				
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		–	1	11
Cash received relating to other investing activities	6(3)(b)	12	–	44
<b>Sub-total of cash inflows</b>		<u>12</u>	<u>1</u>	<u>55</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(64,144)	(51)	(547)
Cash paid relating to other investing activities	6(3)(b)	(153)	(60)	–
<b>Sub-total of cash outflows</b>		<u>(64,297)</u>	<u>(111)</u>	<u>(547)</u>
<b>Net cash flows from investing activities</b>		<u>(64,285)</u>	<u>(110)</u>	<u>(492)</u>

Item	Note	2015	2014	2013
<b>Cash flows from financing activities</b>				
Cash received from borrowings		60,000	–	–
<b>Sub-total of cash inflows</b>		60,000	–	–
Cash payments for interest expenses and distribution of dividends or profits		(320)	–	–
Cash paid relating to other financing activities	6(3)(b)	(28,928)	(30,712)	(123,481)
<b>Sub-total of cash outflows</b>		(29,248)	(30,712)	(123,481)
<b>Net cash flows from financing activities</b>		30,752	(30,712)	(123,481)
<b>Net increase/(decrease) in cash</b>	5(23)(b)	17,930	22,885	(73,900)
<i>Add: Cash at beginning of year</i>		75,350	52,465	126,365
<b>Cash at end of year</b>	5(23)(c)	93,280	75,350	52,465

## 4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

*(All amounts in RMB'000 Yuan unless otherwise stated.)*

Item	Note	Paid-in capital	Capital surplus	Surplus reserves	Undistributed profits	Total owners' equity
Balance at 1 January 2013		10,000	2	558	715,504	726,064
<b>Movement for the year ended 31 December 2013</b>						
Net profit		-	-	-	39,791	39,791
Withdrawal surplus reserves	5(15)	-	-	913	(913)	-
<b>Balance at 31 December 2013</b>		<b>10,000</b>	<b>2</b>	<b>1,471</b>	<b>754,382</b>	<b>765,855</b>
Balance at 1 January 2014		10,000	2	1,471	754,382	765,855
<b>Movement for the year ended 31 December 2014</b>						
Net profit		-	-	-	129,072	129,072
Withdrawal surplus reserves	5(15)	-	-	1,594	(1,594)	-
<b>Balance at 31 December 2014</b>		<b>10,000</b>	<b>2</b>	<b>3,065</b>	<b>881,860</b>	<b>894,927</b>
Balance at 1 January 2015		10,000	2	3,065	881,860	894,927
<b>Movement for the year ended 31 December 2015</b>						
Net profit		-	-	-	94,416	94,416
Withdrawal surplus reserves	5(15)	-	-	2,042	(2,042)	-
<b>Balance at 31 December 2015</b>		<b>10,000</b>	<b>2</b>	<b>5,107</b>	<b>974,234</b>	<b>989,343</b>

**II. NOTES TO THE FINANCIAL STATEMENTS OF THE TARGET GROUP DONGHUAN XINRONG**

*(All amounts in RMB'000 Yuan unless otherwise stated)*

**1 GENERAL INFORMATION**

Beijing Donghuan Xinrong Investment and management Co., Ltd. (hereinafter "the Target Company Donghuan Xinrong" and its subsidiaries hereinafter "the Target Group Donghuan Xinrong") is a limited liability company, established by Beijing Capital Group Co., Ltd (hereinafter "Capital Group") and Beijing Xiangming Investment and Management Co., Ltd. (hereinafter "Xiangming Investment") in 2004, Capital Group and Xiangming Investment hold 40% and 60% equity interests of the Target Company Donghuan Xinrong respectively, with registered capital of RMB10,000,000.

In December 2011, Xiangming Investment transferred 60% equity interests of the Target Company Donghuan Xinrong to Capital Group. After the transaction, Capital Group holds 100% equity interests of the Target Company Donghuan Xinrong.

As at 31 December 2015, paid-in capital of the Target Company Donghuan Xinrong amounted to RMB10,000,000.

The registered address of the Company is Room 610, The Capital Group Plaza, No.6 Chaoyngmen North Avenue, Dongcheng District, Beijing.

The approved scope of business of the Target Company Donghuan Xinrong mainly includes real estate development and sales, property rental, property services and management.

Capital Group is the ultimate holding company of the Target Group Donghuan Xinrong.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES****(1) Basis of preparation**

The financial statements were prepared in accordance with the Basic Standard and 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 Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereinafter collectively referred to as the "Accounting Standards for Business Enterprises" or "CAS").

As at 31 December 2015, 2014 and 2013, the Target Group Donghuan Xinrong's current liabilities exceeded current assets by RMB220,176,000, RMB247,785,000 and RMB280,651,000 respectively, non-current liabilities are mainly payables due to related parties, amounted to 269,412,000, RMB285,460,000 and RMB301,410,000 respectively. The going concern of the Target Group Donghuan Xinrong will largely depend on the continuing financial support from the investors. Target Group Donghuan Xinrong has confirmed that the Company will provide financial support to the Target Group Donghuan Xinrong after the completion of the Acquisitions, to ensure it can meet its liabilities as they fall due and carry on its business without a significant curtailment of operations in the Target Group Donghuan Xinrong in 12 months from the Balance Sheet day. Therefore, the Target Group Donghuan Xinrong continues to prepare the financial statements on a going concern basis.

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

The financial statements of the Target Group Donghuan Xinrong for the years ended 31 December 2015, 2014, and 2013 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Target Group Donghuan Xinrong as at 31 December 2015, 2014 and 2013 and of their financial performance, cash flows and other information for the years ended 31 December 2015, 2014 and 2013.

(3) **Accounting year**

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

(4) **Functional currency**

The functional currency is Renminbi (RMB).

(5) **Cash**

Cash comprises cash on hand and deposits that can be readily drawn on demand.

(6) **Financial instruments**

(a) **Financial assets**

(i) *Classification of financial assets*

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

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including accounts receivable and other receivables (note 2(7)).

(ii) *Recognition and measurement*

Financial assets are recognized at fair value on the balance sheet when the Target Group Donghuan Xinrong becomes a party to the contractual provisions of the financial instrument. Transaction costs that are attributable to the acquisition of the receivables are included in their initial recognition amounts.

Receivables are measured at amortized cost using the effective interest method.

(iii) *Impairment of financial assets*

The Target Group Donghuan Xinrong assesses the carrying amounts of financial assets at each balance sheet date. If there is objective evidence indicating that a financial asset is impaired, the Target Group Donghuan Xinrong shall make a provision for impairment.

Objective evidence indicating impairment of financial assets refers to the matter that actually occurs after the initial recognition of financial assets, it will affect estimated future cash flows of financial assets, and its impact can be reliably measured by the Target Group Donghuan Xinrong.

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

(iv) *Derecognition of financial assets*

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

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

(b) **Financial liabilities**

Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. The Target Group Donghuan Xinrong's financial liabilities are mainly other financial liabilities including payables and borrowings.

Payables include accounts payable and other payables, which are initially recognized at fair value and recorded at amortized cost using effective interest rate in subsequent measurement.

Borrowings are initially recognized at fair value, net of transaction 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) or in an ordinary operation cycle 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.

A financial liability is derecognized or partly derecognized when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognized part of the financial liability and the consideration paid is recognized in profit or loss.

**(c) Offsetting of financial assets and liabilities**

Financial assets and liabilities should be presented separately in balance sheet without offsetting. A financial asset and a financial liability should be offset when, and only when both of the following conditions are satisfied: (i) The Target Group Donghuan Xinrong currently has a legally enforceable right to set off the recognized amounts and the legal enforceable right is now executable. (ii) The Target Group Donghuan Xinrong intends either to settle on a net basis, or to liquidate the financial asset and settle the financial liability simultaneously.

**(7) Receivables**

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

**(a) Receivables that are individually significant and subject to separate assessment for provision for bad debts**

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

The provision for bad debts of those individually significant amounts is determined as the difference between the present value of estimated future cash flow of receivables and its carrying amount.

**(b) Receivables that are subject to provision for bad debts on the grouping basis**

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

Basis for grouping is as follows:

Group of related parties	Amounts due from related parties
Group of third parties	Amounts due from other third parties

Methods of determining provision for bad debts by grouping are as follows:

Group of related parties	Low credit risk upon assessment, no bad debts provided
Group of third parties	Assessment based on historical losses

The Target Group Donghuan Xinrong has no receivables with amounts that are not individually significant and in high risk based on their credit risk characteristics.

**(c) Receivables with amounts that are not individually significant but subject to separate assessment for provision for bad debts.**

The reason for making separate assessment for provision for bad debts is that there exists objective evidence that the Target Group Donghuan Xinrong will not be able to collect the amount under the original terms of the receivables.

The provision for bad debts is determined based on the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.



**(8) Inventories**

Inventories include food retail raw material, etc, which are measured at the lower of cost and net realizable value.

Inventories are amortized using the one-off amortization method.

Provisions are determined at the excess amount of the carrying value of the inventories over their net realizable value. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less estimated selling expenses and related taxes.

The Target Group Donghuan Xinrong adopts the actual inventory system.

**(9) Investment properties**

Investment properties, including buildings that are held for the purpose of leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Target Group Donghuan Xinrong and their cost can be reliably measured; otherwise, the expenditures are recognized in profit or loss in the year in which they are incurred.

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

- (a) There is an active property market where the investment property locates.
- (b) The Target Group Donghuan Xinrong can obtain the market price or the relevant information regarding the same type of or similar property market, so as to reasonably estimate the fair value of the investment property.

Depreciation or amortization will no longer be provided for investment properties measured at fair value. Investment properties will be valued as at the balance sheet date and its carrying amount will be adjusted accordingly. The difference between the fair value and the carrying amount will be charged in profit or loss for the current period.

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

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

**(10) Fixed assets****(a) Recognition and initial measurement**

Fixed assets comprise motor vehicles, and office equipment, etc. Fixed assets are recognized when it is probable that the associated economic benefits will flow to the Target Group Donghuan Xinrong and the related cost can be reliably measured. Fixed assets purchased or constructed by the Target Group Donghuan Xinrong are initially measured at cost at the time of acquisition.

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

**(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 rate of residual value and the annual depreciation rate are as follows:

	Estimated Useful lives	Estimated rate of residual Value	Annual depreciation rate
Motor vehicles	5-10 year	4%	9.6%-19.2%
Office equipment	5-10 year	4%	9.6%-19.2%

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

**(c)** When recoverable amount of fixed asset is lower than its carrying amount, the carrying amount should be witten down to the recoverable amount (note 2(11)).

**(d) Disposal of fixed assets**

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

**(11) Impairment of long-term assets**

Long-term assets such as fixed 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 recognized 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 recognized 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 to is determined. A group of assets is the smallest group of assets that is able to generate cash inflows independently.

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

**(12) Employee benefits**

Employee benefits are all forms of considerations given in exchange for services rendered by employees or compensation paid in order to terminate the employment relationship. Employee benefits mainly include short-term employee benefits, demission benefits, termination benefits and other long-term employee benefits, etc.

**(a) Short-term employee benefits**

Short-term employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labor union funds, employee education funds, short-term compensated absences and profit sharing plan. When an employee has rendered service to the Target Group Donghuan Xinrong during an accounting period, the Target Group Donghuan Xinrong shall recognize short-term employee benefits as liabilities and charge to the cost of an asset or as an expense at the same time. Non-monetary benefits are measured in accordance with fair value.

**(b) Demission benefits**

Demission benefits are classified as defined contribution plan and defined benefit plans. Defined contribution is demission benefits plan in which the Target Group Donghuan Xinrong is not obliged to make further payment after paying a certain amount to individual funds. Defined benefit plans is other demission benefits plan except for defined contribution plan. During the period, demission benefits mainly include basic social pension security and unemployed insurance, both of which are defined contribution plan.

***Basic social pension security***

Employees of the Target Group Donghuan Xinrong participate in the basic social pension plan set up and administered by the government authorities. Basic pensions are provided monthly according to stipulated proportions and basis, which are paid to local labor and social security institutions. After retirement of employees, local labor and social security institutions will pay related pensions to employees accordingly. When an employee has rendered service to the Target Group Donghuan Xinrong during an accounting period, the Target Group Donghuan Xinrong shall compute and recognize liabilities according to the above stipulation and charge to the cost of an asset or as an expense at the same time.

*Supplementary pension security plan*

Qualified employees of the Target Group Donghuan Xinrong can voluntarily join the supplementary pension security plan. Supplementary pensions are provided monthly based on employees' social security basis published in May and proportions of 8.3% from the Target Group Donghuan Xinrong and 5% from employee, which are paid to trustee. After retirement of employees, trustee will pay related pensions to employees accordingly. When an employee has rendered service to the Target Group Donghuan Xinrong during an accounting period, the Target Group Donghuan Xinrong shall compute and recognize liabilities according to the above stipulation and charge to the cost of an asset or as an expense at the same time.

*(c) Termination benefits*

Termination benefits are payables when employment is terminated by the Target Group Donghuan Xinrong before the employment contract expire, or compensation provided as an offer to encourage employees to accept voluntary redundancy. The Target Group Donghuan Xinrong recognizes termination benefits as liabilities and charges to profit or losses at the earlier of the following dates: when the Target Group Donghuan Xinrong can no longer withdraw the offer of termination plan; and when the Target Group Donghuan Xinrong recognizes costs for restructuring which involving the payment of termination benefits.

**(13) Profits Distribution**

Profits distribution is recognized as liability in the current 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 from the sales of goods and the rendering of services in the ordinary course of the Target Group Donghuan Xinrong's business activities. Revenue is shown net off rebates, discounts and returns.

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

*(a) Leasing of investment properties*

Fixed rental income from operating lease is recognized on straight-line basis over the lease term in accordance with relevant contractual provisions. If rent-free period is provided, the total rental income is allocated on straight-line basis over the entire lease term without deducting the rent-free period and rental income is recognized accordingly.

*(b) Catering operation*

For catering services rendered to external parties, revenue is recognized when such services have been rendered, and relevant service fee or the right to collect a service fee has been obtained.

*(c) Rendering of services*

Revenue is recognized upon the rendering of services, and costs associated with income could be reasonably estimated.

**(15) Leases**

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

The Target Group Donghuan Xinrong does not have any finance leases.

Lease payments under an operating lease are charge to the cost of asset or in the profit or loss on a straight-line basis over the lease term.

**(16) Deferred tax assets and deferred tax liabilities**

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognized 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 liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognized 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 year when the asset is realized or the liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available to offset the deductible temporary differences, deductible losses, and deductible tax amounts.

Deferred tax assets and liabilities are offset if all the following conditions are met:

- they related to income taxes levied by the same tax authority; and
- that tax paying entity within the Target Group Donghuan Xinrong has a legally enforceable right to offset current tax assets and current tax liabilities.

**(17) Preparation of consolidated financial statements**

The consolidated financial statements comprise the financial statements of the Target Group Donghuan Xinrong and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Target Group Donghuan Xinrong obtains control and are de-consolidated from the date that such control ceases.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Target Group Donghuan Xinrong and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Target Group Donghuan Xinrong.

All significant inter-group balances, transactions and unrealized profits are eliminated in the consolidated financial statements.

A transaction will be adjusted from the perspective of the Target Group Donghuan Xinrong in condition that assertions are different when accounting entities are the Target Group Donghuan Xinrong and the Target Company Donghuan Xinrong or its subsidiaries.

During the period of the accountant's report, all subsidiaries were funded, set up and held by the Target Company Donghuan Xinrong.

**(18) Critical accounting estimates and judgments**

The Target Group Donghuan Xinrong 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.

***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 follows:

**(i) Taxes**

The Target Group Donghuan Xinrong is subject to enterprise income tax for the business of property development and obtains independent valuations for its investment properties at least annually from an independent professional valuer as a third party. The fair value is calculated based on the discounted of future estimated rental income and other related cash flows.

**(ii) Fair value of investment properties**

The Target Group Donghuan Xinrong adopts fair value model for subsequent measurement of investment properties. Where fair value of investment properties under construction is not reliably measurable but is expected to be reliably obtained after the construction is completed (including those investment properties under construction acquired initially by the Target Group Donghuan Xinrong), the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measured.

**3 TAXATION**

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

Type	Tax rate	Taxable base
Enterprise income tax	25%, 20% (exemption of 50%)	Taxable income
Business tax (a)	5%	Taxable turnover amount
City maintenance and construction tax	7%	Amount of business tax payable
Educational surcharge	3%	Amount of business tax payable
Local educational surcharge	2%	Amount of business tax payable
Property tax	12%	Rental income of leasehold properties

- (a) According to the Circular regarding the Comprehensive Roll-out of the Pilot Program for the Transformation from Business Tax to Value-Added Tax (《關於全面推開營業稅改增值稅試點通知》) (CaiShui [2016] No. 36) issued jointly by the Ministry of Finance and the State Administration of Taxation, the countrywide pilot program of replacing business tax with value-added tax (hereinafter referred to as “the Pilot Program”) was carried out since 1 May 2016, and tax payers in the construction, real estate, finance and consumer services industries are involved in the pilot. Pursuant to the Notice, as the Target Group Donghuan Xinrong is mainly engaged in the provision of property rental services and the applicable VAT rate would be 11%.

## 4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

## Particulars of subsidiaries

Name	Place of registration	Place of main operation	Principal activities	Registered capital	Attributable Interest held (%)	Attributable vote held (%)
Beijing Jia Wen Xin Restaurant Co., Ltd	Dongcheng District, Beijing	Beijing	Catering services	RMB 500,000	100	100
Beijing Xi An restaurant Co., Ltd	Dongcheng District, Beijing	Beijing	Catering services	RMB 500,000	100	100

## 5 NOTES TO THE FINANCIAL STATEMENTS

## (1) Cash at bank and on hand

	31 December 2015	31 December 2014	31 December 2013
Cash on hand	162	151	207
Bank deposits	93,118	75,199	52,258
Total	<u>93,280</u>	<u>75,350</u>	<u>52,465</u>

As at 31 December 2015, 2014 and 2013, there were no restricted bank deposits.

## (2) Accounts receivable

## (a) Accounts receivable

	31 December 2015	31 December 2014	31 December 2013
Accounts receivable	5,854	4,377	3,151
Less: provisions for bad debts	—	—	—
Accounts receivable-net	<u>5,854</u>	<u>4,377</u>	<u>3,151</u>

The aging of trade receivables is analyzed as follows:

	31 December 2015	31 December 2014	31 December 2013
Within 1 year	<u>5,854</u>	<u>4,377</u>	<u>3,151</u>

Analysis of other receivables by categories are as follows:

Client category	31 December 2015	31 December 2014	31 December 2013
Investment property client	5,854	4,377	3,151

The Target Group Donghuan Xinrong has no accounts receivable with amounts that are overdue but not impaired as at 31 December 2015, 2014 and 2013.

	31 December 2015	31 December 2014	31 December 2013
Amounts due from related parties (Note 6(4)(a))	201	60	—
Amounts due from other companies	200	100	—
Deposits	400	400	400
Others	133	23	45
<b>Total</b>	<b>934</b>	<b>583</b>	<b>445</b>
Less: provisions for bad debts	—	—	—
<b>Other receivables – net</b>	<b>934</b>	<b>583</b>	<b>445</b>

Analysis of other receivables and related provision for bad debts are as follow:

	31 December 2015				31 December 2014				31 December 2013			
	Amount	% of total balance	Provision	% of the provision	Amount	% of total balance	Provision	% of the provision	Amount	% of total balance	Provision	% of the provision
Within 1 year	416	45%	—	—	163	28%	—	—	39	9%	—	—
1 to 2 years	103	11%	—	—	14	2%	—	—	400	90%	—	—
2 to 3 years	9	1%	—	—	400	69%	—	—	—	—	—	—
Over 3 years	406	43%	—	—	6	1%	—	—	6	1%	—	—
<b>Total</b>	<b>934</b>	<b>100%</b>	<b>—</b>	<b>—</b>	<b>583</b>	<b>100%</b>	<b>—</b>	<b>—</b>	<b>445</b>	<b>100%</b>	<b>—</b>	<b>—</b>

Analysis of other receivables by categories are as follows:

	31 December 2015				31 December 2014				31 December 2013			
	Amount	% of total balance	Provision	% of the provision	Amount	% of total balance	Provision	% of the provision	Amount	% of total balance	Provision	% of the provision
Receivables that are subject to provision for bad debts on the grouping basis												
– Group of related parties	201	22%	—	—	60	10%	—	—	—	—	—	—
– Group of third parties	733	78%	—	—	523	90%	—	—	445	100%	—	—
<b>Total</b>	<b>934</b>	<b>100%</b>	<b>—</b>	<b>—</b>	<b>583</b>	<b>100%</b>	<b>—</b>	<b>—</b>	<b>445</b>	<b>100%</b>	<b>—</b>	<b>—</b>

The Target Group Donghuan Xinrong has no other receivables with amounts that are overdue but not impaired as at 31 December 2015, 2014 and 2013.



## (3) Inventories

## (a) Inventories are classified as follows:

	31 December 2015			31 December 2014			31 December 2013		
	Provision		Book value	Provision		Book value	Provision		Book value
	Book balance	for impairment		Book balance	for impairment		Book balance	for impairment	
Raw material for the catering business	205	-	205	186	-	186	228	-	228

## (b) The movement of inventories in current year are as follows:

	31 December 2014	Additions	Reductions	31 December 2015
Raw material for catering business	186	529	(510)	205

	31 December 2013	Additions	Reductions	31 December 2014
Raw material for catering business	228	403	(445)	186

	31 December 2012	Additions	Reductions	31 December 2013
Raw material for catering business	252	528	(552)	228

## (c) No significant indication of impairment of inventories are found for the Target Group Donghuan Xinrong, thus the Target Group Donghuan Xinrong did not make any provision for impairment.

## (4) Investment properties

	31 December 2015	31 December 2014	31 December 2013
Investment properties subsequently measured at fair value (a)	1,572,000	1,427,000	1,293,000
Less: Provision for impairment of investment properties	-	-	-
Total	1,572,000	1,427,000	1,293,000

(a) *Investment properties subsequently measured at fair value*

	<b>Buildings and land use rights</b>
Cost	
31 December 2012	415,933
Additions	–
Reductions	–
31 December 2013	415,933
Additions	–
Reductions	–
31 December 2014	415,933
Additions (i)	63,637
Reductions	–
31 December 2015	<u>479,570</u>
Changes in fair value	
31 December 2012	853,067
Gains on changes in fair value (note 5(21))	24,000
31 December 2013	877,067
Gains on changes in fair value (note 5(21))	134,000
31 December 2014	1,011,067
Gains on changes in fair value (note 5(21))	81,363
31 December 2015	<u>1,092,430</u>
Carrying amount	
31 December 2012	<u>1,572,000</u>
31 December 2013	<u>1,427,000</u>
31 December 2014	<u>1,293,000</u>
31 December 2015	<u>1,269,000</u>

(i) In 2015, the Target Group Donghuan Xinrong purchase investment properties with book value amounted to RMB63,637,000 for rental purposes.

As at 31 December 2015, certain investment properties with book value of RMB479,570,000 have been pledged for long-term borrowings of RMB60,000,000 (note 5(12)).

## (5) Fixed assets

	Motor Vehicles	Office Equipment	Total
Cost			
31 December 2014	551	216	767
Increase	317	190	507
– Purchase	317	190	507
Decrease	–	–	–
	<hr/>	<hr/>	<hr/>
31 December 2015	868	406	1,274
	<hr/>	<hr/>	<hr/>
Accumulated depreciation			
31 December 2014	(148)	(77)	(225)
Increase	(98)	(69)	(167)
– Accrument	(98)	(69)	(167)
Decrease	–	–	–
	<hr/>	<hr/>	<hr/>
31 December 2015	(246)	(146)	(392)
	<hr/>	<hr/>	<hr/>
Provision for impairment			
31 December 2015	–	–	–
	<hr/>	<hr/>	<hr/>
31 December 2014	–	–	–
	<hr/>	<hr/>	<hr/>
Net book value			
31 December 2015	622	260	882
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
31 December 2014	403	139	542
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Motor Vehicles	Office Equipment	Total
Cost			
31 December 2013	551	200	751
Increase	–	51	51
– Purchase	–	51	51
Decrease	–	(35)	(35)
– Dispose and retirement	–	(35)	(35)
	<hr/>	<hr/>	<hr/>
31 December 2014	551	216	767
	<hr/>	<hr/>	<hr/>
Accumulated depreciation			
31 December 2013	(55)	(52)	(107)
Increase	(93)	(58)	(151)
– Accrue ment	(93)	(58)	(151)
Decrease	–	33	33
– Dispose and retirement	–	33	33
	<hr/>	<hr/>	<hr/>
31 December 2014	(148)	(77)	(225)
	<hr/>	<hr/>	<hr/>
Provision for impairment			
31 December 2014	–	–	–
	<hr/>	<hr/>	<hr/>
31 December 2013	–	–	–
	<hr/>	<hr/>	<hr/>
Net book value			
31 December 2014	403	139	542
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
31 December 2013	496	148	644
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Motor Vehicles	Office Equipment	Total
Cost			
31 December 2012	310	108	418
Increase	423	124	547
– Purchase	423	124	547
Decrease	(182)	(32)	(214)
– Dispose and retirement	(182)	(32)	(214)
31 December 2013	551	200	751
Accumulated depreciation			
31 December 2012	(209)	(41)	(250)
Increase	(19)	(42)	(61)
– Accrue ment	(19)	(42)	(61)
Decrease	173	31	204
– Dispose and retirement	173	31	204
31 December 2013	(55)	(52)	(107)
Provision for impairment			
31 December 2013	–	–	–
31 December 2012	–	–	–
Net book value			
31 December 2013	496	148	644
31 December 2012	101	67	168

In 2015, 2014 and 2013, depreciation expense charged in administrative expenses amounted to RMB167,000, RMB151,000 and RMB61,000.

(6) **Accounts payable**

The aging analysis of accounts payable is as follows:

	31 December 2015	31 December 2014	31 December 2013
Within 1 year	–	45	407
Over 1 year	45	–	–
Total	45	45	407

## (7) Advances from customers

	31 December 2015	31 December 2014	31 December 2013
Rental advances	4,563	5,798	4,284

Rental advances are amounts proceed from client of the Target Group Donghuan Xinrong, the corresponding revenue has not been amortized and recognized.

## (8) Employee benefits payable

	31 December 2015	31 December 2014	31 December 2013
Short-term employee benefits payable (a)	328	556	255
Defined contribution plan payable (b)	122	105	63
Total	450	661	318

## (a) Short-term employee benefits payable

	31 December 2014	Increase	Decrease	31 December 2015
Wages and salaries, bonuses, allowances and subsidies	–	18,049	(18,049)	–
Staff welfare	–	207	(207)	–
Social security contributions	48	698	(689)	57
Including: Medical insurance	44	626	(618)	52
Work injury insurance	2	33	(32)	3
Maternity insurance	2	39	(39)	2
Housing funds	–	426	(426)	–
Labor union funds and employee education funds	508	357	(594)	271
Total	556	19,737	(19,965)	328

	31 December 2013	Increase	Decrease	31 December 2014
Wages and salaries, bonuses, allowances and subsidies	–	16,924	(16,924)	–
Staff welfare	–	269	(269)	–
Social security contributions	28	567	(547)	48
Including: Medical insurance	26	510	(492)	44
Work injury insurance	1	26	(25)	2
Maternity insurance	1	31	(30)	2
Housing funds	1	338	(339)	–
Labor union funds and employee education funds	226	354	(72)	508
Total	<u>255</u>	<u>18,452</u>	<u>(18,151)</u>	<u>556</u>
	31 December 2012	Increase	Decrease	31 December 2013
Wages and salaries, bonuses, allowances and subsidies	–	12,067	(12,067)	–
Staff welfare	–	132	(132)	–
Social security contributions	20	418	(410)	28
Including: Medical insurance	18	373	(365)	26
Work injury insurance	1	20	(20)	1
Maternity insurance	1	25	(25)	1
Housing funds	–	245	(244)	1
Labor union funds and employee education funds	51	245	(70)	226
Other	1	–	(1)	–
Total	<u>72</u>	<u>13,107</u>	<u>(12,924)</u>	<u>255</u>

*(b) Defined contribution plans payable*

	31 December 2014	Increase	Decrease	31 December 2015
Basic social pension insurance	101	1,136	(1,120)	117
Annuity	–	230	(230)	–
Unemployment insurance	4	52	(51)	5
	<u>105</u>	<u>1,418</u>	<u>(1,401)</u>	<u>122</u>
	31 December 2013	Increase	Decrease	31 December 2014
Basic social pension insurance	60	877	(836)	101
Annuity	–	179	(179)	–
Unemployment insurance	3	40	(39)	4
	<u>63</u>	<u>1,096</u>	<u>(1,054)</u>	<u>105</u>
	31 December 2012	Increase	Decrease	31 December 2013
Basic social pension insurance	40	568	(548)	60
Annuity	–	231	(231)	–
Unemployment insurance	2	24	(23)	3
	<u>42</u>	<u>823</u>	<u>(802)</u>	<u>63</u>

*(9) Taxes payable*

	31 December 2015	31 December 2014	31 December 2013
Enterprise income			
tax payable	8,068	6,665	4,521
Individual income tax	2,031	1,245	1,180
Business tax payable	681	717	401
City maintenance and construction tax	48	50	28
Educational surcharge	34	35	20
	<u>10,862</u>	<u>8,712</u>	<u>6,150</u>



(10) Other payables	31 December 2015	31 December 2014	31 December 2013
Payables to related parties ( <i>note 6 (4)(b)</i> )	269,412	285,460	301,410
Security deposits	25,224	23,867	20,630
Others	3,893	3,738	3,741
Total	<u>298,529</u>	<u>313,065</u>	<u>325,781</u>
(11) Current portion of non-current liabilities	31 December 2015	31 December 2014	31 December 2013
Long-term borrowings due within one year ( <i>note 5(12)</i> )	<u>6,000</u>	<u>–</u>	<u>–</u>
(12) Long-term borrowings	31 December 2015	31 December 2014	31 December 2013
Mortgaged loans	60,000	–	–
Less: long-term borrowings due within one year	<u>(6,000)</u>	<u>–</u>	<u>–</u>
Total	<u>54,000</u>	<u>–</u>	<u>–</u>

As at 31 December 2015, bank borrowing of RMB60,000,000 were secured by the mortgage of building in investment properties of the Target Group Donghuan Xinrong (note 5(4)), and the interests are payable quarterly. Among the loans above, as RMB6,000,000 should be repaid on or before 31 December 2016, such amount was classified as long-term borrowings due within one year. The remaining principal should be repaid by installment before September of 2025.

**(13) Deferred income tax liabilities**

	As at 31 December 2015		As at 31 December 2014		As at 31 December 2013	
	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences
Changes in fair value of investment properties recognized in profit or loss	273,108	1,092,430	252,767	1,011,067	219,267	877,067
Depreciation difference of investment property	36,262	145,050	32,094	128,377	27,926	111,705
Total	<u>309,370</u>	<u>1,237,480</u>	<u>284,861</u>	<u>1,139,444</u>	<u>247,193</u>	<u>988,772</u>
Including:						
Amount of reversal beyond 1 year	<u>309,370</u>		<u>284,861</u>		<u>247,193</u>	

**(14) Paid-in capital**

	31 December 2014	Increase	Decrease	31 December 2015
Capital Group	<u>10,000</u>	<u>—</u>	<u>—</u>	<u>10,000</u>
	31 December 2013	Increase	Decrease	31 December 2014
Capital Group	<u>10,000</u>	<u>—</u>	<u>—</u>	<u>10,000</u>
	31 December 2012	Increase	Decrease	31 December 2013
Capital Group	<u>10,000</u>	<u>—</u>	<u>—</u>	<u>10,000</u>

## (15) Surplus reserve

	31 December 2014	Increase	Decrease	31 December 2015
Statutory surplus reserve	3,065	2,042	–	5,107
	<u>3,065</u>	<u>2,042</u>	<u>–</u>	<u>5,107</u>
	31 December 2013	Increase	Decrease	31 December 2014
Statutory surplus reserve	1,471	1,594	–	3,065
	<u>1,471</u>	<u>1,594</u>	<u>–</u>	<u>3,065</u>
	31 December 2012	Increase	Decrease	31 December 2013
Statutory surplus reserve	558	913	–	1,471
	<u>558</u>	<u>913</u>	<u>–</u>	<u>1,471</u>

In accordance with the PRC Company Law and the Target Company Donghuan Xinrong's Articles of Association and resolution of Board of Directors, the Target Company Donghuan Xinrong should appropriate 10% of net profit for the year to the statutory surplus reserve. For the year ended 31 December 2015, 2014 and 2013, the Target Company Donghuan Xinrong has appropriated statutory surplus reserve of RMB2,042,000, RMB1,594,000 and RMB913,000 respectively. The Target Company Donghuan Xinrong did not appropriate surplus reserve for gains on changes in fair value of investment properties.

## (16) Undistributed profits

	2015	2014	2013
Retained earnings at the beginning of the year	881,860	754,382	715,504
Add: net profit attributable to owners for the year	94,416	129,072	39,791
Less: appropriation of statutory surplus reserve	(2,042)	(1,594)	(913)
	<u>974,234</u>	<u>881,860</u>	<u>754,382</u>
Retained earnings at the end of the year	974,234	881,860	754,382
	<u>974,234</u>	<u>881,860</u>	<u>754,382</u>

## (17) Revenue and cost of sales

	2015		2014		2013	
	Operating revenue	Operating costs	Operating revenue	Operating costs	Operating revenue	Operating costs
Main operation						
– investment property rent and property management	93,188	14,658	84,330	13,370	74,365	12,761
Other operation						
– catering service	10,786	4,654	11,038	4,543	10,791	5,328
– others	4,567	–	4,686	–	3,523	–
Total	<u>108,541</u>	<u>19,312</u>	<u>100,054</u>	<u>17,913</u>	<u>88,679</u>	<u>18,089</u>

## (18) Taxes and surcharges

	2015	2014	2013
Business tax	5,440	5,136	4,714
City maintenance and construction tax	375	355	318
Educational surcharge	161	152	136
Local educational surcharge	107	101	91
Total	<u>6,083</u>	<u>5,744</u>	<u>5,259</u>

## (19) Expenses by nature

Cost of sales, selling and distribution expenses and general and administrative expenses in the income statement classified by nature are as follows:

	2015	2014	2013
Wages, social security and welfare (i)	21,155	19,548	13,930
Investment property operating cost	7,262	6,157	6,610
Catering material consumption	3,828	3,355	3,619
Marketing expenses	4,319	1,944	1,667
Tax expenses	3,733	3,824	3,730
Administrative office expenses	5,119	5,029	5,181
Depreciation and amortization	191	175	78
Travel and entertainment expenses	445	399	131
Intermediary service fee	941	856	74
Others	333	120	335
Total	<u>47,326</u>	<u>41,407</u>	<u>35,355</u>

(i) This amount included the basic social pension insurance for the year 2015, 2014 and 2013 amounted to RMB1,136,000, RMB877,000 and RMB568,000.

**(20) Interest expenses**

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Interest expenses	13,200	14,760	19,481
Including : Bank loans	320	–	–
Other loans	12,880	14,760	19,481
Interest income	(2,776)	(598)	(1,920)
Others	23	34	36
Net	<u>10,447</u>	<u>14,196</u>	<u>17,597</u>

Interest expenses analysed by the maturity between bank and other borrowings are as follows:

	<b>2015</b>		<b>2014</b>		<b>2013</b>	
	<b>Bank borrowings</b>	<b>Other borrowings</b>	<b>Bank borrowings</b>	<b>Other borrowings</b>	<b>Bank borrowings</b>	<b>Other borrowings</b>
Wholly repayable						
within five years	32	12,880	–	14,760	–	19,481
Not wholly repayable						
within five years	288	–	–	–	–	–
Total	<u>320</u>	<u>12,880</u>	<u>–</u>	<u>14,760</u>	<u>–</u>	<u>19,481</u>

**(21) Gains on changes in fair value**

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Investment properties subsequently measured at fair value ( <i>note 5(4)</i> )	<u>81,363</u>	<u>134,000</u>	<u>24,000</u>

**(22) Income tax expenses**

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Current income tax	7,098	5,957	4,522
Deferred income tax	24,509	37,668	10,168
Total	<u>31,607</u>	<u>43,625</u>	<u>14,690</u>

Reconciliations from income tax calculated based on the applicable tax rates and total profit presented in the financial statements to the income tax expenses are listed below :

	2015	2014	2013
Total profit	126,023	172,697	54,481
Income tax expenses calculated at applicable tax rates (25%)	31,506	43,174	13,620
Different tax rate of subsidiaries	(2)	-	(12)
Expenses, costs and losses not deductible for tax purposes	103	451	1,082
Income tax expenses	<u>31,607</u>	<u>43,625</u>	<u>14,690</u>

(23) Notes to cash flow statement

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

	2015	2014	2013
Net loss	94,416	129,072	39,791
Add: Interest expenses	13,200	14,760	19,481
Depreciation of fixed assets	167	151	61
Amortization/(increase) of long-term prepaid expenses	24	24	(55)
(Increase)/decrease in inventories	(19)	42	24
Gains on changes in fair value	(81,363)	(134,000)	(24,000)
Increase in deferred tax liabilities	24,509	37,668	10,168
Increase in operating receivables	(1,687)	(1,304)	(3,020)
Decrease in operating payables	2,216	7,294	7,623
Net cash flows from operating activities	<u>51,463</u>	<u>53,707</u>	<u>50,073</u>

(b) Net increase in cash

	2015	2014	2013
Cash at end of the year	93,280	75,350	52,465
Less: cash at beginning of the year	(75,350)	(52,465)	(126,365)
Net increase in cash	<u>17,930</u>	<u>22,885</u>	<u>(73,900)</u>

*(c) Cash*

	31 December 2015	31 December 2014	31 December 2013
Cash at bank and on hand ( <i>note 5(1)</i> )	93,280	75,350	52,465
Less: restricted cash at bank	—	—	—
	<u>93,280</u>	<u>75,350</u>	<u>52,465</u>
Cash at end of the year	<u>93,280</u>	<u>75,350</u>	<u>52,465</u>

**6 RELATED PARTIES AND RELATED PARTY TRANSACTIONS****(1) The parent company***(a) General information of the parent company*

During the Relevant Periods, Donghuan Xinrong's parent company are Capital Group, whose registered place and business nature are listed below:

	Place of registration	Nature of business
Capital Group	Beijing, the PRC	Infrastructure, financial securities, industrial technology, commercial trade and tourist hotel. etc

Beijing Capital Group is the ultimate holding group of Donghuan Xinrong during the Relevant Period.

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

	31 December 2014	Increase	Decrease	31 December 2015
Capital Group	3,300,000	—	—	3,300,000
	<u>3,300,000</u>	<u>—</u>	<u>—</u>	<u>3,300,000</u>
	31 December 2013	Increase	Decrease	31 December 2014
Capital Group	3,300,000	—	—	3,300,000
	<u>3,300,000</u>	<u>—</u>	<u>—</u>	<u>3,300,000</u>
	31 December 2012	Increase	Decrease	31 December 2013
Capital Group	3,300,000	—	—	3,300,000
	<u>3,300,000</u>	<u>—</u>	<u>—</u>	<u>3,300,000</u>

(c) *The proportions of equity interest and voting rights in Donghuan Xinrong held by the parent company*

	31 December 2015		31 December 2014		31 December 2013	
	Equity interest	Voting rights	Equity interest	Voting rights	Equity interest	Voting rights
	%	%	%	%	%	%
Capital Group	100	100	100	100	100	100

(2) **Information of other related parties**

Name of related entities	Relationship with the Target Group Donghuan Xinrong
Beijing Capital Limited Company (hereinafter "Capital Limited")	Entities under common control of the same ultimate holding company
Beijing Capital Financial Assets Transaction Information Service Limited Company (hereinafter "Capital Financial Service")	Entities under common control of the same ultimate holding company
Beijing Capital Assets Management Limited Company (hereinafter "Capital Assets")	Entities under common control of the same ultimate holding company
Beijing Capital New Town Construction Investment Fund Management Co., Ltd (hereinafter "Capital New Town")	Entities under common control of the same ultimate holding company

(3) **Related party transactions**

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

(a) *Provide services*

## Rental incomes

	2015	2014	2013
Capital Financial Service	4,382	-	-
Capital Assets	1,367	1,259	1,259
Capital Group	9,909	8,707	8,000
Capital New Town	711	549	412
Total	<u>16,369</u>	<u>10,515</u>	<u>9,671</u>

## Property fee income

	2015	2014	2013
Capital Financial Service	392	-	-
Capital Assets	176	174	174
Capital Group	371	237	217
Capital New Town	72	54	41
Total	<u>1,011</u>	<u>465</u>	<u>432</u>



**(b) Provide/(receive) funds**

	2015	2014	2013
Capital Limited	(12)	12	–
Capital Group (i)	29,049	30,760	123,437
Capital Financial Service	32	–	–
	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>29,069</u>	<u>30,772</u>	<u>123,437</u>

(i) In 2015, the Target Group Donghuan Xinrong repaid the principal and interests of the loan from Capital Group amounted to RMB16,000,000 and RMB12,928,000 respectively, and provide other interest-free current fundings of RMB121,000 to Capital Group.

In 2014, the Target Group Donghuan Xinrong repaid the principal and interests of the loan from Capital Group amounted to RMB16,000,000 and RMB14,712,000 respectively, and provide other interest-free current fundings of RMB48,000 to Capital Group.

In 2013, the Target Group Donghuan Xinrong repaid the principal and interests of the loan from Capital Group amounted to RMB104,000,000 and RMB19,481,000 respectively, and received other interest-free current fundings of RMB44,000 to Capital Group.

**(c) Interest income**

	2015	2014	2013
Capital Group	<u>12,880</u>	<u>14,760</u>	<u>19,481</u>

**(4) Related party balance****(a) Other receivables (note 5(2))**

	31 December 2015	31 December 2014	31 December 2013
Capital Group	169	48	–
Capital limited	–	12	–
Capital financial service	32	–	–
	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>201</u>	<u>60</u>	<u>–</u>

As at 31 December 2015, 2014 and 2013, receivables due to related parties above are free of interest, unpledged, unguaranteed, and with no fixed maturity date.

**(b) Other payables (note 5(10))**

	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Capital Group	<u>269,412</u>	<u>285,460</u>	<u>301,410</u>

As at 31 December 2015, other payables due from Capital Group include loan amounting to RMB214,000,000 with fixed interest rate of 5.6%, unsecured with no fixed maturity date, the remaining balances are free of interest, unsecured with no fixed maturity date.

As at 31 December 2014 and 2013, other payables due from Capital Group include loan amounting to RMB230,000,000 and RMB246,000,000 respectively, with interests charged at benchmark loan rate for the same period published by the People's Bank of China. The borrowings were unsecured and with no fixed maturity date. The remaining balances are free of interest, unsecured, no fixed maturity date.

**7 Financial instruments and risk**

The Target Group Donghuan Xinrong's activities expose it to financial risks: including market risk (primarily interest rate risk), credit risk and liquidity risk. The Target Group Donghuan Xinrong's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

**(1) Market risk****(a) Interest rate risk**

The Target Group Donghuan Xinrong has exposed to interest rate risk due to the fluctuation of the prevailing market interest rate on accounts payable and Long-term borrowings which carry at prevailing market interest rates. Borrowings issued at floating interest rates expose the Target Group Donghuan Xinrong to cash flow interest-risk, the Target Group Donghuan Xinrong determines the contracts proportions of fixed rate and floating rate depending on the market conditions. As at 31 December 2015, the Target Group Donghuan Xinrong's interest bearing borrowings were mainly RMB-denominated with fixed rates, amounting to RMB60,000,000. As at 31 December 2014 and 2013, the Target Group Donghuan Xinrong's interest bearing borrowings were mainly RMB-denominated with floating rates, amounting to RMB230,000,000 and RMB246,000,000.

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

As at 31 December 2015, 2014 and 2013, if interest rates on the floating rate borrowings increased/decreased by 5 basis points with all other variables held constant, the financial expenses of the Target Group Donghuan Xinrong would increase/decrease by approximately RMB2,000, RMB74,000 and RMB97,000.

**(2) Credit risk**

The Target Group Donghuan Xinrong manages its credit risk on a classified basis. Credit risk mainly arises from cash at bank, other receivables etc.

Since cash at bank of the Target Group Donghuan Xinrong are mainly deposited at state-owned banks and other large and medium-sized listed banks, the Target Group Donghuan Xinrong expects no significant credit risk associated and that there would not be any significant losses due to non-performance by these counterparties.

In addition, the Target Group Donghuan Xinrong has policies to limit the credit risk exposure on trade and other receivables. The Target Group Donghuan Xinrong assesses the credit quality and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Target Group Donghuan Xinrong. In respect of customers with a poor credit history, the Target Group Donghuan Xinrong will use written payment reminders, recuding or cancelling credit periods, to ensure the overall credit risk of the Target Group Donghuan Xinrong is limited to controllable range.

**(3) Liquidity risk**

Cash flow forecasting is performed by the Target Group Donghuan Xinrong, the finance departments monitor rolling forecasts of the short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that it 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 the Target Group Donghuan Xinrong at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2015				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial liabilities					
Accounts payable	45	–	–	–	45
Other payable	298,529	–	–	–	298,529
Current portion of non-current liabilities	6,242	–	–	–	6,242
Long-term borrowings	3,347	9,222	25,467	35,084	73,120
Total	<u>308,163</u>	<u>9,222</u>	<u>25,467</u>	<u>35,084</u>	<u>377,936</u>

	31 December 2014				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial liabilities					
Accounts payable	45	–	–	–	45
Other payable	313,065	–	–	–	313,065
Total	<u>313,110</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>313,110</u>
	31 December 2013				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities					
Accounts payable	407	–	–	–	407
Other payable	325,781	–	–	–	325,781
Total	<u>326,188</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>326,188</u>

## 8 FAIR VALUE ESTIMATES

The level of fair value measurement result is determined by the lowest level of the input value, which is of great significance to the overall fair value measurement.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3: Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs)

### (1) Assets measured at fair value on an ongoing basis

As at 31 December 2015, the financial assets and liabilities measured at fair value on an ongoing basis by three levels are analyzed below:

	Level 1	Level 2	Level 3	Total
Non-financial assets				
Investment properties				
Capital plaza	–	–	1,572,000	1,572,000
Total non-financial assets	<u>–</u>	<u>–</u>	<u>1,572,000</u>	<u>1,572,000</u>
Total	<u>–</u>	<u>–</u>	<u>1,572,000</u>	<u>1,572,000</u>

As at 31 December 2014, the financial assets and liabilities measured at fair value on an ongoing basis by three levels are analyzed below:

	Level 1	Level 2	Level 3	Total
Non-financial assets				
Investment properties				
Capital plaza	—	—	1,427,000	1,427,000
	<u>—</u>	<u>—</u>	<u>1,427,000</u>	<u>1,427,000</u>
Total non-financial assets	—	—	1,427,000	1,427,000
	<u>—</u>	<u>—</u>	<u>1,427,000</u>	<u>1,427,000</u>
Total	—	—	1,427,000	1,427,000
	<u>—</u>	<u>—</u>	<u>1,427,000</u>	<u>1,427,000</u>

As at 31 December 2013, the financial assets and liabilities measured at fair value on an ongoing basis by three levels are analyzed below:

	Level 1	Level 2	Level 3	Total
Non-financial assets				
Investment properties				
Capital plaza	—	—	1,293,000	1,293,000
	<u>—</u>	<u>—</u>	<u>1,293,000</u>	<u>1,293,000</u>
Total non-financial assets	—	—	1,293,000	1,293,000
	<u>—</u>	<u>—</u>	<u>1,293,000</u>	<u>1,293,000</u>
Total	—	—	1,293,000	1,293,000
	<u>—</u>	<u>—</u>	<u>1,293,000</u>	<u>1,293,000</u>

The Target Group Donghuan Xinrong obtains independent valuations for investment properties from an independent professional valuer as a third party. The valuations are based on the term of income capitalization model which mainly uses inputs such as market rent, rental growth rate and discount rate and so on.

The change of level 3 assets is below:

	<b>Investment property The Capital Group Plaza</b>
1 January 2015	1,427,000
Additions	63,637
Gains recognized in profit or loss	81,363
	<u>1,572,000</u>
31 December 2015	1,572,000
Unrealized gains or losses of assets held as at 31 December 2015	
– Gains arising from change in fair value	81,363
	<u>81,363</u>

**Investment property  
The Capital Group Plaza**

1 January 2014	1,293,000
Gains recognized in profit or loss	134,000
31 December 2014	1,427,000
Unrealized gains or losses of assets held as at 31 December 2014	
– Gains arising from change in fair value	134,000

**Investment property  
The Capital Group Plaza**

1 January 2013	1,269,000
Gains recognized in profit or loss	24,000
31 December 2013	1,293,000
Unrealized gains or losses of assets held as at 31 December 2013	
– Gains arising from change in fair value	24,000

Gains recognized in profit or loss were mainly recorded under the items of gains arising from changes in fair value in the income statement.

Information about level 3 fair value measurements using significant unobservable inputs:

Investment Properties	Fair value as at 31 December 2015	Valuation techniques	Unobservable inputs		Relationship of unobservable inputs of fair value
			Title	Range/ weighted average	
The Capital Group Plaza	1,572,000	Income approach	Discount rate	6.0% to 6.5%	The higher discount rate is, the lower fair value
			Market rents	RMB90 to RMB340 per square meter per month	The higher market rent is, the higher fair value

Investment Properties	Fair value as at 31 December	Valuation techniques	Unobservable inputs		
			Title	Range/weighted average	Relationship of unobservable inputs of fair value
The Capital Group Plaza	1,427,000	Income approach	Discount rate	6.0% to 6.5%	The higher discount rate is, the lower fair value
			Market rents	RMB80 to RMB321 per square meter per month	The higher market rent is, the higher fair value

  

Investment Properties	Fair value as at 31 December	Valuation techniques	Unobservable inputs		
			Title	Range/weighted average	Relationship of unobservable inputs of fair value
The Capital Group Plaza	1,293,000	Income approach	Discount rate	6.0% to 6.5%	The higher discount rate is, the lower fair value
			Market rents	RMB80 to RMB305 per square meter per month	The higher market rent is, the higher fair value

(2) **Assets and liabilities not measured at fair value but disclosed on fair value**

Financial assets and liabilities measured at amortized cost mainly include receivables, payables, long-term borrowings and so on. The carrying amount of other financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

**9 NET CURRENT ASSETS**

	31 December 2015	31 December 2014	31 December 2013
Current assets	100,273	80,496	56,289
Less: current liabilities	(320,449)	(328,281)	(336,940)
Net current liabilities	<u>(220,176)</u>	<u>(247,785)</u>	<u>(280,651)</u>

**10 TOTAL ASSETS LESS CURRENT LIABILITIES**

	31 December 2015	31 December 2014	31 December 2013
Total assets	1,673,162	1,508,069	1,349,988
Less: current liabilities	(320,449)	(328,281)	(336,940)
Total assets less current liabilities	<u>1,352,713</u>	<u>1,179,788</u>	<u>1,013,048</u>

**III SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Target Group Donghuan Xinrong in respect of any period subsequent to 31 December 2015 up to the date of this report. No dividend or distribution has been declared or made by the Target Group Donghuan Xinrong in respect of any period subsequent to 31 December 2015.

**PricewaterhouseCoopers Zhong Tian LLP**  
Shanghai, PRC

29 June 2016



**B. ACCOUNTANT'S REPORT ON LIUJIN ZHIYE**

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



普华永道

The Directors  
Beijing Capital Land Ltd.

Dear Sirs,

We report on the financial information of Beijing Liujin Zhiye Land Limited Liability Company (the "Target Company Liujin Zhiye"), which comprises the balance sheets as at 31 December 2015, 2014 and 2013, and income statements, the statements of changes in equity and the cash flow statements for each of the years ended 31 December 2015, 2014 and 2013 (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 Sections I to III below for inclusion in Appendix II to the circular of the Company dated 29 June 2016 (the "Circular") in connection with the proposed acquisition of the Target Company Liujin Zhiye by the Company.

The Target Company Liujin Zhiye was incorporated in the People's Republic of China (the "PRC") on 8 November 2006 as a limited liability company under the Company Law of the PRC.

The financial statements of the Target Company Liujin Zhiye for each of the years ended 31 December 2015, 2014 and 2013 were audited by PricewaterhouseCoopers Zhong Tian LLP pursuant to separate terms of engagement with the Company.

The directors of the Company are responsible for the preparation and fair presentation of the financial statements of the Target Company Liujin Zhiye for the Relevant Periods in accordance with the Accounting Standards for Business Enterprises of the People's Republic of China ("CAS") issued by the China Ministry of Finance (the "Underlying Financial Statements"), and for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error. We have audited the Underlying Financial Statements in accordance with China Standards on Auditing ("CSAs") issued by Chinese Institute of Certified Public Accountants ("CICPA") pursuant to separate terms of engagement.

普华永道中天会计师事务所(特殊普通合伙)  
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The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

**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 CAS and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the annual report of the Company for the year ended 31 December 2015.

**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 Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by 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 the Target Company Liujin Zhiye as at 31 December 2015, 2014 and 2013 and of the Target Company Liujin Zhiye's results and cash flows for the Relevant Periods.

## I. FINANCIAL STATEMENTS OF LIUJIN ZHIYE

The following is the financial information of Target Company Liujin Zhiye prepared by the directors of the Company as at 31 December 2015, 2014 and 2013, and for each of the years ended 31 December 2015, 2014 and 2013 (the "Financial Information").

## 1. BALANCE SHEETS

(All amounts in RMB'000 Yuan unless otherwise stated.)

Item	Note	31 December 2015	31 December 2014	31 December 2013
<b>Assets</b>				
<b>Current assets</b>				
Cash at bank and on hand	4(1)	2,261,716	821,727	4,388
Other receivables	4(2)	368,288	280	70,250
Inventories	4(3)	49,766	7,823	–
<b>Total current assets</b>		<b>2,679,770</b>	<b>829,830</b>	<b>74,638</b>
<b>Non-current assets</b>				
Long-term receivables	4(4)	2,379,676	–	–
Fixed assets	4(5)	656	594	108
Deferred tax assets	4(10)	–	–	5,290
<b>Total non-current assets</b>		<b>2,380,332</b>	<b>594</b>	<b>5,398</b>
<b>Total assets</b>		<b>5,060,102</b>	<b>830,424</b>	<b>80,036</b>

Item	Note	31 December 2015	31 December 2014	31 December 2013
<b>Liabilities and owners' equity</b>				
<b>Current liabilities</b>				
Employee benefits payable	4(6)	5,594	916	–
Taxes payable	4(7)	7,870	1,032	728
Interest payable		3,323	–	–
Other payables	4(8)	968,284	35,140	21
<b>Total current liabilities</b>		<u>985,071</u>	<u>37,088</u>	<u>749</u>
<b>Non-current liabilities</b>				
Long-term borrowings	4(9)	2,344,192	–	–
Deferred tax liabilities	4(10)	4,456	73	–
Other non-current liabilities		–	–	3,743
<b>Total non-current liabilities</b>		<u>2,348,648</u>	<u>73</u>	<u>3,743</u>
<b>Total liabilities</b>		<u><u>3,333,719</u></u>	<u><u>37,161</u></u>	<u><u>4,492</u></u>
<b>Owners' equity</b>				
Paid-in Capital	4(11)	1,720,000	800,000	100,000
Surplus reserves		638	–	–
Undistributed profits		5,745	(6,737)	(24,456)
<b>Total owners' equity</b>		<u>1,726,383</u>	<u>793,263</u>	<u>75,544</u>
<b>Total liabilities and owners' equity</b>		<u><u>5,060,102</u></u>	<u><u>830,424</u></u>	<u><u>80,036</u></u>

## 2. INCOME STATEMENTS

*(All amounts in RMB'000 Yuan unless otherwise stated)*

<b>Item</b>	<i>Note</i>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Revenue</b>	4(12)	52,634	43,623	13,000
Less: Cost of sales	4(12)	(45,039)	(15,266)	(12,351)
Taxes and surcharges	4(13)	(7,323)	(2,443)	(728)
General and administrative expenses	4(14)	(5,637)	(2,724)	–
Financial expenses – net	4(15)	22,868	543	(4,407)
		<u>17,503</u>	<u>23,733</u>	<u>(4,486)</u>
<b>Operating profit/(loss)</b>		17,503	23,733	(4,486)
Less: Non-operating expenses		–	(108)	(10)
		<u>17,503</u>	<u>23,625</u>	<u>(4,496)</u>
<b>Total profit/(loss)</b>		17,503	23,625	(4,496)
Less: Income tax expenses	4(16)	(4,383)	(5,906)	402
		<u>13,120</u>	<u>17,719</u>	<u>(4,094)</u>
<b>Net profit/(loss)</b>		13,120	17,719	(4,094)
<b>Other comprehensive income for the year net of tax</b>		–	–	–
<b>Total comprehensive income/(loss) for the year</b>		<u><u>13,120</u></u>	<u><u>17,719</u></u>	<u><u>(4,094)</u></u>

## 3. CASH FLOW STATEMENTS

(All amounts in RMB'000 Yuan unless otherwise stated)

Item	Note	2015	2014	2013
<b>Cash flow from operating activities</b>				
Cash received from sales of goods or rendering of services		–	35,800	13,000
Cash received relating to other operating activities		10,756	2,687	11
<b>Sub-total of cash inflows</b>		<u>10,756</u>	<u>38,487</u>	<u>13,011</u>
Cash paid for goods and services		(27,305)	(11,771)	(7,505)
Cash paid to and on behalf of employees		(6,050)	(2,991)	(4,873)
Payments of taxes and surcharges		(486)	(3,348)	(5)
Cash paid relating to other operating activities		(869)	(5,764)	(11,319)
<b>Sub-total of cash outflows</b>		<u>(34,710)</u>	<u>(23,874)</u>	<u>(23,702)</u>
<b>Net cash flows from operating activities</b>	4(17)(a)	<u>(23,954)</u>	<u>14,613</u>	<u>(10,691)</u>
<b>Cash flows from investing activities</b>				
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		–	108	36
Cash received relating to other investing activities	5(3)(a)	–	68,250	11,750
<b>Sub-total of cash inflows</b>		<u>–</u>	<u>68,358</u>	<u>11,786</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(289)	(632)	–
Cash paid relating to other financing activities	4(17)(e)	(2,680,293)	–	–
<b>Sub-total of cash outflows</b>		<u>(2,680,582)</u>	<u>(632)</u>	<u>–</u>
<b>Net cash flows from financing activities</b>		<u>(2,680,582)</u>	<u>67,726</u>	<u>11,786</u>

Item	Note	2015	2014	2013
<b>Cash flows from financing activities</b>				
Cash received from capital contribution by owners	4(11)	538,000	700,000	–
Cash received from borrowings		2,344,192	–	–
Cash received from other financing activities	5(3)(a)	1,311,000	35,000	–
<b>Sub-total of cash inflows</b>		<u>4,193,192</u>	<u>735,000</u>	<u>–</u>
Cash payments for interest expenses and distribution of dividends or profits		(20,069)	–	(4,417)
Cash paid relating to other financing activities	5(3)(a)	(28,598)	–	–
<b>Sub-total of cash outflows</b>		<u>(48,667)</u>	<u>–</u>	<u>(4,417)</u>
<b>Net cash flows from financing activities</b>		<u>4,144,525</u>	<u>735,000</u>	<u>(4,417)</u>
<b>Net increase/(decrease) in cash</b>	4(17)(b)	1,439,989	817,339	(3,322)
Add: Cash at beginning of year		821,727	4,388	7,710
<b>Cash at end of year</b>	4(17)(c)	<u><u>2,261,716</u></u>	<u><u>821,727</u></u>	<u><u>4,388</u></u>

## 4. STATEMENTS OF CHANGES IN OWNERS' EQUITY

(All amounts in RMB'000 Yuan unless otherwise stated)

Item	Note	Paid-in Capital	Surplus reserves	Undistributed profits	Total owner's equity
<b>Balance at 1 January 2013</b>		100,000	–	(20,362)	79,638
<b>Movement for the year ended 31 December 2013</b>					
Net loss		–	–	(4,094)	(4,094)
<b>Balance at 31 December 2013</b>		100,000	–	(24,456)	75,544
<b>Balance at 1 January 2014</b>		100,000	–	(24,456)	75,544
<b>Movement for the year ended 31 December 2014</b>					
Net profit		–	–	17,719	17,719
Capital contribution and withdrawal by owners, including:					
Capital contribution by owners	4(11)	700,000	–	–	700,000
<b>Balance at 31 December 2014</b>		800,000	–	(6,737)	793,263
<b>Balance at 1 January 2015</b>		800,000	–	(6,737)	793,263
<b>Movement for the year ended 31 December 2015</b>					
Net profit		–	–	13,120	13,120
Capital contribution and withdrawal by owners, including:					
Capital contribution by owners	4(11)	538,000	–	–	538,000
Transfer from other payable to paid-in capital by owner	4(11)	382,000	–	–	382,000
Profit distribution					
Withdraw surplus reserves		–	638	(638)	–
<b>Balance at 31 December 2015</b>		1,720,000	638	5,745	1,726,383



## II. NOTES TO THE FINANCIAL STATEMENTS OF THE TARGET COMPANY LIUJIN REAL ESTATE

*(All amounts in RMB'000 Yuan unless otherwise stated)*

### 1 GENERAL INFORMATION

Beijing Liujin Real Estate Development Co., Ltd. (hereinafter "the Target Company Liujin Real Estate") is a limited liability company jointly incorporated on 8 November 2006 by Beijing Shixing Tengfei Real Estate Co., Ltd. (hereinafter "Shixing Tengfei") and Beijing Badachu Real Estate Development Co., Ltd. (hereinafter "Badachu Real Estate"). The registered capital of the Target Company Liujin Real Estate is RMB100,000,000, with 50% (RMB50,000,000) contributed by Shixing Tengfei and the other 50% (RMB50,000,000) contributed by Badachu Real Estate.

Badachu Real Estate transferred 20% and 30% equity interests it holds in the Target Company Liujin Real Estate to Shixing Tengfei on 13 July 2010 and 6 April 2011, respectively. After the transfer, Shixing Tengfei holds 100% equity interests of the Target Company Liujin Real Estate.

On 2 July 2014, Shixing Tengfei transferred 100% equity interests it holds in the Target Company Liujin Real Estate to Beijing Capital Investment Co., Ltd. (hereinafter "Capital Investment") and Beijing Zhongzhi Dingfu Real Estate Development Co., Ltd. (hereinafter "Zhongzhi Dingfu"), respectively, with Capital Investment holding 60% equity interests and Zhongzhi Dingfu holding 40%.

On 15 September 2014, the registered capital of the Target Company Liujin Real Estate was increased by RMB700,000,000, with RMB420,000,000 injected by Capital Investment and RMB280,000,000 injected by Zhongzhi Dingfu. After the capital injection, the registered capital of the Target Company Liujin Real Estate was increased to RMB800,000,000, still with Capital Investment holding 60% equity interests and Zhongzhi Dingfu holding 40%.

On 15 October 2015, the registered capital of the Target Company Liujin Real Estate was increased by RMB920,000,000, among which, Zhongzhi Dingfu subscribed and contributed RMB368,000,000, and Capital Investment subscribed RMB552,000,000 while actually contributed RMB170,000,000. On 31 December 2015, Capital Investment converted its bonds held in the Target Company Liujin Real Estate amounted to RMB382,000,000 into paid-in capital to complete its subscription and contribution. After this conversion, the registered capital of the Target Company Liujin Real Estate was increased to RMB1,720,000,000, still with Capital Investment holding 60% equity interests and Zhongzhi Dingfu holding 40%.

The registered address of the Target Company Liujin Real Estate is Room 309 Third Floor No. 17 Shidaihuayuan nan Avenue, Xiejiawan, Shijingshan District, Beijing.

The approved scope of business of the Target Company Liujin Real Estate mainly includes real estate development and sale as well as land development. For the year ended 31 December 2015, 2014 and 2013, the principal activities of the Target Company Liujin Real Estate were the squatter settlement rebuilding and land development in Xihuangcun, Shijingshan District, Beijing.

Beijing Capital Group Co., Ltd (hereinafter "Capital Group") is the ultimate holding company of the Target Company Liujin Real Estate.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES****(1) Basis of preparation**

The financial statements were prepared in accordance with the Basic Standard and 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 Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereinafter collectively referred to as the "Accounting Standards for Business Enterprises" or "CAS").

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

The financial statements of the Target Company Liujin Real Estate for the years ended 31 December 2015, 2014, and 2013 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Target Company Liujin Real Estate as at 31 December 2015, 2014 and 2013 and of their financial performance, cash flows and other information for the years ended 31 December 2015, 2014 and 2013.

**(3) Accounting year**

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

**(4) Functional currency**

The functional currency is Renminbi (RMB).

**(5) Cash**

Cash comprises cash on hand and deposits that can be readily drawn on demand.

**(6) Financial instruments****(a) Financial assets****(i) Classification of financial assets**

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

**Receivables**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including long-term receivables and other receivables (note 2(7)).

(ii) *Recognition and measurement*

Financial assets are recognized at fair value on the balance sheet when the Target Company Liujin Real Estate becomes a party to the contractual provisions of the financial instrument. Transaction costs that are attributable to the acquisition of the receivables are included in their initial recognition amounts.

Receivables are measured at amortized cost using the effective interest method.

(iii) *Impairment of financial assets*

The Target Company Liujin Real Estate assesses the carrying amounts of financial assets at each balance sheet date. If there is objective evidence indicating that a financial asset is impaired, the Target Company Liujin Real Estate shall make a provision for impairment.

Objective evidence indicating impairment of financial assets refers to the matter that actually occurs after the initial recognition of financial assets, it will affect estimated future cash flows of financial assets, and its impact can be reliably measured by the Target Company Liujin Real Estate.

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

(iv) *Derecognition of financial assets*

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

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

(b) ***Financial liabilities***

Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. The Target Company Liujin Real Estate financial liabilities are mainly other financial liabilities including payables and borrowings.

Payables include other payables, which are initially recognized at fair value and recorded at amortized cost using effective interest rate in subsequent measurement.

Borrowings are initially recognised at fair value, net of transaction 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) or in an ordinary operation cycle are stated as current liabilities; other financial liabilities with repayment period over 1 year but repayment date within 1 year (including 1 year) from balance sheet date are stated as current portion of non-current liabilities; others are stated as non-current liabilities.

A financial liability is derecognised or partly derecognised when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognised part of the financial liability and the consideration paid is recognised in profit or loss.

(c) ***Offsetting of financial assets and liabilities***

Financial assets and liabilities should be presented separately in balance sheet without offsetting. A financial asset and a financial liability should be offset when, and only when both of the following conditions are satisfied: (i) The Target Company Liujin Real Estate currently has a legally enforceable right to set off the recognized amounts and the legal enforceable right is now executable. (ii) The Target Company Liujin Real Estate intends either to settle on a net basis, or to liquidate the financial asset and settle the financial liability simultaneously.

(7) **Receivables**

Receivables comprise long-term receivables and other receivables.

(a) ***Receivables that are individually significant and subject to separate assessment for provision for bad debts***

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

The provision for bad debts of those individually significant amounts is determined as the difference between the present value of estimated future cash flow of receivables and its carrying amount.

**(b) Receivables that are subject to provision for bad debts on the grouping basis**

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

Basis for grouping is as follows:

Group of related parties	Amounts due from related parties
Group of third parties	Amounts due from other third parties

Methods of determining provision for bad debts by grouping are as follows:

Group of related parties	Low credit risk upon assessment, no bad debts
Group of third parties	Assessment based on historical losses

The Target Company Liujin Real Estate has no receivables with amounts that are not individually significant and in high risk based on their credit risk characteristics.

**(c) Receivables with amounts that are not individually significant but subject to separate assessment for provision for bad debts**

The reason for making separate assessment for provision for bad debts is that there exists objective evidence that the Target Company Liujin Real Estate will not be able to collect the amount under the original terms of the receivables.

The provision for bad debts is determined based on the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

**(8) Inventories****(a) Classification**

Inventories of the Target Company Liujin Real Estate are Construction contracts – completed but unsettled.

**(b) Construction contracts – completed but unsettled/settled but uncompleted:**

The construction contracts are shown at the amount of accumulative cost and confirmed accumulative gross profit (loss) of construction contracts net of the settled amount.

The amount of accumulative cost and confirmed accumulative gross profit (loss) of construction contracts exceeding the settled amount is shown as “completed but unsettled” under inventories. The amount of the settled amount exceeding accumulative cost and confirmed accumulative gross profit (loss) of construction contracts is shown as “settled but uncompleted” under advances from customers.

**(9) Fixed assets****(a) Recognition and initial measurement**

Fixed assets comprise motor vehicles, and office equipment, etc. Fixed assets are recognized when it is probable that the associated economic benefits will flow to the Target Company Liujin Real Estate and the related cost can be reliably measured. Fixed assets purchased or constructed by the Target Company Liujin Real Estate are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Target Company Liujin Real Estate and the related cost can be reliably measured. The carrying amount of the replaced part is derecognized. All the other subsequent expenditures are recognized in profit or loss for the current period.

**(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 rate of residual value and the annual depreciation rate are as follows:

	Estimated Useful lives	Estimated rate of residual Value	Annual depreciation
Motor vehicles	4 year	5%	23.8%
Office equipment	3 year	5%	31.7%

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

**(c)** When recoverable amount of fixed asset is lower than its carrying amount, the carrying amount should be witten down to the recoverable amount (note 2(11)).

**(d) Disposal of fixed assets**

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

**(10) Borrowing cost**

The borrowing costs that are directly attributable to the acquisition and construction of investment properties or real estate projects that need a substantially long period of time for its intended use commence to be capitalized and recognized 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 capitalization of borrowing costs ceases, when the investment properties under acquisition or construction becomes ready for its intended use, the properties under development become ready for sale (generally after Completion Certification granted), the borrowing costs incurred thereafter are recognized in profit or loss for the current period. Capitalization of borrowing costs is suspended during periods in which the acquisition or construction of the asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

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

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

**(11) Impairment of long-term assets**

Long-term assets, such as fixed 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 recognized 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 recognized 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 to is determined. A group of assets is the smallest group of assets that is able to generate cash inflows independently.

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

**(12) Employee benefits**

Employee benefits are all forms of considerations given in exchange for services rendered by employees or compensation paid in order to terminate the employment relationship. Employee benefits mainly include short-term employee benefits, demission benefits, termination benefits and other long-term employee benefits, etc.

**(a) Short-term employee benefits**

Short-term employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labor union funds, employee education funds, short-term compensated absences and profit sharing plan. When an employee has rendered service to the Target Company Liujin Real Estate during an accounting period, the Target Company Liujin Real Estate shall recognize short-term employee benefits as liabilities and charge to the cost of an asset or as an expense at the same time. Non-monetary benefits are measured in accordance with fair value.

**(b) Demission benefits**

Demission benefits are classified as defined contribution plan and defined benefit plans. Defined contribution is demission benefits plan in which the Target Company Liujin Real Estate is not obliged to make further payment after paying a certain amount to individual funds. Defined benefit plans is other demission benefits plan except for defined contribution plan. During the period, demission benefits mainly include basic social pension security and unemployed insurance, both of which are defined contribution plan.

***Basic social pension security***

Employees of the Target Company Liujin Real Estate participate in the basic social pension plan set up and administered by the government authorities. Basic pensions are provided monthly according to stipulated proportions and basis, which are paid to local labor and social security institutions. After retirement of employees, local labor and social security institutions will pay related pensions to employees accordingly. When an employee has rendered service to the Liujin Real Estate Liujin Real Estate during an accounting period, the Target Company Liujin Real Estate shall compute and recognize liabilities according to the above stipulation and charge to the cost of an asset or as an expense at the same time.

**(c) Termination benefits**

Termination benefits are payables when employment is terminated by the Target Company Liujin Real Estate before the employment contract expire, or compensation provided as an offer to encourage employees to accept voluntary redundancy. The Target Company Liujin Real Estate recognizes termination benefits as liabilities and charges to profit or losses at the earlier of the following dates: when the Target Company Liujin Real Estate can no longer withdraw the offer of termination plan; and when the Target Company Liujin Real Estate recognizes costs for restructuring which involving the payment of termination benefits.



**(13) Revenue recognition**

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

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

***Construction contracts***

When the outcome of a fixed price construction contract can be estimated reliably, revenue is recognized on the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract, after making due allowances for contingencies.

When the outcome of a cost-plus construction contract including construction services of the infrastructure under service concession arrangements can be estimated reliably, revenue is recognized by reference to the recoverable costs incurred during the year plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

**(14) Deferred tax assets and deferred tax liabilities**

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognized 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 liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognized 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 tax rates that are expected to apply to the year when the asset is realized or the liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available to offset the deductible temporary differences, deductible losses, and deductible tax amounts.

Deferred tax assets and liabilities are offset if all the following conditions are met:

- they related to income taxes levied by the same tax authority; and
- the Target Company Liujin Real Estate has a legally enforceable right to offset current tax assets and current tax liabilities.

**(15) Critical accounting estimates and judgments**

The Target Company Liujin Real Estate 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.

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 follows:

**(i) Property development cost**

Critical estimates and judgments on budget cost and development progress are required in determining property development cost. The budget cost and development progress of the project is reviewed by the Target Company Liujin Real Estate on a regular basis and adjusted as appropriate. When the actual cost differs from the budget cost, such difference will impact the relevant property development cost.

**(ii) Provisions for doubtful debts of receivables**

The Target Company Liujin Real Estate tests annually whether receivables suffer any impairment in accordance with the accounting policy stated in note 2(7). If there is objective evidence that the Target Company Liujin Real Estate will not be able to collect the full amount under the original terms, a provision for impairment of that receivable is made.

**3 TAXATION**

The types and rates of taxes applicable to the Target Company Liujin Real Estate are set out below:

<b>Type</b>	<b>Tax rate</b>	<b>Taxable base</b>
Enterprise income tax	25%	Taxable income
Business tax (a)	5%	Taxable turnover amount
City maintenance and construction tax	7%	Amount of business tax payable
Educational surcharge	3%	Amount of business tax payable
Local educational surcharge	2%	Amount of business tax payable

- (a) According to the Circular regarding the Comprehensive Roll-out of the Pilot Program for the Transformation from Business Tax to Value-Added Tax (《關於全面推開營業稅改增值稅試點通知》) (CaiShui [2016] No. 36) issued jointly by the Ministry of Finance and the State Administration of Taxation, the countrywide pilot program of replacing business tax with value-added tax (hereinafter referred to as “the Pilot Program”) was carried out since 1 May 2016, and tax payers in the construction, real estate, finance and consumer services industries are involved in the pilot.

## 4 NOTES TO THE FINANCIAL STATEMENTS

## (1) Cash at bank and on hand

	31 December 2015	31 December 2014	31 December 2013
Cash on hand	4	–	5
Bank deposits	2,261,712	821,727	4,383
Total	<u>2,261,716</u>	<u>821,727</u>	<u>4,388</u>

As at 31 December 2015, 2014 and 2013, There were no restricted bank deposits.

## (2) Other receivables

	31 December 2015	31 December 2014	31 December 2013
Amounts due from related parties ( <i>Note 5(4)(a)</i> )	368,000	–	68,250
Deposits	–	–	2,000
Others	288	280	–
Total	368,288	280	70,250
Less: provisions for bad debts	–	–	–
Other receivables – net	<u>368,288</u>	<u>280</u>	<u>70,250</u>

Analysis of other receivables and related provision for bad debts are as follow:

	31 December 2015				31 December 2014				31 December 2013			
	Amount	% of total balance	Provision	% of the provision	Amount	% of total balance	Provision	% of the provision	Amount	% of total balance	Provision	% of the provision
Within 1 year	368,010	100%	–	–	280	100%	–	–	–	–	–	–
1 to 2 years	278	–	–	–	–	–	–	–	–	–	–	–
2 to 3 years	–	–	–	–	–	–	–	–	70,250	100%	–	–
Total	<u>368,288</u>	<u>100%</u>	<u>–</u>	<u>–</u>	<u>280</u>	<u>100%</u>	<u>–</u>	<u>–</u>	<u>70,250</u>	<u>100%</u>	<u>–</u>	<u>–</u>

The Target Company Liujin Real Estate has no receivables with amounts that were overdue but not impaired as at 31 December 2015, 2014 and 2013.

Analysis of other receivables by categories are as follows:

	31 December 2015				31 December 2014				31 December 2013			
	Amount	% of total balance	Provision	% of the provision	Amount	% of total balance	Provision	% of the provision	Amount	% of total balance	Provision	% of the provision
Receivables that are subject to provision for bad debts on the grouping basis												
- Group of related parties	368,000	100%	-	-	-	-	-	-	68,250	97%	-	-
- Group of third parties	288	-	-	-	280	100%	-	-	2,000	3%	-	-
<b>Total</b>	<b>368,288</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>280</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>70,250</b>	<b>100%</b>	<b>-</b>	<b>-</b>

**(3) Inventories**

**(a) Inventories are classified as follows:**

	31 December 2015			31 December 2014			31 December 2013		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Completed but unsettled	49,766	-	49,766	7,823	-	7,823	-	-	-

**(b) Construction contracts**

	31 December 2015	31 December 2014	31 December 2013
Cost add gross profit	49,766	7,823	-
Less: Settled amount	-	-	-
<b>Total</b>	<b>49,766</b>	<b>7,823</b>	<b>-</b>
Cost	49,766	7,823	-
Less: Provision for impairment	-	-	-
<b>Net value</b>	<b>49,766</b>	<b>7,823</b>	<b>-</b>

At 31 December 2015, the financed costs capitalized in inventors amounted to RMB433,000, the capitalization rate is 5%. As at 31 December 2014, there were no capitalized interest expenses.

## (4) Long-term receivables

	31 December 2015	31 December 2014	31 December 2013
Receivables from primary land development (i)	<u>2,379,676</u>	<u>–</u>	<u>–</u>

- (i) In 2014, the Target Company Liujin Real Estate was commissioned by the government of Shijingshan District, Beijing to work as a main part of the Squatter Settlement Rebuilding Project in Xihuangcun, Shijingshan District, Beijing. This project was approved by the [2015] No. 1482 document as issued by Beijing Municipal Commission of Development and Reform in 2015. Pursuant to the Circular on the Profit Margin of the Squatter Settlement Rebuilding and Environment Renovation Project issued by the People's Government of Shijingshan District, Beijing, the primary development costs input by the Target Company Liujin Real Estate and the primary development profits calculated at a certain profit margin will be refunded by the district government, after being reviewed by relevant authorities. As at 31 December 2015, the primary development costs and the relevant profits amounted to approximately RMB2,379,676,000 would be collected by the Target Company Liujin Real Estate from the Finance Bureau of Shijingshan District, Beijing in 2017.

## (5) Fixed assets

	Motor vehicles	Office equipment	Total
Cost			
31 December 2014	434	198	632
Increase	242	47	289
Decrease	–	–	–
31 December 2015	<u>676</u>	<u>245</u>	<u>921</u>
Accumulated depreciation			
31 December 2014	(9)	(29)	(38)
Increase	(156)	(71)	(227)
Decrease	–	–	–
31 December 2015	<u>(165)</u>	<u>(100)</u>	<u>(265)</u>
Provision for impairment			
31 December 2015	–	–	–
31 December 2014	–	–	–
Net book value			
31 December 2015	<u>511</u>	<u>145</u>	<u>656</u>
31 December 2014	<u>425</u>	<u>169</u>	<u>594</u>

	Motor vehicles	Office equipment	Total
Cost			
31 December 2013	1,197	83	1,280
Increase	434	198	632
Decrease	(1,197)	(83)	(1,280)
	<u>434</u>	<u>198</u>	<u>632</u>
31 December 2014	434	198	632
Accumulated depreciation			
31 December 2013	(1,119)	(53)	(1,172)
Increase	(9)	(29)	(38)
Decrease	1,119	53	1,172
	<u>(9)</u>	<u>(29)</u>	<u>(38)</u>
31 December 2014	(9)	(29)	(38)
Provision for impairment			
31 December 2014	–	–	–
31 December 2013	–	–	–
Net book value			
31 December 2014	<u>425</u>	<u>169</u>	<u>594</u>
31 December 2013	<u>78</u>	<u>30</u>	<u>108</u>

	Motor vehicles	Office equipment	Total
Cost			
31 December 2012	1,197	260	1,457
Increase	–	–	–
Decrease	–	(177)	(177)
31 December 2013	1,197	83	1,280
Accumulated depreciation			
31 December 2012	(1,039)	(220)	(1,259)
Increase	(80)	–	(80)
Decrease	–	167	167
31 December 2013	(1,119)	(53)	(1,172)
Provision for impairment			
31 December 2013	–	–	–
31 December 2012	–	–	–
Net book value			
31 December 2013	78	30	108
31 December 2012	158	40	198

In 2015 depreciation expense charged in cost of sales amounted to RMB204,000 and in administrative expenses with amounted to RMB230,000.

In 2014 and 2013, depreciation expense charged in administrative expenses amounted to RMB38,000 and RMB80,000 respectively.

(6) **Employee benefits payable**

	31 December 2015	31 December 2014	31 December 2013
Short-term employee benefits payable (a)	5,510	856	–
Defined contribution plan payable (b)	84	60	–
Total	5,594	916	–

(a) *Short-term employee benefits payable*

	31 December 2014	Decrease	Increase	31 December 2015
Wages and salaries, bonuses, allowances and subsidies	818	8,659	(4,041)	5,436
Social security contributions	32	503	(490)	45
Including: Medical insurance	28	433	(422)	39
Work injury insurance	2	35	(34)	3
Maternity insurance	2	35	(34)	3
Housing funds	–	544	(544)	–
Labor union funds	6	112	(89)	29
<b>Total</b>	<b>856</b>	<b>9,818</b>	<b>(5,164)</b>	<b>5,510</b>
	<b>31 December 2013</b>	<b>Decrease</b>	<b>Increase</b>	<b>31 December 2014</b>
Wages and salaries, bonuses, allowances and subsidies	–	3,168	(2,350)	818
Social security contributions	–	205	(173)	32
Including: Medical insurance	–	181	(153)	28
Work injury insurance	–	10	(8)	2
Maternity insurance	–	14	(12)	2
Housing funds	–	147	(147)	–
Labor union funds	–	6	–	6
<b>Total</b>	<b>–</b>	<b>3,526</b>	<b>(2,670)</b>	<b>856</b>
	<b>31 December 2012</b>	<b>Decrease</b>	<b>Increase</b>	<b>31 December 2013</b>
Wages and salaries, bonuses, allowances and subsidies	–	3,410	(3,410)	–
Social security contributions	22	337	(359)	–
Including: Medical insurance	22	304	(326)	–
Work injury insurance	–	10	(10)	–
Maternity insurance	–	23	(23)	–
Housing funds	–	262	(262)	–
Labor union funds	6	11	(17)	–
Others	–	217	(217)	–
<b>Total</b>	<b>28</b>	<b>4,237</b>	<b>(4,265)</b>	<b>–</b>



**(b) Defined contribution plans payable**

	31 December 2014	Increase	Decrease	31 December 2015
Basic social pension security	57	867	(844)	80
Unemployment security	3	43	(42)	4
	<u>60</u>	<u>910</u>	<u>(886)</u>	<u>84</u>
<b>Total</b>	<b><u>60</u></b>	<b><u>910</u></b>	<b><u>(886)</u></b>	<b><u>84</u></b>
	<b>31 December 2013</b>	<b>Increase</b>	<b>Decrease</b>	<b>31 December 2014</b>
Basic social pension security	–	363	(306)	57
Unemployment security	–	18	(15)	3
	<u>–</u>	<u>381</u>	<u>(321)</u>	<u>60</u>
<b>Total</b>	<b><u>–</u></b>	<b><u>381</u></b>	<b><u>(321)</u></b>	<b><u>60</u></b>
	<b>31 December 2012</b>	<b>Increase</b>	<b>Decrease</b>	<b>31 December 2013</b>
Basic social pension security	–	579	(579)	–
Unemployment security	–	29	(29)	–
	<u>–</u>	<u>608</u>	<u>(608)</u>	<u>–</u>
<b>Total</b>	<b><u>–</u></b>	<b><u>608</u></b>	<b><u>(608)</u></b>	<b><u>–</u></b>

**(7) Taxes payable**

	31 December 2015	31 December 2014	31 December 2013
Business tax payable	6,930	391	650
City maintenance and construction tax payable	485	27	46
Educational surcharge payable	347	20	32
Others	108	594	–
	<u>7,870</u>	<u>1,032</u>	<u>728</u>
<b>Total</b>	<b><u>7,870</u></b>	<b><u>1,032</u></b>	<b><u>728</u></b>

**(8) Other payables**

	31 December 2015	31 December 2014	31 December 2013
Payables to related parties ( <i>notes (4)(b)</i> )	967,702	35,000	–
Others	582	140	21
	<u>968,284</u>	<u>35,140</u>	<u>21</u>
<b>Total</b>	<b><u>968,284</u></b>	<b><u>35,140</u></b>	<b><u>21</u></b>

## (9) Long-term borrowings

	31 December 2015	31 December 2014	31 December 2013
Unsecured loans	2,344,192	–	–

As at 31 December 2015, long-term borrowings of RMB2,344,192,000 were unsecured loans obtained by the Target Company Liu jin Real Estate from Postal Savings Bank of China Beijing Dongcheng Subbranch. Such unsecured loans were not secured or guaranteed, with an annual interest rate 5% lower than the benchmark interest rate stipulated by the People's Bank of China for the corresponding term of 1 to 5 years. The interest is paid by quarter and the 20th of the last month of each quarter is the expiry date for interest. Such long-term borrowings will expire on 7 October 2020 and will be settled with the principal payable in full when due.

## (10) Deferred tax assets and deferred tax liabilities

(a) *Deferred tax assets before offsetting*

	31 December 2015		31 December 2014		31 December 2013	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Accumulated losses	5,616	1,404	–	–	21,160	5,290
Including:						
Amount of expected reversal within 1 year (including 1 year)		–		–		5,290
Amount of reversal expected beyond 1 year		1,404		–		–
Total		1,404		–		5,290

**(b) Deferred tax liabilities before offsetting**

	31 December 2015		31 December 2014		31 December 2013	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Construction contracts income	4,940	1,235	292	73	-	-
Accrued interest income	18,500	4,625	-	-	-	-
<b>Total</b>	<b>23,440</b>	<b>5,860</b>	<b>292</b>	<b>73</b>	<b>-</b>	<b>-</b>
Including:						
Amount of expected reversal beyond 1 year		5,860		73		-

(c) As at 31 December 2015, 2014 and 2013, the Target Company Lijun Real Estate has no deductible temporary difference and deductible losses that not recognized deferred tax assets.

(d) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	31 December 2015		31 December 2014		31 December 2013	
	Offsetting	After Offsetting	Offsetting	After Offsetting	Offsetting	After Offsetting
Deferred tax assets, net	1,404	-	-	-	-	5,290
Deferred tax liabilities, net	1,404	4,456	-	73	-	-

**(11) Paid-in capital**

	31 December 2014	Increase	Decrease	31 December 2015
Capital Investment (i)	480,000	552,000	-	1,032,000
Zhongzhi Dingfu (i)	320,000	368,000	-	688,000
<b>Total</b>	<b>800,000</b>	<b>920,000</b>	<b>-</b>	<b>1,720,000</b>

	31 December 2013	Increase	Decrease	31 December 2014
Capital Investment (ii)	–	480,000	–	480,000
Zhongzhi Dingfu (ii)	–	320,000	–	320,000
Shixing Tengfei (ii)	100,000	–	(100,000)	–
Total	<u>100,000</u>	<u>800,000</u>	<u>(100,000)</u>	<u>800,000</u>

	31 December 2012	Increase	Decrease	31 December 2013
Shixing Tengfei	<u>100,000</u>	<u>–</u>	<u>–</u>	<u>100,000</u>

(i) In October 2015, in accordance with the resolution at the Shareholders meeting, Capital Investment and Zhongzhi Dingfu, as the shareholders of the Target Company Liujin Real Estate, subscribed RMB552,000,000 and RMB368,000,000, respectively, and paid a contribution of RMB170,000,000 and RMB368,000,000, respectively. In December 2015, in accordance with the resolution at the Shareholders meeting, Capital Investment converted its bonds held in the Target Company Liujin Real Estate of RMB382,000,000 into paid-in capital to complete its contribution.

(ii) In July 2014, in accordance with the resolution at the Shareholders meeting, Shixing Tengfei transferred the 100% equity interests it holds in the Target Company Liujin Real Estate to Capital Investment and Zhongzhi Dingfu, respectively. After the transfer, Capital Investment holds 60% equity and Zhongzhi Dingfu holds 40%. In September 2014, in accordance with the resolution at the Shareholders meeting, Capital Investment and Zhongzhi Dingfu increased contribution of RMB420,000,000 and RMB280,000,000, respectively by cash.

(12) Revenue and cost of sales

	2015		2014		2013	
	Operating revenue	Operating costs	Operating revenue	Operating costs	Operating revenue	Operating costs
Squatter settlement rebuilding project	<u>52,634</u>	<u>45,039</u>	<u>43,623</u>	<u>15,266</u>	<u>13,000</u>	<u>12,351</u>

**(13) Taxes and surcharges**

	2015	2014	2013
Business tax	6,539	2,181	650
City maintenance and construction tax	458	152	46
Educational surcharge	326	110	32
	<u>7,323</u>	<u>2,443</u>	<u>728</u>

**(14) Expenses by nature**

Cost of sales and general and administrative expenses in the income statement classified by nature are as follows:

	2015	2014	2013
Wages, social security and welfare (i)	10,728	3,907	4,845
Administrative office expenses	1,321	5,288	6,825
Tax expenses	–	666	–
Depreciation	23	38	80
Travel and entertainment expenses	53	197	66
Intermediary service fee	122	427	–
Cost of primary land development	38,429	7,091	–
Others	–	376	535
	<u>50,676</u>	<u>17,990</u>	<u>12,351</u>

(i) This amount included the basic social pension insurance for the year ended 31 December 2015, 2014 and 2013 amounted to RMB867,000, RMB363,000 and RMB579,000 respectively.

**(15) Interest (income)/expenses – net**

	2015	2014	2013
Interest expenses	55,692	–	4,417
Including: Bank loans	23,392	–	–
Other loans	32,300	–	4,417
Less : Capitalized interest expense	(433)	–	–
Interest expense – net	55,259	–	4,417
Interest income	(78,138)	(548)	(10)
Others	11	5	–
	<u>(22,868)</u>	<u>(543)</u>	<u>4,407</u>

Interest expenses analysed by the maturity between bank and other borrowings are as follows :

	2015		2014		2013	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Wholly repayable within five years	23,392	32,300	–	–	–	4,417

**(16) Income tax expenses**

	2015	2014	2013
Current income tax	–	689	–
Deferred income tax	4,383	5,217	(402)
Total	<u>4,383</u>	<u>5,906</u>	<u>(402)</u>

Reconciliations from income tax calculated based on the applicable tax rates and total profit or loss presented in the financial statements to the income tax expenses are listed below :

	2015	2014	2013
Total profit/(loss)	<u>17,503</u>	<u>23,625</u>	<u>(4,496)</u>
Income tax expenses calculated at applicable tax rates (25%)	4,376	5,906	(1,124)
Expenses, costs and losses not deductible for tax purposes	7	–	17
Writing off previously recognised tax losses	–	–	705
Income tax expenses	<u>4,383</u>	<u>5,906</u>	<u>(402)</u>

## (17) Notes to cash flow statement

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

	2015	2014	2013
Net profit/(loss)	13,120	17,719	(4,094)
Add: Depreciation of fixed assets	227	38	80
Interest expenses	(12,124)	–	4,417
Decrease/(increase) in deferred tax assets	(1,404)	5,290	(402)
Increase in deferred tax liabilities	5,787	73	–
Increase in inventories	(41,510)	(7,823)	–
Decrease in long-term deferred expense	–	–	652
Increase/(decrease) in operating receivables	(8)	1,720	–
Increase/(decrease) in operating payables	11,958	(2,404)	(11,344)
	<u>11,958</u>	<u>(2,404)</u>	<u>(11,344)</u>
Net cash flows from operating activities	<u>(23,954)</u>	<u>14,613</u>	<u>(10,691)</u>

## (b) Net increase in cash

	2015	2014	2013
Cash at end of the year	2,261,716	821,727	4,388
Less: cash at beginning of the year	(821,727)	(4,388)	(7,710)
	<u>1,439,989</u>	<u>817,339</u>	<u>(3,322)</u>

## (c) Cash

	31 December 2015	31 December 2014	31 December 2013
Cash at bank and on hand (note 4(1))	2,261,716	821,727	4,388
Less: restricted cash at bank	–	–	–
	<u>2,261,716</u>	<u>821,727</u>	<u>4,388</u>

## (d) Significant financing activities that do not involve cash flow

	2015	2014	2013
Transfer from other payable to paid-in capital by owner (note 4(11))	382,000	–	–
	<u>382,000</u>	<u>–</u>	<u>–</u>

*(e) Cash paid relating to other financing activities*

	2015	2014	2013
Cash paid to primary land development	2,312,293	–	–
Cash paid to related parties (note 5(3)(a))	368,000	–	–
	<u>2,680,293</u>	<u>–</u>	<u>–</u>
Total	<u>2,680,293</u>	<u>–</u>	<u>–</u>

## 5 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

## (1) The parent company

*(a) General information of the parent company*

During the Relevant Period, the Target Company Liujin Real Estate's parent company are Shixing tengfei and Capital Investment, whose registered place and business nature are listed below:

	Place of registration	Nature of business
Shixing Tengfei	Beijing, PRC	Real estate development and sales & material sales
Capital Investment	Beijing, PRC	Real estate development & investment management

北京市石景山區國有資產經營公司 and Beijing Capital Group are the ultimate holding company of Liujin Real Estate during the relevant period.

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

	31 December 2014	Increase	Decrease	31 December 2015
Capital Investment	100,000	–	–	100,000
	<u>100,000</u>	<u>–</u>	<u>–</u>	<u>100,000</u>
	31 December 2013	Increase	Decrease	31 December 2014
Capital Investment	100,000	–	–	100,000
Shixing Tengfei	60,000	–	–	60,000
	<u>160,000</u>	<u>–</u>	<u>–</u>	<u>160,000</u>
	31 December 2012	Increase	Decrease	31 December 2013
Shixing Tengfei	60,000	–	–	60,000
	<u>60,000</u>	<u>–</u>	<u>–</u>	<u>60,000</u>



(c) *The proportions of equity interest and voting rights in the Target Company Liujin Real Estate held by the parent company*

	31 December 2015		31 December 2014		31 December 2013	
	Equity interest %	Voting rights %	Equity interest %	Voting rights %	Equity interest %	Voting rights %
Shixing Tengfei Capital Investment	N/A	N/A	N/A	N/A	100	100
	<u>60</u>	<u>60</u>	<u>60</u>	<u>60</u>	<u>N/A</u>	<u>N/A</u>

(2) **Information of other related parties**

Name of related entities	Relationship with the Target Company Liujin Real Estate
--------------------------	---

Beijing Zhongrui Kaihua Investment and Management Co., Ltd. (hereinafter "Zhongrui Kaihua")	Entities under common control of the same ultimate holding company
--	--

(3) **Related party transactions**

The Board of the Target Company Liujin Real Estate considers all transactions with related parties are on normal commercial terms, price of related party transaction is agreed by the Target Company Liujin Real Estate and its related parties.

(a) *Provide/(receive) funds*

	2015	2014	2013
Zhongrui Kaihua (i)	368,000	–	–
Capital Investment (ii)	(1,282,402)	(35,000)	–
Shixing Tengfei (iii)	–	(68,250)	(11,750)
Total	<u>(914,402)</u>	<u>(103,250)</u>	<u>(11,750)</u>

(i) In 2015, the Target Company Liujin Real Estate provide RMB368,000,000 to Zhongrui Kaihua.

(ii) In 2015, the Target Company Liujin Real Estate received RMB1,311,000,000 from Capital Investment and repaid interest RMB28,598,000 in 2015.

In 2014, the Target Company Liujin Real Estate received RMB35,000,000 from Capital Investment.

(iii) In 2014 and 2013, the Target Company Liujin Real Estate received RMB68,250,000 and RMB11,750,000 repaid by Shixing Tengfei.

*(b) Interest expense*

	2015	2014	2013
Capital Investment	32,300	–	–

**(4) Related party balance***(a) Other receivables (note 4(2))*

	31 December 2015	31 December 2014	31 December 2013
Zhongrui Kaihua	368,000	–	–
Shixing Tengfei	–	–	68,250
Total	368,000	–	68,250

As at 31 December 2015 and 2013, other receivables due from related parties are free of interest, unsecured, unguaranteed and with no fixed maturity date.

*(b) Other payables (note 4(8))*

	31 December 2015	31 December 2014	31 December 2013
Capital investment	967,702	35,000	–

As at 31 December, the loan due from Capital investment amounting to RMB35,000,000 is free of interest, unsecured, unguaranteed and with no fixed maturity date.

As at 31 December 2015, Capital Investment converted its bonds held in the Target Company Liujin Real Estate of RMB382,000,000 to paid-in capital, increasing the paid-in capital of the Target Company Liujin Real Estate. After the transfer, the principal of the Target Company Liujin Real Estate's loans payable to the shareholder Capital Investment is RMB964,000,000, with an interest payable of RMB3,702,000, and such loans are not secured or guaranteed and free from fixed repayment date with an interest rate of 9%.

**6 FINANCIAL INSTRUMENTS AND RISK**

The Target Company Liujin Real Estate's activities expose it to financial risks: including market risk, credit risk and liquidity risk. The Target Company Liujin Real Estate's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

**(1) Market risk****(a) Foreign exchange risk**

The Target Company Liujin Real Estate's major operational activities are carried out in Mainland China and a majority of the transactions are dominated in RMB. The Target Company Liujin Real Estate has no assets denominated in foreign currency, and expects no significant foreign exchange risk.

**(b) Interest rate risk**

The Target Company Liujin Real Estate has exposed to interest rate risk due to the fluctuation of the prevailing market interest rate on accounts payable which carry at prevailing market interest rates. Borrowings issued at floating interest rates expose the Target Company Liujin Real Estate to cash flow interest-risk, the Target Company Liujin Real Estate determines the contracts proportions of fixed rate and floating rate depending on the market conditions. As at 31 December 2015, the Target Company Liujin Real Estate's interest bearing borrowings were mainly RMB-denominated with floating rates, amounting to RMB2,344,192,000.

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

As at 31 December 2015, if interest rates on the floating rate borrowings increased/decreased 0.5 basis points while all other variables had been held constant, the Target Company Liujin Real Estate's interest expenses of bank borrowings would have increased/decreased by approximately RMB11,721,000 (31 December 2014 & 31 December 2015: nil).

**(2) Credit risk**

The Target Company Liujin Real Estate manages its credit risk on a classified basis. Credit risk mainly arises from cash at bank and other receivables etc.

Since cash at bank of the Target Company Liujin Real Estate are mainly deposited at state-owned banks and other large and medium-sized listed banks, the Target Company Liujin Real Estate expects no significant credit risk associated and that there would not be any significant losses due to non-performance by these counterparties.

In addition, the Target Company Liujin Real Estate has policies to limit the credit risk exposure on receivables. The Target Company Liujin Real Estate assesses the credit quality on its debtors by taking into account their financial position and other factors such as current market conditions. In respect of debtors with a poor credit history, the Target Company Liujin Real Estate will use written payment reminders to ensure the overall credit risk of the Target Company Liujin Real Estate is limited to controllable range.

## (3) Liquidity risk

Cash flow forecasting is performed by the Target Company Liujin Real Estate, the finance departments monitor rolling forecasts of the short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that it does not breach borrowing limits or covenants on any of borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Target Company Liujin Real Estate at the balance sheet date are analyzed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2015				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial liabilities					
Accounts payable	968,284	–	–	–	968,284
Long-term borrowings	109,239	109,239	2,646,770	–	2,865,248
Total	<u>1,077,523</u>	<u>109,239</u>	<u>2,646,770</u>	<u>–</u>	<u>3,833,532</u>

	31 December 2014				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial liabilities					
Accounts payable	35,140	–	–	–	35,140
Total	<u>35,140</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>35,140</u>

	31 December 2013				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial liabilities					
Accounts payable	21	–	–	–	21
Total	<u>21</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>21</u>

## 7 NET CURRENT ASSETS

	31 December 2015	31 December 2014	31 December 2013
Current assets	2,679,770	829,830	74,638
Less: current liabilities	(985,071)	(37,088)	(749)
Net current assets	<u>1,694,699</u>	<u>792,742</u>	<u>73,889</u>

## 8 TOTAL ASSETS LESS CURRENT LIABILITIES

	31 December 2015	31 December 2014	31 December 2013
Total assets	5,060,102	830,424	83,104
Less: current liabilities	(985,071)	(37,088)	(749)
Total assets less current liabilities	<u>4,075,031</u>	<u>793,336</u>	<u>79,287</u>

## III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company Liujin Real Estate in respect of any period subsequent to 31 December 2015 up to the date of this report. No dividend or distribution has been declared or made by the Target Company Liujin Real Estate in respect of any period subsequent to 31 December 2015.

**PricewaterhouseCoopers Zhong Tian LLP**  
Shanghai, PRC

29 June 2016

**C. ACCOUNTANT'S REPORT ON CHONGQING RUNZHI**

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



普华永道

The Directors  
Beijing Capital Land Ltd.

Dear Sirs,

We report on the financial information of Chongqing Runzhi Construction Development Limited (the "Target Company Chongqing Runzhi"), which comprises the balance sheets as at 31 December 2015, 2014 and 2013, and income statements, the statements of changes in equity and the cash flow statements for each of the years ended 31 December 2015, 2014 and 2013 (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 Sections I to III below for inclusion in Appendix II to the circular of the Company dated 29 June 2016 (the "Circular") in connection with the proposed acquisition of the Target Company Chongqing Runzhi by the Company.

The Target Company Chongqing Runzhi was incorporated in the People's Republic of China (the "PRC") on 31 March 2010 as a limited liability company under the Company Law of the PRC.

The financial statements of the Target Company Chongqing Runzhi for each of the years ended 31 December 2015, 2014 and 2013 were audited by PricewaterhouseCoopers Zhong Tian LLP pursuant to separate terms of engagement with the Target Company Chongqing Runzhi.

The directors of the Target Company Chongqing Runzhi are responsible for the preparation and fair presentation of the financial statements of the Target Company Chongqing Runzhi for the Relevant Periods in accordance with the Accounting Standards for Business Enterprises of the People's Republic of China ("CAS") issued by the China Ministry of Finance (the "Underlying Financial Statements"), and for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error. We have audited the Underlying Financial Statements in accordance with China Standards on Auditing ("CSAs") issued by Chinese Institute of Certified Public Accountants ("CICPA") pursuant to separate terms of engagement.

普华永道中天会计师事务所(特殊普通合伙)  
PricewaterhouseCoopers Zhong Tian LLP, 11/F PricewaterhouseCoopers Center  
2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC  
T: +86(21)2323 8888, F: +86(21)2323 8800, www.pwccn.com

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

**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 CAS and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the annual report of the Company for the year ended 31 December 2015.

**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 Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by 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 the Target Company Chongqing Runzhi as at 31 December 2015, 2014 and 2013 and of the Target Company Chongqing Runzhi's results and cash flows for the Relevant Periods.

## I. FINANCIAL STATEMENTS OF TARGET COMPANY CHONGQING RUNZHI

The following is the financial information of Target Company Chongqing Runzhi prepared by the directors of the Company as at 31 December 2015, 2014 and 2013, and for each of the years ended 31 December 2015, 2014 and 2013 (the "Financial Information").

## 1. BALANCE SHEETS

(All amounts in RMB'000 Yuan unless otherwise stated)

Item	Note	31 December 2015	31 December 2014	31 December 2013
<b>Assets</b>				
<b>Current assets</b>				
Cash at bank and on hand	4(1)	1,164	1,762	59,240
Advances to suppliers	4(3)	–	–	13,191
Other receivables	4(2)	48,952	21,130	20,755
Inventories	4(4)	229,898	238,880	277,323
Other current assets	4(5)	1,847	1,841	5,699
<b>Total current assets</b>		<u>281,861</u>	<u>263,613</u>	<u>376,208</u>
<b>Non-current assets</b>				
Fixed assets	4(6)	823	1,001	1,172
<b>Total non-current assets</b>		<u>823</u>	<u>1,001</u>	<u>1,172</u>
<b>Total assets</b>		<u><u>282,684</u></u>	<u><u>264,614</u></u>	<u><u>377,380</u></u>
<b>Liabilities and owners' equity</b>				
<b>Current liabilities</b>				
Accounts payable	4(7)	49,683	52,532	91,678
Advances from customers	4(8)	780	5,657	49,303
Employee benefits payable	4(9)	–	–	–
Taxes payable		–	3	635
Other payables	4(10)	231,970	364,751	309,615
Current portion of non-current liabilities	4(11)	–	99,000	–
<b>Total current liabilities</b>		<u>282,433</u>	<u>521,943</u>	<u>451,231</u>
<b>Non-current liabilities</b>				
Long-term borrowings	4(12)	–	–	100,000
<b>Total non-current liabilities</b>		<u>–</u>	<u>–</u>	<u>100,000</u>
<b>Total liabilities</b>		<u><u>282,433</u></u>	<u><u>521,943</u></u>	<u><u>551,231</u></u>
<b>Owners' equity</b>				
Paid-in Capital	4(13)	341,000	8,000	8,000
Undistributed profits	4(14)	(340,749)	(265,329)	(181,851)
<b>Total owners' equity</b>		<u>251</u>	<u>(257,329)</u>	<u>(173,851)</u>
<b>Total liabilities and owners' equity</b>		<u><u>282,684</u></u>	<u><u>264,614</u></u>	<u><u>377,380</u></u>



## 2. INCOME STATEMENTS

*(All amounts in RMB'000 Yuan unless otherwise stated)*

Item	Note	2015	2014	2013
<b>Revenue</b>	4(15)	–	43,997	–
<i>Less:</i> Cost of sales	4(15)	–	(41,533)	–
Taxes and surcharges	4(16)	–	(4,004)	–
Selling and distribution expenses	4(17)	(72)	(1,903)	(220)
General and administrative expenses	4(17)	(4,232)	(10,649)	(752)
Financial expenses – net	4(18)	(61,375)	(57,590)	(19,373)
Asset impairment losses	4(19)	(8,982)	(11,896)	(149,735)
		<hr/>	<hr/>	<hr/>
<b>Operating profit</b>		(74,661)	(83,578)	(170,080)
<i>Add:</i> Non-operating income		–	100	120
<i>Less:</i> Non-operating expenses		(759)	–	(10)
		<hr/>	<hr/>	<hr/>
<b>Total profit</b>		(75,420)	(83,478)	(169,970)
<i>Less:</i> Income tax expenses	4(20)	–	–	–
		<hr/>	<hr/>	<hr/>
<b>Net profit</b>		(75,420)	(83,478)	(169,970)
		<hr/>	<hr/>	<hr/>
<b>Other comprehensive income for the year, net of tax</b>		–	–	–
		<hr/>	<hr/>	<hr/>
<b>Total comprehensive loss for the year</b>		(75,420)	(83,478)	(169,970)
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 3. CASH FLOW STATEMENTS

(All amounts in RMB'000 Yuan unless otherwise stated)

Item	Note	2015	2014	2013
<b>Cash flow from operating activities</b>				
Cash received from sales of goods or rendering of services		–	–	49,202
Cash received relating to other operating activities		81	278	17,050
<b>Sub-total of cash inflows</b>		<u>81</u>	<u>278</u>	<u>66,252</u>
Cash paid for goods and services		(2,848)	(40,276)	(47,037)
Cash paid to and on behalf of employees		(206)	(6,114)	(7,665)
Payments of taxes and surcharges		(22)	(780)	(6,037)
Cash paid relating to other operating activities		(10,232)	(1,514)	(14,633)
<b>Sub-total of cash outflows</b>		<u>(13,308)</u>	<u>(48,684)</u>	<u>(75,372)</u>
<b>Net cash flows from operating activities</b>	4(21)(a)	<u>(13,227)</u>	<u>(48,406)</u>	<u>(9,120)</u>
<b>Cash flows from investing activities</b>				
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		–	(6)	(92)
Cash received relating to other investing activities		(27,878)	–	–
<b>Sub-total of cash inflows</b>		<u>(27,878)</u>	<u>(6)</u>	<u>(92)</u>
<b>Net cash flows from investing activities</b>		<u>(27,878)</u>	<u>(6)</u>	<u>(92)</u>
<b>Cash flows from financing activities</b>				
Cash received from borrowings		–	–	100,000
Cash received from other financing activities	5(3)(a)	150,000	3,022	291,690
<b>Sub-total of cash inflows</b>		<u>150,000</u>	<u>3,022</u>	<u>391,690</u>
Cash repayments of borrowings		(99,000)	(1,000)	(80,000)
Cash payments for interest expenses and distribution of dividends or profits		(7,473)	(11,089)	(12,998)
Cash paid relating to other financing activities		(3,022)	–	(272,406)
<b>Sub-total of cash outflows</b>		<u>(109,495)</u>	<u>(12,089)</u>	<u>(365,404)</u>
<b>Net cash flows from financing activities</b>		<u>40,505</u>	<u>(9,067)</u>	<u>26,286</u>
<b>Net (decrease)/increase in cash</b>	4(21)(b)	<u>(600)</u>	<u>(57,479)</u>	<u>17,074</u>
Add: Cash at beginning of year		1,451	58,930	41,856
<b>Cash at end of year</b>	4(21)(c)	<u>851</u>	<u>1,451</u>	<u>58,930</u>

## 4. STATEMENTS OF CHANGES IN OWNERS' EQUITY

*(All amounts in RMB'000 Yuan unless otherwise stated)*

Item		Paid-in capital	Undistributed profits	Total owner's equity
Balance at 1 January 2013		8,000	(11,881)	(3,881)
<b>Movement for the year ended 31 December 2013</b>				
Net loss		–	(169,970)	(169,970)
<b>Balance at 31 December 2013</b>		<b>8,000</b>	<b>(181,851)</b>	<b>(173,851)</b>
Balance at 1 January 2014		8,000	(181,851)	(173,851)
<b>Movement for the year ended 31 December 2014</b>				
Net loss		–	(83,478)	(83,478)
<b>Balance at 31 December 2014</b>		<b>8,000</b>	<b>(265,329)</b>	<b>(257,329)</b>
Balance at 1 January 2015		8,000	(265,329)	(257,329)
<b>Movement for the year ended 31 December 2015</b>				
Capital contribution and withdrawal by owners, including:				
Transfer from other payable to paid-in capital by owner	4(13)	333,000	–	333,000
Net loss		–	(75,420)	(75,420)
<b>Balance at 31 December 2015</b>		<b>341,000</b>	<b>(340,749)</b>	<b>251</b>

## II NOTES TO THE FINANCIAL STATEMENTS OF THE TARGET COMPANY CHONGQING RUNZHI

*(All amounts in RMB'000 Yuan unless otherwise stated)*

### 1 GENERAL INFORMATION

Chongqing Runzhi Construction and Development Co., Ltd. (hereinafter "the Target Company Chongqing Runzhi") is a limited liability company, founded by three individual shareholders with registered capital of RMB8,000,000 in 1996. In March 2010, the former individual shareholders of the Target Company Chongqing Runzhi transferred its 100% equity interests to Chongqing Haizhong Real Estate Development Co., Ltd. (hereinafter "Chongqing Haizhong", renamed "Chongqing Capital Environmental Governance Co., Ltd" now), and re-applied the business license for the legal entity with registration number of 500107000014997 on 31 March 2010.

In December 2013, Chongqing Haizhong transferred 100% equity interests of the Target Company Chongqing Runzhi to Beijing Xinxing Real Estate Development Co., Ltd. (hereinafter "Xinxing Real Estate"). After the transaction, Xinxing Real Estate holds 100% equity interests of the Target Company Chongqing Runzhi.

In June 2015, Xinxing Real Estate transferred 100% equity interests of the Target Company Chongqing Runzhi to Beijing Chuangzhixinrong Investment (limited partnership)(hereinafter "Chuangzhixinrong"), meanwhile, new shareholder Beijing Xinwei Infrastructure Investment Co., Ltd. (hereinafter "Beijing Xinwei") subscribed capital contribution amounted to RMB80,000, after the transaction and capital increase, the registered capital of the Target Company Chongqing Runzhi amounted to RMB8,080,000, in which Chuangzhixinrong and Beijing Xinwei (who had not paid its subscribed capital contribution, which is RMB80,000) holds 99% and 1% equity interest of the Target Company Chongqing Runzhi respectively.

In December 2015, Chuangzhi Xinrong converted its creditors' rights of the Target Company Chongqing Runzhi amounted to RMB333,000,000 into capital contribution to increase the Target Company Chongqing Runzhi's paid-in capital. After the conversion, the registered capital of the Target Company Chongqing Runzhi increased to RMB341,080,000, in which Chuangzhixinrong and Beijing Xinwei (who had not paid its subscribed) holds 99.98% and 0.02% equity interests of the Target Company Chongqing Runzhi respectively.

As at 31 December 2015, the paid-in capital of the Target Company Chongqing Runzhi amounted to RMB341,000,000.

The registered address of the Target Company Chongqing Runzhi is No. 79 Longteng Avenue, Xiejiawan, Jiulongpo District, Chongqing.

The Target Company Chongqing Runzhi is principally engaged in the real estate development and sale, in the year 2015, 2014 and 2013, the main operation of the Target Company Chongqing Runzhi Company was develop and sale of Shiwaitaoyuan project, which in Jiulongpo District, Chongqing.

Beijing Capital Group Ltd. (hereinafter "Capital Group") is the ultimate holding company of the Target Company Chongqing Runzhi.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

#### (1) Basis of preparation

The financial statements were prepared in accordance with the Basic Standard and 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 Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereinafter collectively referred to as the "Accounting Standards for Business Enterprises" or "CAS").

As at 31 December 2015, 2014 and 2013, the Target Company Chongqing Runzhi's current liabilities exceeded current assets by RMB572,000, RMB258,330,000 and RMB75,023,000 respectively, in the year 2015, 2014 and 2013, the accumulated losses and net assets of the Target Company Chongqing Runzhi were amounted to RMB74,420,000, RMB83,478,000 and RMB169,970,000 respectively. The going concern of the Target Company Chongqing Runzhi will largely depend on the continuing financial support from the investors. The Target Company Chongqing Runzhi has confirmed that the Company will provide financial support to the Target Company Chongqing Runzhi after the completion of the Acquisitions, to ensure it can meet its liabilities as they fall due and carry on its business without a significant curtailment of operations in the Target Company Chongqing Runzhi in 12 months from the Balance Sheet day. Therefore, the management of the Target Company Chongqing Runzhi confirmed that the Target Company Chongqing Runzhi would operate as a going concern and continues to prepare the financial statements on a going concern basis.

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

The financial statements of the Target Company Chongqing Runzhi for the years ended 31 December 2015, 2014, and 2013 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Target Company Chongqing Runzhi as at 31 December 2015, 2014 and 2013 and of their financial performance, cash flows and other information for the years ended 31 December 2015, 2014 and 2013.

(3) **Accounting year**

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

(4) **Functional currency**

The functional currency is Renminbi (RMB).

(5) **Cash**

Cash comprises cash on hand and deposits that can be readily drawn on demand.

(6) **Financial instruments**

(a) **Financial assets**

(i) *Classification of financial assets*

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

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including other receivables (note 2(7)).

(ii) *Recognition and measurement*

Financial assets are recognized at fair value on the balance sheet when the Target Company Chongqing Runzhi becomes a party to the contractual provisions of the financial instrument. Transaction costs that are attributable to the acquisition of the receivables are included in their initial recognition amounts.

Receivables are measured at amortized cost using the effective interest method.

(iii) *Impairment of financial assets*

The Target Company Chongqing Runzhi assesses the carrying amounts of financial assets at each balance sheet date. If there is objective evidence indicating that a financial asset is impaired, the Target Company Chongqing Runzhi shall make a provision for impairment.

Objective evidence indicating impairment of financial assets refers to the matter that actually occurs after the initial recognition of financial assets, it will affect estimated future cash flows of financial assets, and its impact can be reliably measured by the Target Company Chongqing Runzhi.

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

(iv) *Derecognition of financial assets*

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

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

(b) **Financial liabilities**

Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. The Target Company Chongqing Runzhi's financial liabilities are mainly other financial liabilities including payables and borrowings.

Payables include trade and other payables which are initially recognized at fair value and recorded at amortized cost using effective interest rate in subsequent measurement.

Borrowings are initially recognized at fair value, net of transaction 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) or in an ordinary operation cycle are stated as current liabilities; other financial liabilities with repayment period over 1 year but repayment date within 1 year (including 1 year) from balance sheet date are stated as current portion of non-current liabilities; others are stated as non-current liabilities.

A financial liability is derecognized or partly derecognized when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognized part of the financial liability and the consideration paid is recognized in profit or loss.

**(c) Offsetting of financial assets and liabilities**

Financial assets and liabilities should be presented separately in balance sheet without offsetting. A financial asset and a financial liability should be offset when, and only when both of the following conditions are satisfied: (i) The Target Company Chongqing Runzhi currently has a legally enforceable right to set off the recognized amounts and the legal enforceable right is now executable. (ii) The Target Company Chongqing Runzhi intends either to settle on a net basis, or to liquidate the financial asset and settle the financial liability simultaneously.

**(7) Receivables**

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

**(a) Receivables that are individually significant and subject to separate assessment for provision for bad debts**

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

The provision for bad debts of those individually significant amounts is determined as the difference between the present value of estimated future cash flow of receivables and its carrying amount.

**(b) Receivables that are subject to provision for bad debts on the grouping basis**

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

Basis for grouping is as follows:

Group of related parties	Amounts due from related parties
Group of third parties	Amounts due from other third parties

Methods of determining provision for bad debts by grouping are as follows:

Group of related parties	Low credit risk upon assessment, no bad debts provided
Group of third parties	Assessment based on historical losses

The Target Company Chongqing Runzhi has no receivables with amounts that are not individually significant and in high risk based on their credit risk characteristics.

**(c) Receivables with amounts that are not individually significant but subject to separate assessment for provision for bad debts**

The reason for making separate assessment for provision for bad debts is that there exists objective evidence that the Target Company Chongqing Runzhi will not be able to collect the amount under the original terms of the receivables.

the provision for bad debts is determined based on the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

**(8) Inventories****(a) Classification**

Inventories include properties under development, properties held for sale, which are measured at the lower of cost and net realizable value.

**(b) Measurement of inventories**

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

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

**(c) Measurement of net realizable value and provisions for inventories impairment**

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

**(d) The Target Company Chongqing Runzhi adopts the perpetual inventory system.****(9) Fixed assets****(a) Recognition and initial measurement**

Fixed assets comprise motor vehicles, and office equipment, etc. Fixed assets are recognized when it is probable that the associated economic benefits will flow to the Target Company Chongqing Runzhi and the related cost can be reliably measured. Fixed assets purchased or constructed by the Target Company Chongqing Runzhi are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Target Company Chongqing Runzhi and the related cost can be reliably measured. The carrying amount of the replaced part is derecognized. All the other subsequent expenditures are recognized in profit or loss for the current period.

**(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 rate of residual value and the annual depreciation rate are as follows:

	Estimated Useful lives	Estimated rate of residual Value	Annual depreciation
Motor vehicles	5-10 year	4%	9.6%-19.2%
Office equipment	5-10 year	4%	9.6%-19.2%

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

(c) When recoverable amount of fixed asset is lower than its carrying amount, the carrying amount should be witten down to the recoverable amount (note 2(11)).

(d) **Disposal of fixed assets**

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

(10) **Borrowing cost**

The borrowing costs that are directly attributable to the acquisition and construction of investment properties or real estate projects that need a substantially long period of time for its intended use commence to be capitalized and recognized 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 capitalization of borrowing costs ceases, when the investment properties under acquisition or construction becomes ready for its intended use, the properties under development become ready for sale (generally after Completion Certification granted), the borrowing costs incurred thereafter are recognized in profit or loss for the current period. Capitalization of borrowing costs is suspended during periods in which the acquisition or construction of the asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

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

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

(11) **Impairment of long-term assets**

Fixed assets and 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 recognized 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 recognized 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 to is determined. A group of assets is the smallest group of assets that is able to generate cash inflows independently.

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

**(12) Employee benefits**

Employee benefits are all forms of considerations given in exchange for services rendered by employees or compensation paid in order to terminate the employment relationship. Employee benefits mainly include short-term employee benefits, demission benefits, termination benefits and other long-term employee benefits, etc.

**(a) Short-term employee benefits**

Short-term employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labor union funds, employee education funds, short-term compensated absences and profit sharing plan. When an employee has rendered service to the Target Company Chongqing Runzhi during an accounting period, the Target Company Chongqing Runzhi shall recognize short-term employee benefits as liabilities and charge to the cost of an asset or as an expense at the same time. Non-monetary benefits are measured in accordance with fair value.

**(b) Demission benefits**

Demission benefits are classified as defined contribution plan and defined benefit plans. Defined contribution is demission benefits plan in which the Target Company Chongqing Runzhi is not obliged to make further payment after paying a certain amount to individual funds. Defined benefit plans is other demission benefits plan except for defined contribution plan. During the period, demission benefits mainly include basic social pension security and unemployed insurance, both of which are defined contribution plan.

*Basic social pension security*

Employees of the Target Company Chongqing Runzhi participate in the basic social pension plan set up and administered by the government authorities. Basic pensions are provided monthly according to stipulated proportions and basis, which are paid to local labor and social security institutions. After retirement of employees, local labor and social security institutions will pay related pensions to employees accordingly. When an employee has rendered service to the Target Company Chongqing Runzhi during an accounting period, the Target Company Chongqing Runzhi shall compute and recognize liabilities according to the above stipulation and charge to the cost of an asset or as an expense at the same time.

**(c) Termination benefits**

Termination benefits are payables when employment is terminated by the Target Company Chongqing Runzhi before the employment contract expire, or compensation provided as an offer to encourage employees to accept voluntary redundancy. The Target Company Chongqing Runzhi recognizes termination benefits as liabilities and charges to profit or losses at the earlier of the following dates: when the Target Company Chongqing Runzhi can no longer withdraw the offer of termination plan; and when the Target Company Chongqing Runzhi recognizes costs for restructuring which involving the payment of termination benefits.

**(13) Profits Distribution**

Profits distribution is recognized as liability in the period in which it is approved by the Target Company Chongqing Runzhi's shareholders.

**(14) Revenue recognition**

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable from the sales of goods and the rendering of services in the ordinary course of the Target Company Chongqing Runzhi's business activities. Revenue is shown net off rebates, discounts and returns.

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

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

- properties are completed and accepted after check;
- a legally binding sales contract has been signed in proper manner and form;
- all the significant risks and rewards of ownership of the properties held for sale have been transferred to the buyer;
- the Target Company Chongqing Runzhi does not retain the management rights, which is normally associated with owner, on the development properties sold and has no control over the development properties sold, and does not meet the other criteria required when recognizing revenue mentioned above.

**(15) Deferred tax assets and deferred tax liabilities**

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognized 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 liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognized 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 tax rates that are expected to apply to the year when the asset is realized or the liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available to offset the deductible temporary differences, deductible losses, and deductible tax amounts.

Deferred tax assets and liabilities are offset if all the following conditions are met:

- they related to income taxes levied by the same tax authority; and
- the Target Company Chongqing Runzhi has a legally enforceable right to offset current tax assets and current tax liabilities.

**(16) Critical accounting estimates and judgments**

The Target Company Chongqing Runzhi 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 follows:

(i) *Property development cost*

Critical estimates and judgments on budget cost and development progress are required in determining property development cost. The budget cost and development progress of the project is reviewed by the Target Company Chongqing Runzhi on a regular basis and adjusted as appropriate. When the actual cost differs from the budget cost, such difference will impact the relevant property development cost.

(ii) *Taxes*

The Target Company Chongqing Runzhi is subject to various taxes for the business of property development. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required in determining the provision for land appreciation tax ("LAT"). 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 year in which such determination is made.

(iii) *Deferred tax assets*

Judgment for whether deductible temporary differences and deductible losses can be reversed in the future period is required from the Target Company Chongqing Runzhi in recognizing deferred income tax assets. As no evidence indicates that the Target Company Chongqing Runzhi will have enough taxable income to deduct the deductible losses in the future, the Target Company Chongqing Runzhi has not recognized deferred tax assets during the reporting period.

(iv) *Provision for inventory impairment*

The Target Company Chongqing Runzhi measures the inventories at the lower of cost and net realizable value at the balance sheet date. The calculation of net realizable value needs assumptions and estimates. If the management changes the estimated selling price and the estimated costs and expenses to completion, the estimated net realizable value would be affected; such difference will impact the provisions of inventories which have been recognized.

(b) ***Critical judgments on application of accounting policy – revenue recognition***

According to the accounting policy stated in note 2(14), the assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the judgment according to the circumstances of the transaction. In most cases, the transfer point of risks and rewards of ownership coincides with the date when the buyer check and accept the property or when the buyer is regarded as checking and accepting the property.

As disclosed in note 6, the Target Company Chongqing Runzhi provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Target Company Chongqing Runzhi's properties. These guarantees will expire when relevant property ownership certificates are mortgaged to banks by the purchasers. The Target Company Chongqing Runzhi believes that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers when the buyer check and accept the property or when the buyer is regarded as checking and accepting the property.

## 3 TAXATION

The types and rates of taxes applicable to the Target Company Chongqing Runzhi are set out below:

Type	Tax rate	Taxable base
Enterprise income tax	25%	Taxable income
Business tax (a)	5%	Taxable turnover amount
Land appreciation tax	30%-60%	Taxable value added amount through sales of properties
City maintenance and construction tax	7%	Amount of business tax payable
Educational surcharge	3%	Amount of business tax payable
Local educational surcharge	2%	Amount of business tax payable

(a) According to the Circular regarding the Comprehensive Roll-out of the Pilot Program for the Transformation from Business Tax to Value-Added Tax (《關於全面推開營業稅改增值稅試點的通知》) (CaiShui [2016] No. 36) issued jointly by the Ministry of Finance and the State Administration of Taxation, the countrywide pilot program of replacing business tax with value-added tax (hereinafter referred to as “the Pilot Program”) was carried out since 1 May 2016, and tax payers in the construction, real estate, finance and consumer services industries are involved in the pilot. Pursuant to the Notice, as the Target Company Chongqing Runzhi is mainly engaged in the real estate development and sales, the applicable VAT rate would be 11% (general rate) or 5% (simple rate).

## 4 NOTES TO THE FINANCIAL STATEMENTS

## (1) Cash at bank and on hand

	31 December 2015	31 December 2014	31 December 2013
Cash on hand	–	1	42
Bank deposits	1,164	1,761	59,198
Total	<u>1,164</u>	<u>1,762</u>	<u>59,240</u>

As at 31 December 2015, 2014 and 2013, bank deposits include supervised advance from customers amounted to RMB313,000, RMB311,000 and RMB310,000 respectively.

## (2) Other receivables

	31 December 2015	31 December 2014	31 December 2013
Amounts due from related parties (Note 5(4)(a))	27,878	–	–
Amounts due from other companies	18,293	18,293	18,554
Deposits	1,208	1,208	1,874
Others	1,573	1,629	327
Total	<u>48,952</u>	<u>21,130</u>	<u>20,755</u>
Less: provisions for bad debts	–	–	–
Other receivables- Net	<u>48,952</u>	<u>21,130</u>	<u>20,755</u>

Analysis of other receivables and related provision for bad debts are as follow:

	31 December 2015				31 December 2014				31 December 2013			
	Amount	% of total balance	Provision	% of the provision	Amount	% of total balance	Provision	% of the provision	Amount	% of total balance	Provision	% of the provision
Within 1 year	27,929	57%	-	-	1,403	7%	-	-	19,850	96%	-	-
1 to 2 years	1,346	3%	-	-	18,822	89%	-	-	905	4%	-	-
2 to 3 years	18,772	38%	-	-	905	4%	-	-	-	-	-	-
Over 3 years	905	2%	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>48,952</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>21,130</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>20,755</b>	<b>100%</b>	<b>-</b>	<b>-</b>

The Target Company Chongqing Runzhi has no receivables with amounts that were overdue but not impaired as at 31 December 2015, 2014 and 2013.

Analysis of other receivables by categories are as follows:

	31 December 2015				31 December 2014				31 December 2013			
	Amount	% of total balance	Provision	% of the provision	Amount	% of total balance	Provision	% of the provision	Amount	% of total balance	Provision	% of the provision
Receivables that are subject to provision for bad debts on the grouping basis												
- Group of related parties	27,878	57%	-	-	-	-	-	-	-	-	-	-
- Group of third parties	21,074	43%	-	-	21,130	100%	-	-	20,755	100%	-	-
<b>Total</b>	<b>48,952</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>21,130</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>20,755</b>	<b>100%</b>	<b>-</b>	<b>-</b>

### (3) Advances to suppliers

The advances to suppliers are analysed as follows:

	31 December 2015	31 December 2014	31 December 2013
Advances to suppliers for project costs	-	-	13,191

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

	31 December 2015		31 December 2014		31 December 2013	
	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance
Within 1 year	-	-	-	-	13,191	100%

## (4) Inventories

## (a) Inventories are classified as follows:

	31 December 2015		31 December 2014		31 December 2013		Book value	Book value	
	Book value	Provision for balance impairment	Book value	Provision for balance impairment	Book value	Provision for balance impairment			
Properties under development	201,426	(90,845)	110,581	201,426	(85,402)	116,024	186,440	(73,506)	112,934
Properties held for sale	179,215	(59,898)	119,317	179,215	(56,359)	122,856	240,618	(76,229)	164,389
<b>Total</b>	<b>380,641</b>	<b>(150,743)</b>	<b>229,898</b>	<b>380,641</b>	<b>(141,761)</b>	<b>238,880</b>	<b>427,058</b>	<b>(149,735)</b>	<b>277,323</b>

## (b) The movement of inventories are as follows:

	31 December 2014	Additions	Reduction	31 December 2015
Cost				
Properties under development	201,426	–	–	201,426
Properties held for sale	179,215	–	–	179,215
<b>Total</b>	<b>380,641</b>	<b>–</b>	<b>–</b>	<b>380,641</b>

	31 December 2013	Additions	Reduction	31 December 2014
Cost				
Properties under development (i)	186,440	14,986	–	201,426
Properties held for sale	240,618	–	(61,403)	179,215
<b>Total</b>	<b>427,058</b>	<b>14,986</b>	<b>(61,403)</b>	<b>380,641</b>

	31 December 2012	Additions	Reduction	31 December 2013
Cost				
Properties under development (i)	249,334	177,724	(240,618)	186,440
Properties held for sale	–	240,618	–	240,618
<b>Total</b>	<b>249,334</b>	<b>418,342</b>	<b>(240,618)</b>	<b>427,058</b>

(i) The first phase of Shiwai Taoyuan Project held for development by the Target Company Chongqing Runzhi had become ready for its intended use and transferred to properties held for sale in 2013. The later phase of the Project is basically halted with a small municipal accessory facilities fee incurred in 2014.

(c) *Analysis of provisions of inventories is as follows:*

	31 December 2014	Additions	Reduction	31 December 2015
Properties under development	85,402	5,443	–	90,845
Properties held for sale	56,359	3,539	–	59,898
	<u>141,761</u>	<u>8,982</u>	<u>–</u>	<u>150,743</u>
Total	<u>141,761</u>	<u>8,982</u>	<u>–</u>	<u>150,743</u>
	31 December 2013	Additions	Reduction	31 December 2014
Properties under development	73,506	11,896	–	85,402
Properties held for sale	76,229	–	(19,870)	56,359
	<u>149,735</u>	<u>11,896</u>	<u>(19,870)</u>	<u>141,761</u>
Total	<u>149,735</u>	<u>11,896</u>	<u>(19,870)</u>	<u>141,761</u>
	31 December 2012	Additions	Reduction	31 December 2013
Properties under development	–	73,506	–	73,506
Properties held for sale	–	76,229	–	76,229
	<u>–</u>	<u>149,735</u>	<u>–</u>	<u>149,735</u>
Total	<u>–</u>	<u>149,735</u>	<u>–</u>	<u>149,735</u>

In 2014, the Target Company Chongqing Runzhi's properties held for sale with the carrying amount of RMB41,533,000 has been recognized as cost of sales (2015 & 2013: nil) (note 4(15)).

As at 31 December 2015, 2014 and 2013, the financed costs capitalized in the inventories amounted to RMB50,423,000, RMB50,423,000 and RMB66,523,000 respectively.

In 2013, the capitalization rate is 9.68%, in 2015 and 2014, there were no capitalized interest expenses.

As at 31 December 2014 and 2013, certain land use rights in properties under development of the Target Company Chongqing Runzhi with a carrying amount of RMB22,332,000 have been mortgaged as security for long-term borrowings of RMB99,000,000 and RMB100,000,000 respectively (note 4(12)).

(5) **Other current assets**

	31 December 2015	31 December 2014	31 December 2013
Prepaid taxes	<u>1,847</u>	<u>1,841</u>	<u>5,699</u>



## (6) Fixed assets

	Motor vehicles	Office equipment	Total
Cost			
31 December 2014	1,147	302	1,449
Increase	-	-	-
Decrease	-	-	-
	<hr/>	<hr/>	<hr/>
31 December 2015	1,147	302	1,449
	<hr/>	<hr/>	<hr/>
Accumulated depreciation			
31 December 2014	(285)	(163)	(448)
Increase	(120)	(58)	(178)
– Accrue ment	(120)	(58)	(178)
Decrease	-	-	-
	<hr/>	<hr/>	<hr/>
31 December 2015	(405)	(221)	(626)
	<hr/>	<hr/>	<hr/>
Provision for impairment			
31 December 2015	-	-	-
	<hr/>	<hr/>	<hr/>
31 December 2014	-	-	-
	<hr/>	<hr/>	<hr/>
Net book value			
31 December 2015	742	81	823
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
31 December 2014	862	139	1,001
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

In 2015, depreciation expense charged in administrative expenses with amounted to RMB178,000.

	Motor vehicles	Office equipment	Total
Cost			
31 December 2013	1,147	296	1,443
Increase	–	6	6
– Accrue ment	–	6	6
Decrease	–	–	–
	<u>1,147</u>	<u>302</u>	<u>1,449</u>
31 December 2014	1,147	302	1,449
Accumulated Depreciation			
31 December 2013	(165)	(106)	(271)
Increase	(120)	(57)	(177)
– Accrue ment	(120)	(57)	(177)
Decrease	–	–	–
	<u>(120)</u>	<u>(57)</u>	<u>(177)</u>
31 December 2014	(285)	(163)	(448)
Provision for impairment			
31 December 2014	–	–	–
31 December 2013	–	–	–
Net book value			
31 December 2014	<u>862</u>	<u>139</u>	<u>1,001</u>
31 December 2013	<u>982</u>	<u>190</u>	<u>1,172</u>

In 2014, depreciation expense charged in administrative expenses amounted to RMB177,000.

	Motor vehicles	Office equipment	Total
Cost			
31 December 2012	1,147	204	1,351
Increase	–	92	92
– Accrument	–	92	92
Decrease	–	–	–
	<u>1,147</u>	<u>296</u>	<u>1,443</u>
31 December 2013	1,147	296	1,443
Accumulated Depreciation			
31 December 2012	(45)	(53)	(98)
Increase	(120)	(53)	(173)
– Accrument	(120)	(53)	(173)
Decrease	–	–	–
	<u>(165)</u>	<u>(106)</u>	<u>(271)</u>
31 August 2013	(165)	(106)	(271)
Provision for impairment			
31 December 2013	–	–	–
31 December 2012	–	–	–
Net book value			
31 December 2013	<u>982</u>	<u>190</u>	<u>1,172</u>
31 December 2012	<u>1,102</u>	<u>151</u>	<u>1,253</u>

In 2013, depreciation expense charged in cost of sales amounted to RMB130,000 and in administrative expenses amounted to RMB43,000.

(7) **Accounts payable**

The aging analysis of accounts payable is as follows:

	31 December 2015	31 December 2014	31 December 2013
Within 1 year	–	10,354	91,676
Over 1 year	49,683	42,178	2
	<u>49,683</u>	<u>52,532</u>	<u>91,678</u>
Total	<u>49,683</u>	<u>52,532</u>	<u>91,678</u>

(8) **Advances from customers**

	31 December 2015	31 December 2014	31 December 2013
Advances from sales of properties under development	<u>780</u>	<u>5,657</u>	<u>49,303</u>

Advances from sales of properties are amounts received from customers for properties sold, but the relevant revenue have not met the recognition criteria.

## (9) Employee benefits payable

	31 December 2015	31 December 2014	31 December 2013
Short-term employee benefits payable (a)	-	-	-
Defined contribution plan payable (b)	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>

## (a) Short-term employee benefits payable

	31 December 2014	Increase	Decrease	31 December 2015
Wages and salaries, bonuses, allowances and subsidies	-	177	(177)	-
Social security contributions	-	9	(9)	-
Including: Medical insurance	-	8	(8)	-
Maternity insurance	-	1	(1)	-
Housing funds	-	4	(4)	-
Total	<u>-</u>	<u>190</u>	<u>(190)</u>	<u>-</u>

	31 December 2013	Increase	Decrease	31 December 2014
Wages and salaries, bonuses, allowances and subsidies	-	4,121	(4,121)	-
Staff welfare	-	90	(90)	-
Social security contributions	-	147	(147)	-
Including: Medical insurance	-	128	(128)	-
Work injury insurance	-	9	(9)	-
Maternity insurance	-	10	(10)	-
Housing funds	-	83	(83)	-
Others	-	1,365	(1,365)	-
Total	<u>-</u>	<u>5,806</u>	<u>(5,806)</u>	<u>-</u>

	31 December 2012	Increase	Decrease	31 December 2013
Wages and salaries, bonuses, allowances and subsidies	-	5,868	(5,868)	-
Staff welfare	-	522	(522)	-
Social security contributions	-	306	(306)	-
Including: Medical insurance	-	263	(263)	-
Work injury insurance	-	21	(21)	-
Maternity insurance	-	22	(22)	-
Housing funds	-	260	(260)	-
Labor union funds and employee education funds	-	65	(65)	-
Others	-	38	(38)	-
Total	<u>-</u>	<u>7,059</u>	<u>(7,059)</u>	<u>-</u>

*(b) Defined contribution plans payable*

	31 December 2014	Increase	Decrease	31 December 2015
Basic social pension security	–	15	(15)	–
Unemployment security	–	1	(1)	–
	<u>–</u>	<u>16</u>	<u>(16)</u>	<u>–</u>
Total	<u>–</u>	<u>16</u>	<u>(16)</u>	<u>–</u>
	31 December 2013	Increase	Decrease	31 December 2014
Basic social pension security	–	283	(283)	–
Unemployment security	–	25	(25)	–
	<u>–</u>	<u>308</u>	<u>(308)</u>	<u>–</u>
Total	<u>–</u>	<u>308</u>	<u>(308)</u>	<u>–</u>
	31 December 2012	Increase	Decrease	31 December 2013
Basic social pension security	–	561	(561)	–
Unemployment security	–	45	(45)	–
	<u>–</u>	<u>606</u>	<u>(606)</u>	<u>–</u>
Total	<u>–</u>	<u>606</u>	<u>(606)</u>	<u>–</u>

**(10) Other payables**

	31 December 2015	31 December 2014	31 December 2013
Payables to related parties ( <i>notes (4)(b)</i> )	209,915	342,030	292,338
Payables to other companies	12,078	12,169	12,036
Security deposits	60	60	250
Others	9,917	10,492	4,991
	<u>231,970</u>	<u>364,751</u>	<u>309,615</u>
Total	<u>231,970</u>	<u>364,751</u>	<u>309,615</u>

**(11) Current portion of non-current liabilities**

	31 December 2015	31 December 2014	31 December 2013
Long-term borrowings due within one year ( <i>note 4(12)</i> )	–	99,000	–
	<u>–</u>	<u>99,000</u>	<u>–</u>

**(12) Long-term borrowings**

	31 December 2015	31 December 2014	31 December 2013
Mortgaged, pledged loans	–	99,000	100,000
Less: long-term borrowings due within one year	–	(99,000)	–
	<u>–</u>	<u>–</u>	<u>100,000</u>
Total	<u>–</u>	<u>–</u>	<u>100,000</u>

As at 31 December 2014 and 2013, bank borrowing of RMB99,000,000 and RMB100,000,000 were secured by the mortgage of certain land use rights in properties under development of the Target Company Chongqing Runzhi (note 4), and secured by the pledge of equity of the Target Company Chongqing Runzhi. As RMB99,000,000 should be repaid on or before 31 December 2015, such amount was classified as long-term borrowings due within one year as at 31 December 2014, and it has been repaid as at 31 December 2015.

**(13) Paid-in capital**

	31 December 2014	Increase	Decrease	31 December 2015
Xinxing Real Estate	8,000	–	(8,000)	–
Chuangzhixinrong	–	341,000	–	341,000
Total	<u>8,000</u>	<u>341,000</u>	<u>(8,000)</u>	<u>341,000</u>

In June 2015, Xinxing Real Estate transferred its 100% equity interests in the Target Company Chongqing Runzhi to Chuangzhixinrong. In December 2015, Chuangzhixinrong converted its creditor's rights of RMB333,000,000 in the Target Company Chongqing Runzhi into capital contribution to increase the Target Company Chongqing Runzhi's paid-in capital (Note 5(4)(b)).

	31 December 2013	Increase	Decrease	31 December 2014
Xinxing Real Estate	<u>8,000</u>	–	–	<u>8,000</u>

	31 December 2012	Increase	Decrease	31 December 2013
Xinxing Real Estate	–	8,000	–	8,000
Chongqinghaizhong	<u>8,000</u>	–	(8,000)	<u>–</u>
Total	<u>8,000</u>	<u>8,000</u>	<u>(8,000)</u>	<u>8,000</u>

**(14) Profits distribution**

No dividend or distribution was declared in 2015, 2014 and 2013.

**(15) Revenue and cost of sales**

	2015		2014		2013	
	Operating revenue	Operating costs	Operating revenue	Operating costs	Operating revenue	Operating costs
Sale of properties	<u>–</u>	<u>–</u>	<u>43,997</u>	<u>41,533</u>	<u>–</u>	<u>–</u>

**(16) Taxes and surcharges**

	2015	2014	2013
Business tax	–	2,200	–
Land appreciation tax	–	1,540	–
Others	–	264	–
Total	<u>–</u>	<u>4,004</u>	<u>–</u>

**(17) Expenses by nature**

Cost of sales, selling and distribution expenses, and general and administrative expenses in the income statement classified by nature are as follows:

	2015	2014	2013
Wages, social security and welfare (i)	206	6,697	378
Costs of properties sold	–	40,950	–
Depreciation and amortization	178	177	173
Marketing expenses	–	1,059	–
Administrative office expenses	710	1,234	253
Property management fee	1,253	1,391	–
Travel and entertainment expenses	150	491	52
Intermediary service fee	1,447	1,086	40
Tax expenses	13	1	56
Others	347	999	20
Total	<u>4,304</u>	<u>54,085</u>	<u>972</u>

(i) This amount included the basic social pension insurance for the year ended 31 December 2015, 2014 and 2013, amounted to RMB15,000, RMB283,000 and RMB17,000 respectively.

**(18) Interest expenses/(income) – net**

	2015	2014	2013
Interest expenses	61,380	57,759	65,985
Including : Bank loans	7,473	11,089	12,998
Other loans	53,907	46,670	52,987
Less : Capitalized interest expense	–	–	(46,456)
Interest expense – net	61,380	57,759	19,529
Interest income	(11)	(175)	(168)
Others	6	6	12
Net	<u>61,375</u>	<u>57,590</u>	<u>19,373</u>

Interest expenses analysed by the maturity between bank and other borrowings are as follows :

	2015		2014		2013	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Wholly repayable within five years	<u>7,473</u>	<u>53,907</u>	<u>11,089</u>	<u>46,670</u>	<u>12,998</u>	<u>52,987</u>

**(19) Asset impairment losses**

	2015	2014	2013
Provision for impairment of inventories (note 4(4))	<u>8,982</u>	<u>11,896</u>	<u>149,735</u>

**(20) Income tax expenses**

	2015	2014	2013
Current income tax	—	—	—
Reconciliations from income tax calculated based on the applicable tax rates and total loss presented in the financial statements to the income tax expenses are listed below :			
	2015	2014	2013
Total loss	(75,420)	(83,478)	(169,970)
Income tax expenses calculated at applicable tax rates (25%)	(18,855)	(20,870)	(42,493)
Impairment provision for which no deferred tax asset was recognized	2,246	—	37,434
Utilisation of impairment provision that unrecognized deferred income tax asset in previous years	—	(1,994)	—
Deductible losses for which no deferred tax asset was recognized	16,609	22,864	5,059
Income tax expenses	—	—	—

Deductible losses for which no deferred tax asset was recognized will be expired as follows :

	31 December 2015	31 December 2014	31 December 2013
2017	166	166	166
2018	20,235	20,235	20,235
2019	91,452	91,452	—
2020	66,438	—	—
Total	178,291	111,853	20,401

As at 31 December 2015, 2014 and 2013, the Target Company Chongqing Runzhi has not recognized deferred tax assets in respect of deductible asset impairment losses amounting to RMB150,743,000, RMB141,761,000 and RMB149,735,000 respectively.

**(21) Notes to cash flow statement****(a) Reconciliation from net loss to cash flows from operating activities**

	2015	2014	2013
Net loss	(75,420)	(83,478)	(169,970)
Add: Depreciation of fixed assets (note 4(5))	178	177	173
Provisions for asset impairment	8,982	11,896	149,735
Interest expenses	61,380	57,759	19,529
Increase in restricted cash	(2)	(1)	(2)
Decrease/(increase) in inventories	—	26,547	(131,268)
Decrease/(increase) in operating receivables	50	16,674	(764)
(Decrease)/increase in operating payables	(8,395)	(77,980)	123,447
Net cash flows from operating activities	(13,227)	(48,406)	(9,120)



**(b) Net change in cash**

	2015	2014	2013
Cash at end of the year	851	1,451	58,930
Less: cash at beginning of the year	(1,451)	(58,930)	(41,856)
	<u>(600)</u>	<u>(57,479)</u>	<u>17,074</u>

**(c) Cash**

	31 December 2015	31 December 2014	31 December 2013
Cash at bank and on hand (note 4(1))	1,164	1,762	59,240
Less: restricted cash at bank	(313)	(311)	(310)
	<u>851</u>	<u>1,451</u>	<u>58,930</u>

**(d) Significant financing activities that do not involve cash flow**

	2015	2014	2013
Transfer from other payable to paid-in capital by owner	333,000	-	-
	<u>333,000</u>	<u>-</u>	<u>-</u>

**5 RELATED PARTIES AND RELATED PARTY TRANSACTIONS****(1) The parent company****(a) General information of the parent company**

As shown in Note 1, during the Relevant Period, the Target Company Chongqing Runzhi's parent company is Chongqing Haizhong, Xinxing Real Estate and Chuangzhixinrong, whose registered place and business nature are listed below:

	Place of registration	Nature of business
Chuangzhixinrong	Beijing, PRC	Real estate development and sales
Xinxing Real Estate	Beijing, PRC	Real estate development, trades logistics
Chongqing Haizhong	Chongqing, PRC	Real estate development & management

Capital Group, Xinxing Real Estate and Capital Group is the ultimate holding company of the Target Company Chongqing Runzhi in the year 2015, 2014 and 2013 respectively.

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

	31 December 2014	Increase	Decrease	31 December 2015
Chuangzhixinrong	826,000	1,190,000	–	2,016,000
Xinxing Real Estate	10,000	–	–	10,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	31 December 2013	Increase	Decrease	31 December 2014
Xinxing Real Estate	10,000	–	–	10,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	31 December 2012	Increase	Decrease	31 December 2013
Xinxing Real Estate	10,000	–	–	10,000
Chongqing Haizhong	7,000	–	–	7,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

*(c) The proportions of equity interest and voting rights in the Target Company Chongqing Runzhi held by the parent company*

	31 December 2015		31 December 2014		31 December 2013	
	Equity interest %	Voting rights %	Equity interest %	Voting rights %	Equity interest %	Voting rights %
Chuangzhixinrong	100	100	N/A	N/A	N/A	NA
Xinxing Real Estate	N/A	N/A	100	100	100	100
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**(2) Information of other related parties**

Name of related entities	Relationship with the Target Company Chongqing Runzhi
Capital Investment and development Co., Ltd (hereinafter "Capital Investment")	Entities under common control of the same ultimate holding company
Beijing Water Star Investment and management Co., Ltd (hereinafter "Water Star")	Entities under common control of the same ultimate holding company

(3) **Related party transactions**

The Board of the Target Company Chongqing Runzhi considers all transactions with related parties are on normal commercial terms, price of related party transaction is agreed by the Target Company Chongqing Runzhi and its related parties.

(a) **Provide/(receive) funds**

	2015	2014	2013
Capital Investment (i)	30,900	(3,022)	–
Xinxing Real Estate (note 5(4)(b))	–	–	(291,690)
Chuangzhi Xinrong (note 5(4)(b))	(150,000)	–	–
Water Star (ii)	–	–	272,406
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>(119,100)</u>	<u>(3,022)</u>	<u>(19,284)</u>

(i) In 2015, the Target Company Chongqing Runzhi repaid fundings payable to Capital investment amounted to RMB3,022,000, and provide fundings receivable of RMB27,878,000 to capital investment (note 5(4)(a)(b)).

(ii) In 2013, the Target Company Chongqing Runzhi repaid loan due to Water Star, among which principal is RMB220,067,000 and interest is RMB52,339,000.

(b) **Interest expense**

	2015	2014	2013
Xinxing Real Estate	–	46,670	648
Chuangzhi Xinrong	53,907	–	–
Water Star	–	–	52,339
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>53,907</u>	<u>46,670</u>	<u>52,987</u>

(4) **Related party balances**(a) **Other receivables (note 4(2))**

	31 December 2015	31 December 2014	31 December 2013
Capital investment	<u>27,878</u>	<u>–</u>	<u>–</u>

Receivables disclosed above are free of interest, unsecured and unguaranteed, and with no fixed maturity date.

**(b) Other payables (note 4(10))**

	31 December 2015	31 December 2014	31 December 2013
Xinxing Real Estate (i)	–	339,008	292,338
Capital investment	–	3,022	–
Chuangzhixinrong (ii)	209,915	–	–
	<u>209,915</u>	<u>–</u>	<u>–</u>
Total	<u>209,915</u>	<u>342,030</u>	<u>292,338</u>

(i) As at 31 December 2014 and 2013, the loan from Xinxing Real Estate amounting to RMB291,690,000 is with interest rate of 16%, unsecured, unguaranteed, and with no fixed maturity date. Amounts has been repaid by Chuangzhi Xinrong in 2015.

(ii) In January 2015, Chuangzhixinrong provided loan to the Target Company Chongqing Runzhi amounted to RMB150,000,000, and repaid the principal and interests amounted to RMB339,008,000 borrowed from Xinxing Real Estate on behalf of the Target Company Chongqing Runzhi. The amounts above bear interest at 16% per annum, which is unpledged, unguaranteed and repayable on demand, of which interests amounted to RMB53,907,000 was recognized during 2015.

In December 2015, Chuangzhi Xinrong converted its creditors' rights of RMB333,000,000 in the Target Company Chongqing Runzhi into capital contribution to increase the Target Company Chongqing Runzhi's paid-in capital. After the conversion, the balance of principal and interest due to Chuangzhi Xinrong amounted to RMB209,915,000.

The other amount due from related parties are free of interest, unpledged, unguaranteed and with no fixed maturity date.

**6 CONTINGENCY****Mortgage guarantee and commitment**

The Target Company Chongqing Runzhi has arranged bank financing for certain customers and has provided guarantees to secure repayments obligations of these customers. The Target Company Chongqing Runzhi provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Target Company Chongqing Runzhi'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 2015, outstanding guarantees amounted to RMB31,066,000.

**Pending litigations**

In 2012, the Target Company Chongqing Runzhi entered into a landscape construction contract with Chongqing Garden Construction Engineering (Group) Co., Ltd. (hereinafter "Chongqing Garden Construction Engineering") with an amount of RMB25,000,000. The Target Company Chongqing Runzhi believed that the Chongqing Garden Construction Engineering had failed to perform the material quality and price recognition procedures as agreed in the contract and bought materials for construction without the Target Company Chongqing Runzhi's price verification, which resulted in disputes in the settlement process. In order to settle corresponding disputes, the Target Company Chongqing Runzhi filed a lawsuit with the court to determine the project settlement, and demanded corresponding compensation from Chongqing Garden Construction Engineering Co., Ltd. In August 2014, Chongqing Garden Construction Engineering filed a counterclaim against the Target Company Chongqing Runzhi and required the latter to pay the project settlement and performance bonds with a total amount of RMB26,334,000. At present, the case is still in trial.

**7 FINANCIAL INSTRUMENTS AND RISK**

The Target Company Chongqing Runzhi's activities expose it to financial risks: including market risk, credit risk and liquidity risk. The Target Company Chongqing Runzhi's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

**(1) Market risk****(a) Foreign exchange risk**

The Target Company Chongqing Runzhi's major operational activities are carried out in Mainland China and a majority of the Target Company Chongqing Runzhi transactions are dominated in RMB. The Target Company Chongqing Runzhi has no assets denominated in foreign currency, and expects no significant foreign exchange risk.

**(b) Interest rate risk**

The Target Company Chongqing Runzhi has exposed to interest rate risk due to the fluctuation of the prevailing market interest rate on borrowings which carry at prevailing market interest rates. Borrowings issued at floating interest rates expose the Target Company Chongqing Runzhi to cash flow interest-risk, the Target Company Chongqing Runzhi determines the contracts proportions of fixed rate and floating rate depending on the market conditions. As at 31 December 2014 and 2013, the Target Company Chongqing Runzhi's interest bearing borrowings were mainly RMB-denominated with floating rates, amounting to RMB99,000,000 and RMB100,000,000 respectively.

The management of the Target Company Chongqing Runzhi continuously monitors the interest rates. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Target Company Chongqing Runzhi's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Target Company Chongqing Runzhi's financial position. The management makes adjustments timely with reference to the latest market conditions.

**(2) Credit risk**

The Target Company Chongqing Runzhi manages its credit risk on a classified basis. Credit risk mainly arises from cash at bank, other receivables etc.

Since cash at bank of the Target Company Chongqing Runzhi are mainly deposited at state-owned banks and other large and medium-sized listed banks, the Target Company Chongqing Runzhi expects no significant credit risk associated and that there would not be any significant losses due to non-performance by these counterparties.

In addition, the Target Company Chongqing Runzhi has policies to limit the credit risk exposure on receivables. The Target Company Chongqing Runzhi assesses the credit quality on its debtors by taking into account their financial position and other factors such as current market conditions. In respect of debtors with a poor credit history, the Target Company Chongqing Runzhi will use written payment reminders to ensure the overall credit risk of the Target Company Chongqing Runzhi is limited to controllable range.

The Target Company Chongqing Runzhi has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser fails on the payment of its mortgage during the Target Company Chongqing Runzhi's term of the guarantee, the bank holding the mortgage may demand the Target Company Chongqing Runzhi to repay the outstanding amount no more than the loan principal and any accrued interests thereon. Under such circumstances, the Target Company Chongqing Runzhi has the right to sell the property mortgaged to the bank to recover any amounts payable. In this regard, the management believes that the Target Company Chongqing Runzhi's credit risk is significantly reduced.

## (3) Liquidity risk

Cash flow forecasting is performed by the Target Company Chongqing Runzhi, the finance departments monitor rolling forecasts of the short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that it does not breach borrowing limits or covenants on any of borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Target Company Chongqing Runzhi at the balance sheet date are analyzed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2015				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial liabilities					
Accounts payable	49,683	–	–	–	49,683
Other payable	231,970	–	–	–	231,970
Total	<u>281,653</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>281,653</u>

	31 December 2014				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial liabilities					
Accounts payable	52,532	–	–	–	52,532
Other payable	364,751	–	–	–	364,751
Current portion of non-current liabilities	105,990	–	–	–	105,990
Total	<u>523,273</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>523,273</u>

	31 December 2013				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial liabilities					
Accounts payable	91,678	–	–	–	91,678
Other payable	309,615	–	–	–	309,615
Long-term loan	12,084	105,990	–	–	118,074
Total	<u>413,377</u>	<u>105,990</u>	<u>–</u>	<u>–</u>	<u>519,367</u>

## 8 NET CURRENT ASSETS

	31 December 2015	31 December 2014	31 December 2013
Current assets	281,861	263,613	376,208
Less: current liabilities	<u>282,433</u>	<u>521,943</u>	<u>451,231</u>
Net current liabilities	<u>(572)</u>	<u>(258,330)</u>	<u>(75,023)</u>

## 9 TOTAL ASSETS LESS CURRENT LIABILITIES

	31 December 2015	31 December 2014	31 December 2013
Total assets	282,684	264,614	377,380
Less: current liabilities	282,433	521,943	451,231
Total assets less current liabilities	<u>251</u>	<u>(257,329)</u>	<u>(73,851)</u>

## III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company Chongqing Runzhi in respect of any period subsequent to 31 December 2015 up to the date of this report. No dividend or distribution has been declared or made by the Target Company Chongqing Runzhi in respect of any period subsequent to 31 December 2015.

**PricewaterhouseCoopers Zhong Tian LLP**  
Shanghai, PRC

29 June 2016

**D. ACCOUNTANT'S REPORT ON SHENYANG HAOHUA**

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



普华永道

The Directors  
Beijing Capital Land Ltd.

Dear Sirs,

We report on the financial information of Shenyang Haohua Land Limited (the "Target Company Shenyang Haohua"), which comprises the balance sheets as at 31 December 2015, 2014 and 2013, and income statements, the statements of changes in equity and the cash flow statements for each of the years ended 31 December 2015, 2014 and 2013 (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 Sections I to III below for inclusion in Appendix II to the circular of the Company dated 29 June 2016 (the "Circular") in connection with the proposed acquisition of the Target Company Shenyang Haohua by the Company.

The Target Company Shenyang Haohua was incorporated in the People's Republic of China (the "PRC") on 10 August 2007 as a limited liability company under the Company Law of the PRC.

The financial statements of the Target Company Shenyang Haohua for each of the years ended 31 December 2015, 2014 and 2013 were audited by PricewaterhouseCoopers Zhong Tian LLP pursuant to separate terms of engagement with the Target Company Shenyang Haohua.

The directors of the Target Company Shenyang Haohua are responsible for the preparation and fair presentation of the financial statements of the Target Company Shenyang Haohua for the Relevant Periods in accordance with the Accounting Standards for Business Enterprises of the People's Republic of China ("CAS") issued by the China Ministry of Finance (the "Underlying Financial Statements"), and for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error. We have audited the Underlying Financial Statements in accordance with China Standards on Auditing ("CSAs") issued by Chinese Institute of Certified Public Accountants ("CICPA") pursuant to separate terms of engagement.

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The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

**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 CAS and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the annual report of the Company for the year ended 31 December 2015.

**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 Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by 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 the Target Company Shenyang Haohua as at 31 December 2015, 2014 and 2013 and of the Target Company Shenyang Haohua's results and cash flows for the Relevant Periods.

## I. FINANCIAL STATEMENTS OF TARGET COMPANY SHENYANG HAOHUA

The following is the financial information of Target Company Shenyang Haohua prepared by the directors of the Company as at 31 December 2015, 2014 and 2013, and for each of the years ended 31 December 2015, 2014 and 2013 (the "Financial Information").

## 1. BALANCE SHEETS

(All amounts in RMB'000 Yuan unless otherwise stated.)

Item	Note	31 December 2015	31 December 2014	31 December 2013
<b>Assets</b>				
<b>Current assets</b>				
Cash at bank and on hand	4(1)	498	1,968	3,064
Advances to suppliers		99	917	1,109
Other receivables	4(2)	2,914	3,060	3,002
Inventories	4(3)	314,448	332,247	362,666
Other current assets	4(4)	1,664	1,967	2,664
<b>Total current assets</b>		<u>319,623</u>	<u>340,159</u>	<u>372,505</u>
<b>Non-current assets</b>				
Fixed assets	4(5)	26	43	70
Intangible assets	4(6)	350	191	12
<b>Total non-current assets</b>		<u>376</u>	<u>234</u>	<u>82</u>
<b>Total assets</b>		<u><u>319,999</u></u>	<u><u>340,393</u></u>	<u><u>372,587</u></u>
<b>Liabilities and owners' equity</b>				
<b>Current liabilities</b>				
Accounts payable	4(7)	22,353	29,468	42,408
Advances from customers	4(8)	21,551	37,776	40,212
Employee benefits payable	4(9)	–	–	–
Taxes payable	4(10)	156	162	181
Other payables	4(11)	275,668	559,140	526,291
<b>Total current liabilities</b>		<u>319,728</u>	<u>626,546</u>	<u>609,092</u>
<b>Total liabilities</b>		<u><u>319,728</u></u>	<u><u>626,546</u></u>	<u><u>609,092</u></u>
<b>Owners' equity</b>				
Paid-in Capital	4(12)	335,000	10,000	10,000
Undistributed profits		(334,729)	(296,153)	(246,505)
<b>Total owners' equity</b>		<u>271</u>	<u>(286,153)</u>	<u>(236,505)</u>
<b>Total liabilities and owners' equity</b>		<u><u>319,999</u></u>	<u><u>340,393</u></u>	<u><u>372,587</u></u>

## 2. INCOME STATEMENTS

*(All amounts in RMB'000 Yuan unless otherwise stated)*

<b>Item</b>	<i>Note</i>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Revenue</b>	4(13)	14,740	26,626	1,900
<i>Less: Cost of sales</i>	4(13)	(13,749)	(25,106)	(1,995)
Taxes and surcharges	4(14)	(1,047)	(1,890)	(135)
Selling and distribution expenses	4(15)	(246)	(751)	(619)
General and administrative expenses	4(15)	(7,863)	(8,286)	(9,343)
Financial expenses – net	4(16)	(25,520)	(31,449)	(29,373)
Asset impairment losses	4(17)	(4,050)	(8,789)	(168,478)
		<hr/>	<hr/>	<hr/>
<b>Operating profit</b>		(37,735)	(49,645)	(208,043)
<i>Add: Non-operating income</i>		1	19	–
<i>Less: Non-operating expenses</i>		(842)	(22)	(20)
		<hr/>	<hr/>	<hr/>
<b>Total profit</b>		(38,576)	(49,648)	(208,063)
<i>Less: Income tax expenses</i>	4(18)	–	–	–
		<hr/>	<hr/>	<hr/>
<b>Net profit</b>		(38,576)	(49,648)	(208,063)
		<hr/>	<hr/>	<hr/>
<b>Other comprehensive income for the year, net of tax</b>		–	–	–
		<hr/>	<hr/>	<hr/>
<b>Total comprehensive loss for the year</b>		(38,576)	(49,648)	(208,063)
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 3. CASH FLOW STATEMENTS

(All amounts in RMB'000 Yuan unless otherwise stated)

Item	Note	2015	2014	2013
<b>Cash flow from operating activities</b>				
Cash received from sales of goods or rendering of services		984	24,190	13,717
Cash received relating to other operating activities		381	184	16
<b>Sub-total of cash inflows</b>		<u>1,365</u>	<u>24,374</u>	<u>13,733</u>
Cash paid for goods and services		(3,064)	(7,627)	(43,385)
Cash paid to and on behalf of employees		(906)	(897)	(3,900)
Payments of taxes and surcharges		(2,607)	(3,123)	(2,782)
Cash paid relating to other operating activities		(10,782)	(16,917)	(4,131)
<b>Sub-total of cash outflows</b>		<u>(17,359)</u>	<u>(28,564)</u>	<u>(54,198)</u>
<b>Net cash flows from operating activities</b>	4(19)(a)	<u>(15,994)</u>	<u>(4,190)</u>	<u>(40,465)</u>
<b>Cash flows from investing activities</b>				
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		(315)	(216)	(11)
<b>Sub-total of cash inflows</b>		<u>(315)</u>	<u>(216)</u>	<u>(11)</u>
<b>Net cash flows from investing activities</b>		<u>(315)</u>	<u>(216)</u>	<u>(11)</u>
<b>Cash flows from financing activities</b>				
Cash received from other financing activities		16,795	12,820	61,300
<b>Sub-total of cash inflows</b>		<u>16,795</u>	<u>12,820</u>	<u>61,300</u>
Cash paid relating to other financing activities		(800)	(11,164)	(18,871)
<b>Sub-total of cash outflows</b>		<u>(800)</u>	<u>(11,164)</u>	<u>(18,871)</u>
<b>Net cash flows from financing activities</b>		<u>15,995</u>	<u>1,656</u>	<u>42,429</u>
<b>Net (decrease)/increase in cash</b>	4(19)(b)	(314)	(2,750)	1,953
<i>Add: Cash at beginning of year</i>		314	3,064	1,111
<b>Cash at end of year</b>	4(19)(c)	<u><u>–</u></u>	<u><u>314</u></u>	<u><u>3,064</u></u>

## 4. STATEMENTS OF CHANGES IN OWNERS' EQUITY

*(All amounts in RMB'000 Yuan unless otherwise stated)*

Item	Note	Paid-in capital	Undistributed profits	Total owner's equity
<b>Balance at 1 January 2013</b>		10,000	(38,442)	(28,442)
<b>Movement for the year ended 31 December 2013</b>				
Net loss		–	(208,063)	(208,063)
<b>Balance at 31 December 2013</b>		<u>10,000</u>	<u>(246,505)</u>	<u>(236,505)</u>
<b>Balance at 1 January 2014</b>		10,000	(246,505)	(236,505)
<b>Movement for the year ended 31 December 2014</b>				
Net loss		–	(49,648)	(49,648)
<b>Balance at 31 December 2014</b>		<u>10,000</u>	<u>(296,153)</u>	<u>(286,153)</u>
<b>Balance at 1 January 2015</b>		10,000	(296,153)	(286,153)
<b>Movement for the year ended 31 December 2015</b>				
Capital contribution and withdrawal by owners, including:				
Transfer from other payable to paid-in capital by owner	4(12)	325,000	–	325,000
Net loss		–	(38,576)	(38,576)
<b>Balance at 31 December 2015</b>		<u>335,000</u>	<u>(334,729)</u>	<u>271</u>

**II. NOTE TO THE FINANCIAL STATEMENTS OF THE TARGET COMPANY SHENYANG HAOHUA**

*(All amounts in RMB'000 Yuan unless otherwise stated)*

**1 GENERAL INFORMATION**

Shenyang Haohua Real Estate Co., Ltd. (hereinafter "the Target Company Shenyang Haohua") is a limited liability company, established by Beijing Jingzhong Technology Real Estate Co., Ltd. (hereinafter "Jingzhong Technology") and Beijing Capital Investment Real Estate Co., Ltd. (hereinafter "Capital Investment") in 2007. The registered capital of the Target Company Shenyang Haohua is RMB10,000,000, among which Jingzhong Technology invested RMB5,500,000 and holds 55% equity interest, Capital Investment invested RMB4,500,000 and holds 45% equity interest.

In June 2015, Jingzhong Technology transferred of its entire 55% equity interests in the Target Company Shenyang Haohua to Capital Investment. After the transaction, Capital Investment holds 100% equity interests of the Target Company Shenyang Haohua.

In December 2015, Capital Investment converted its creditors' rights of the Target Company Shenyang Haohua amounted to RMB325,000,000 into capital contribution to the Target Company Shenyang Haohua paid-in capital. After the conversion, the registered capital of the Target Company Shenyang Haohua increased to RMB335,000,000, Capital Investment holds 100% equity interests of the Target Company Shenyang Haohua.

The registered address of the Target Company Shenyang Haohua is No. 50 Jiuzhanlu Avenue, Gaokanzhen, Qipanshan District, Shenyang, Liaoning Province.

The approved scope of business of the Target Company Shenyang Haohua mainly includes real estate development and sales in 2015, 2014 and 2013, its main operation was property development and sales in Hupowan project, which is in Qipanshan District, Shenyang.

Beijing Capital Group Co., Ltd (hereinafter "Capital Group") is the ultimate holding company of the Target Company Shenyang Haohua.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES****(1) Basis of preparation**

The financial statements of the Target Company Shenyang Haohua have been prepared in accordance with the Basic Standard Accounting Standards for Business Enterprises, specific accounting and relevant regulations issued on and after 15 February 2006 by the Ministry of Finance (together "CAS").

As at 31 December 2015, 2014 and 2013, the Target Company Shenyang Haohua's current liabilities exceeded current assets by RMB105,000, RMB286,387,000 and RMB236,587,000 respectively, the accumulated losses of the Target Company Shenyang Haohua were amounted to RMB38,576,000, RMB49,648,000 and RMB208,063,000. The going concern of the Target Company Shenyang Haohua will largely depend on the continuing financial support from the investors. The Target Company Shenyang Haohua has confirmed that the Company will provide financial support to the Target Company Shenyang Haohua after the completion of the Acquisitions, to ensure it can meet its liabilities as they fall due and carry on its business without a significant curtailment of operations in the Target Company Shenyang Haohua in 12 months from the Balance Sheet day. Therefore, the Target Company Shenyang Haohua continues to prepare the financial statements on a going concern basis.

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

The financial statements of the Target Company Shenyang Haohua for the years ended 31 December 2013, 2014, and 2015 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Target Company Shenyang Haohua as at 31 December 2013, 2014 and 2015 and of their financial performance, cash flows and other information for the years ended 31 December 2013, 2014 and 2015.

(3) **Financial year**

The financial year covers from 1 January to 31 December.

(4) **Recording currency**

The recording currency is Renminbi (RMB).

(5) **Cash**

Cash comprises cash on hand and deposits that can be readily drawn on demand.

(6) **Financial instruments**

(a) **Financial assets**

(i) *Classification of financial assets*

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

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including other receivables (note 2(7)).

(ii) *Recognition and measurement*

Financial assets are recognized at fair value on the balance sheet when the Target Company Shenyang Haohua becomes a party to the contractual provisions of the financial instrument. Transaction costs that are attributable to the acquisition of the receivables and available-for-sale financial assets are included in their initial recognition amounts.

Receivables are measured at amortized cost using the effective interest method.

(iii) *Impairment of financial assets*

Except for financial assets at fair value through profit or loss, the Target Company Shenyang Haohua assesses the carrying amounts of financial assets at each balance sheet date. If there is objective evidence indicating that a financial asset is impaired, the Target Company Shenyang Haohua shall make a provision for impairment.

Objective evidence indicating impairment of financial assets refers to the matter that actually occurs after the initial recognition of financial assets, it will affect estimated future cash flows of financial assets, and its impact can be reliably measured by the Target Company Shenyang Haohua.

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

(iv) *Derecognition of financial assets*

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

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

(b) ***Financial liabilities***

Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. The Target Company Shenyang Haohua's financial liabilities are mainly other financial liabilities including payables and borrowings.

Payables include accounts payable and other payables etc. which are initially recognized at fair value and recorded at amortized cost using effective interest rate in subsequent measurement.

Other financial liabilities with repayment period within 1 year (including 1 year) or in an ordinary operation cycle 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.

A financial liability is derecognized or partly derecognized when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognized part of the financial liability and the consideration paid is recognized in profit or loss.

(c) ***Offsetting of financial assets and liabilities***

Financial assets and liabilities should be presented separately in balance sheet without offsetting. A financial asset and a financial liability should be offset when, and only when both of the following conditions are satisfied: (i) The Target Company Shenyang Haohua currently has a legally enforceable right to set off the recognized amounts and the legal enforceable right is now executable. (ii) The Target Company Shenyang Haohua intends either to settle on a net basis, or to liquidate the financial asset and settle the financial liability simultaneously.



**(7) Receivables**

Receivables comprise other receivables.

**(a) *Receivables that are individually significant and subject to separate assessment for provision for bad debts***

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

The provision for bad debts of those individually significant amounts is determined as the difference between the present value of estimated future cash flow of receivables and its carrying amount.

**(b) *Receivables that are subject to provision for bad debts on the grouping basis***

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

Basis for grouping is as follows:

Group of related parties	Amounts due from related parties
Group of third parties	Amounts due from other third parties

Methods of determining provision for bad debts by grouping are as follows:

Group of related parties	Low credit risk upon assessment, no bad debts provided
Group of third parties	Assessment based on historical losses

The Target Company Shenyang Haohua has no receivables with amounts that are not individually significant and in high risk based on their credit risk characteristics.

**(c) *Receivables with amounts that are not individually significant but subject to separate assessment for provision for bad debts***

The reason for making separate assessment for provision for bad debts is that there exists objective evidence that the Target Company Shenyang Haohua will not be able to collect the amount under the original terms of the receivable.

The provision for bad debts is determined based on the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

**(8) Inventories****(a) *Classification***

Inventories include properties under development, properties held for sale, which are measured at the lower of cost and net realizable value.

**(b) Measurement of inventories**

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

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

**(c) Measurement of net realizable value and provisions for inventories impairment**

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

**(d) The Target Company Shenyang Haohua adopts the perpetual inventory system.****(9) Fixed assets****(a) Recognition and initial measurement**

Fixed assets comprise motor vehicles, and office equipment, etc. Fixed assets are recognized when it is probable that the associated economic benefits will flow to the Target Company Shenyang Haohua and the related cost can be reliably measured. Fixed assets purchased or constructed by the Target Company Shenyang Haohua are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Target Company Shenyang Haohua and the related cost can be reliably measured. The carrying amount of the replaced part is derecognized. All the other subsequent expenditures are recognized in profit or loss in the year 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 rate of residual value and the annual depreciation rate are as follows:

	Estimated Useful lives	Estimated rate of residual Value	Annual depreciation rate
Engineering equipment	3 year	3%	32.3%
Motor vehicles	5 year	3%	19.4%
Office equipment	5-10 year	3%	9.7% to 19.4%

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

- (c) When recoverable amount of fixed asset is lower than its carrying amount, the carrying amount should be written down to the recoverable amount (note 2(12)).

(d) **Disposal of fixed assets**

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

(10) **Borrowing cost**

The borrowing costs that are directly attributable to the acquisition and construction of investment properties or real estate projects that need a substantially long period of time for its intended use commence to be capitalized and recognized 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 capitalization of borrowing costs ceases, when the investment properties under acquisition or construction becomes ready for its intended use, the properties under development become ready for sale (generally after Completion Certification granted), the borrowing costs incurred thereafter are recognized in profit or loss for the current period. Capitalization of borrowing costs is suspended during periods in which the acquisition or construction of the asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

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

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

(11) **Intangible assets**

Intangible assets are self-use computers measured at cost.

(a) **Computer Software**

Computer Softwares are amortized at the estimated useful lives of 3 years.

(b) **Periodic review of useful lives and amortization method**

The estimated useful lives, the estimated residual value and the amortization method of intangible assets with limited lives applied to the asset are reviewed, and adjusted as appropriate at least each year end.

- (c) When recoverable amount of intangible asset is lower than its carrying amount, the carrying amount should be written down to the recoverable amount (note 2(12)).

**(12) Impairment of long-term assets**

Fixed assets and 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 recognized 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 recognized 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 to is determined. A group of assets is the smallest group of assets that is able to generate cash inflows independently.

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

**(13) Employee benefits**

Employee benefits are all forms of considerations given in exchange for services rendered by employees or compensation paid in order to terminate the employment relationship. Employee benefits mainly include short-term employee benefits, demission benefits, termination benefits and other long-term employee benefits, etc.

**(a) Short-term employee benefits**

Short-term employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labor union funds, employee education funds, short-term compensated absences and profit sharing plan. When an employee has rendered service to the Target Company Shenyang Haohua during an accounting period, the Target Company Shenyang Haohua shall recognize short-term employee benefits as liabilities and charge to the cost of an asset or as an expense at the same time. Non-monetary benefits are measured in accordance with fair value.

**(b) Demission benefits**

Demission benefits are classified as defined contribution plan and defined benefit plans. Defined contribution is demission benefits plan in which the Target Company Shenyang Haohua is not obliged to make further payment after paying a certain amount to individual funds. Defined benefit plans is other demission benefits plan except for defined contribution plan. During the period, demission benefits mainly include basic social pension security and unemployed insurance, both of which are defined contribution plan.

***Basic social pension security***

Employees of the Target Company Shenyang Haohua participate in the basic social pension plan set up and administered by the government authorities. Basic pensions are provided monthly according to stipulated proportions and basis, which are paid to local labor and social security institutions. After retirement of employees, local labor and social security institutions will pay related pensions to employees accordingly. When an employee has rendered service to the Target Company Shenyang Haohua during an accounting period, the Target Company Shenyang Haohua shall compute and recognize liabilities according to the above stipulation and charge to the cost of an asset or as an expense at the same time.

**(c) Termination benefits**

Termination benefits are payables when employment is terminated by the Target Company Shenyang Haohua before the employment contract expire, or compensation provided as an offer to encourage employees to accept voluntary redundancy. The Target Company Shenyang Haohua recognizes termination benefits as liabilities and charges to profit or losses at the earlier of the following dates: when the Target Company Shenyang Haohua can no longer withdraw the offer of termination plan; and when the Target Company Shenyang Haohua recognizes costs for restructuring which involving the payment of termination benefits.

**(14) Revenue recognition**

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable from the sales of goods and the rendering of services in the ordinary course of the Target Company Shenyang Haohua's business activities. Revenue is shown net off rebates, discounts and returns.

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

Sales of properties held for sale

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

- properties are completed and accepted after check;
- a legally binding sales contract has been signed in proper manner and form;
- all the significant risks and rewards of ownership of the properties held for sale have been transferred to the buyer;
- the Target Company Shenyang Haohua does not retain the management rights, which is normally associated with owner, on the development properties sold and has no control over the development properties sold and does not meet the other criteria required when recognizing revenue mentioned above.

**(15) Critical accounting estimates and judgments**

The Target Company Shenyang Haohua 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 follows:

**(i) Property development cost**

Critical estimates and judgments on budget cost and development progress are required in determining property development cost. The budget cost and development progress of the project is reviewed by the Target Company Shenyang Haohua on a regular basis and adjusted as appropriate. When the actual cost differs from the budget cost, such difference will impact the relevant property development cost.

**(ii) Taxes**

The Target Company Shenyang Haohua is subject to various taxes for the business of property development. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required in determining the provision for land appreciation tax ("LAT"). 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 year in which such determination is made.

*(iii) Impairment of assets*

The Target Company Shenyang Haohua tests annually whether assets have suffered any impairment in accordance with the accounting policy. If there is objective evidence that the carrying amount of assets is in excess of its recoverable amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

*(b) Critical judgments on application of accounting policy – revenue recognition*

According to the accounting policy stated in note 2(14), the assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the judgment according to the circumstances of the transaction. In most cases, the transfer point of risks and rewards of ownership coincides with the date when the buyer check and accept the property.

**3 TAXATION**

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

Type	Tax rate	Taxable base
Enterprise income tax	25%	Taxable income
Business tax(a)	5%	Business tax payable
Land appreciation tax	30% – 60%	Taxable value added amount through sales of properties
City maintenance and construction tax	7%	Amount of business tax payable
Educational surcharge	3%	Amount of business tax payable
Local educational surcharge	2%	Amount of business tax payable

- (a) According to the Circular regarding the Comprehensive Roll-out of the Pilot Program for the Transformation from Business Tax to Value-Added Tax (《關於全面推開營業稅改增值稅試點的通知》) (CaiShui [2016] No. 36) issued jointly by the Ministry of Finance and the State Administration of Taxation, the countrywide pilot program of replacing business tax with value-added tax (hereinafter referred to as “the Pilot Program”) was carried out since 1 May 2016, and tax payers in the construction, real estate, finance and consumer services industries are involved in the pilot. Pursuant to the Notice, as the Target Company Shenyang Haohua is mainly engaged in the real estate development and sales, the applicable VAT rate would be 11% (general rate) or 5% (simple rate).

**4 NOTES TO THE FINANCIAL STATEMENTS****(1) Cash at bank and on hand**

	31 December 2015	31 December 2014	31 December 2013
Cash on hand	–	9	2
Bank deposits	498	1,959	3,062
Total	498	1,968	3,064

As at 31 December 2015 and 2014, the Target Company Shenyang Haohua has a litigation relationship with the general contractor, bank deposits amounted to RMB498,000 and RMB1,654,000 were frozen by the bank. Hence the Target Company Shenyang Haohua has classified such amount to restricted bank deposits. At 31 December 2013, there were no restricted bank deposits.

## (2) Other receivables

	31 December 2015	31 December 2014	31 December 2013
Guarantee funds	2,520	2,520	2,520
Others	394	540	482
Total	<u>2,914</u>	<u>3,060</u>	<u>3,002</u>
Less: provisions for bad debts	-	-	-
Other receivables-Net	<u><u>2,914</u></u>	<u><u>3,060</u></u>	<u><u>3,002</u></u>

Analysis of other receivables and related provision for bad debts are as follow:

	31 December 2015				31 December 2014				31 December 2013			
	Amount	% of total balance	Provision	% of the provision	Amount	% of total balance	Provision	% of the provision	Amount	% of total balance	Provision	% of the provision
Within 1 year	121	4%	-	-	557	18%	-	-	302	10%	-	-
1 to 2 years	48	2%	-	-	54	2%	-	-	2,520	84%	-	-
2 to 3 years	54	2%	-	-	2,399	78%	-	-	130	4%	-	-
Over 3 years	2,691	92%	-	-	50	2%	-	-	50	2%	-	-
Total	<u><u>2,914</u></u>	<u><u>100%</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>3,060</u></u>	<u><u>100%</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>3,002</u></u>	<u><u>100%</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

The Target Company Shenyang Haohua has no receivables with amounts that were overdue but not impaired at 31 December 2015, 2014 and 2013.

Analysis of other receivables by categories are as follows:

	31 December 2015				31 December 2014				31 December 2013			
	Amount	% of total balance	Provision	% of the provision	Amount	% of total balance	Provision	% of the provision	Amount	% of total balance	Provision	% of the provision
Receivables that are subject to provision for bad debts on the Companying basis: Group of third parties	2,914	100%	-	-	3,060	100%	-	-	3,002	100%	-	-
Total	<u><u>2,914</u></u>	<u><u>100%</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>3,060</u></u>	<u><u>100%</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>3,002</u></u>	<u><u>100%</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

## (3) Inventories

## (a) Inventories are classified as follows:

	31 December 2015			31 December 2014			31 December 2013		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Properties under development	208,300	(125,428)	82,872	208,300	(125,428)	82,872	467,024	(153,182)	313,842
Properties held for sale	274,468	(42,892)	231,576	290,887	(41,512)	249,375	64,120	(15,296)	48,824
<b>Total</b>	<b>482,768</b>	<b>(168,320)</b>	<b>314,448</b>	<b>499,187</b>	<b>(166,940)</b>	<b>332,247</b>	<b>531,144</b>	<b>(168,478)</b>	<b>362,666</b>

## (b) The movement of inventories' book value in current year are as follows:

	31 December 2014	Additions	Reduction	31 December 2015
Cost				
Properties under development	208,300	–	–	208,300
Properties held for sale	290,887	–	(16,419)	274,468
<b>Total</b>	<b>499,187</b>	<b>–</b>	<b>(16,419)</b>	<b>482,768</b>
	31 December 2013	Additions	Reduction	31 December 2014
Cost				
Properties under development	467,024	3,476	(262,200)	208,300
Properties held for sale	64,120	262,200	(35,433)	290,887
<b>Total</b>	<b>531,144</b>	<b>265,676</b>	<b>(297,633)</b>	<b>499,187</b>
	31 December 2012	Additions	Reduction	31 December 2013
Cost				
Properties under development	467,024	–	–	467,024
Properties held for sale	66,115	–	(1,995)	64,120
<b>Total</b>	<b>533,139</b>	<b>–</b>	<b>(1,995)</b>	<b>531,144</b>

(i) The project Hupowan developed by the Target Company Shenyang Haohua has been in a state of suspension since 2013. The first phase of Hupowan had been completed in 2011. The second phase of Hupowan had become ready for its intended use in 2012, but since the lawsuit with the general contractor, the Completion Certification was granted finally only after the litigation judgment in 2014, the properties were transferred to properties held for sale for the end of year 2014. As at 31 December 2015, the balance of properties under development is undeveloped land.



(c) *Analysis of provisions of inventories is as follows:*

	31 December 2014	Additions	Reduction	31 December 2015
Properties under development	125,428	–	–	125,428
Properties held for sale	41,512	4,050	(2,670)	42,892
	<u>166,940</u>	<u>4,050</u>	<u>(2,670)</u>	<u>168,320</u>
Total	<u>166,940</u>	<u>4,050</u>	<u>(2,670)</u>	<u>168,320</u>
	31 December 2013	Additions	Reduction	31 December 2014
Properties under development	153,182	1,440	(29,194)	125,428
Properties held for sale	15,296	36,543	(10,327)	41,512
	<u>168,478</u>	<u>37,983</u>	<u>(39,521)</u>	<u>166,940</u>
Total	<u>168,478</u>	<u>37,983</u>	<u>(39,521)</u>	<u>166,940</u>
	31 December 2012	Additions	Reduction	31 December 2013
Properties under development	–	153,182	–	153,182
Properties held for sale	–	15,296	–	15,296
	<u>–</u>	<u>168,478</u>	<u>–</u>	<u>168,478</u>
Total	<u>–</u>	<u>168,478</u>	<u>–</u>	<u>168,478</u>

In 2015, 2014 and 2013, the properties held for sale with the carrying amount of RMB13,749,000, RMB25,106,000 and RMB1,995,000 has been recognized as cost of sales respectively (note 4(13)).

As at 31 December 2015, 2014 and 2013, the financed costs capitalized in the inventories amounted to RMB31,593,000, RMB33,550,000 and RMB38,003,000 respectively.

In 2015, 2014 and 2013, there were no capitalized interest expenses.

(4) **Other current assets**

Analysis of other current assets by categories are as follows:

	31 December 2015	31 December 2014	31 December 2013
Prepaid taxes	<u>1,664</u>	<u>1,967</u>	<u>2,664</u>

## (5) Fixed assets

	Engineering equipment	Motor vehicles	Office equipment	Total
Cost				
31 December 2014	33	133	276	442
Increase	-	-	-	-
Decrease	-	-	-	-
31 December 2015	33	133	276	442
Accumulated depreciation				
31 December 2014	(32)	(112)	(255)	(399)
Increase	-	(11)	(6)	(17)
Decrease	-	-	-	-
31 December 2015	(32)	(123)	(261)	(416)
Provision for impairment				
31 December 2015	-	-	-	-
31 December 2014	-	-	-	-
Net book value				
31 December 2015	<u>1</u>	<u>10</u>	<u>15</u>	<u>26</u>
31 December 2014	<u>1</u>	<u>21</u>	<u>21</u>	<u>43</u>

	Engineering equipment	Motor vehicles	Office equipment	Total
Cost				
31 December 2013	33	133	276	442
Increase	-	-	-	-
Decrease	-	-	-	-
31 December 2014	33	133	276	442
Accumulated depreciation				
31 December 2013	(32)	(96)	(244)	(372)
Increase	-	(16)	(11)	(27)
Decrease	-	-	-	-
31 December 2014	(32)	(112)	(255)	(399)
Provision for impairment				
31 December 2014	-	-	-	-
31 December 2013	-	-	-	-
Net book value				
31 December 2014	<u>1</u>	<u>21</u>	<u>21</u>	<u>43</u>
31 December 2013	<u>1</u>	<u>37</u>	<u>32</u>	<u>70</u>

	Engineering equipment	Motor vehicles	Office equipment	Total
Cost				
31 December 2012	33	133	265	431
Increase	–	–	11	11
Decrease	–	–	–	–
31 December 2013	33	133	276	442
Accumulated depreciation				
31 December 2012	(25)	(70)	(220)	(315)
Increase	(7)	(26)	(24)	(57)
Decrease	–	–	–	–
31 December 2013	(32)	(96)	(244)	(372)
Provision for impairment				
31 December 2013	–	–	–	–
31 December 2012	–	–	–	–
Net book value				
31 December 2013	<u>1</u>	<u>37</u>	<u>32</u>	<u>70</u>
31 December 2012	<u>8</u>	<u>63</u>	<u>45</u>	<u>116</u>

In 2015, 2014 and 2013, depreciation expenses charged in administrative expenses amounted to RMB17,000, RMB27,000 and RMB57,000.

## (6) Intangible assets

	<b>Computer software</b>
Cost	
31 December 2014	346
Increase	315
Decrease	—
	<u>          </u>
31 December 2015	<u>661</u>
Accumulated amortization	
31 December 2014	(155)
Increase	(156)
Decrease	—
	<u>          </u>
31 December 2015	<u>(311)</u>
Provision for impairment	
31 December 2015	—
	<u>          </u>
31 December 2014	—
	<u>          </u>
Net book value	
31 December 2015	<u>350</u>
	<u>          </u>
31 December 2014	<u>191</u>
	<u>          </u>
	<b>Computer software</b>
Cost	
31 December 2013	130
Increase	216
Decrease	—
	<u>          </u>
31 December 2014	<u>346</u>
Accumulated amortization	
31 December 2013	(118)
Increase	(37)
Decrease	—
	<u>          </u>
31 December 2014	<u>(155)</u>
Provision for impairment	
31 December 2014	—
	<u>          </u>
31 December 2013	—
	<u>          </u>
Net value	
31 December 2014	<u>191</u>
	<u>          </u>
31 December 2013	<u>12</u>
	<u>          </u>

	<b>Computer software</b>
Cost	
31 December 2012	130
Increase	–
Decrease	–
	<u>                    </u>
31 December 2013	<u>                    </u> 130
Accumulated amortization	
31 December 2012	(99)
Increase	(19)
Decrease	–
	<u>                    </u>
31 August 2013	<u>                    </u> (118)
Provision for impairment	
31 December 2013	–
	<u>                    </u>
31 December 2012	<u>                    </u> –
Net book value	
31 December 2013	<u>                    </u> 12
	<u>                    </u>
31 December 2012	<u>                    </u> 31
	<u>                    </u>

In 2015, 2014 and 2013, amortization expenses charged in administrative expenses amounted to RMB156,000, RMB37,000 and RMB19,000 respectively.

(7) **Accounts payables**

The aging analysis of trade payables is as follows:

	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Within 1 year	–	3,476	–
1 to 2 years	3,476	–	–
2 to 3 years	–	–	42,408
Over 3 years	18,877	25,992	–
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>                    </u> 22,353	<u>                    </u> 29,468	<u>                    </u> 42,408
	<u>                    </u>	<u>                    </u>	<u>                    </u>

**(8) Advances from customers**

The aging analysis of trade payables is as follows:

	31 December 2015	31 December 2014	31 December 2013
Advances from sales of properties under development	21,551	37,776	39,562
Others	—	—	650
	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>21,551</u>	<u>37,776</u>	<u>40,212</u>

Advances from sales of properties under development are mainly the amounts proceed from customers. As such properties are not available for use at the end of the year, the corresponding revenue has not been recognized.

**(9) Employee benefits payable**

	31 December 2015	31 December 2014	31 December 2013
Short-term employee benefits payable (a)	—	—	—
Defined contribution plans payable (b)	—	—	—
	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>—</u>	<u>—</u>	<u>—</u>

**(a) Short-term employee benefits payable**

	31 December 2014	Increase	Decrease	31 December 2015
Wages and salaries, bonuses, allowances and subsidies	—	667	(667)	—
Social security contributions	—	48	(48)	—
Including: Medical insurance	—	41	(41)	—
Work injury insurance	—	4	(4)	—
Maternity insurance	—	3	(3)	—
Housing funds	—	63	(63)	—
Labor union funds and employee education funds	—	11	(11)	—
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>—</u>	<u>789</u>	<u>(789)</u>	<u>—</u>

	31 December 2013	Increase	Decrease	31 December 2014
Wages and salaries, bonuses, allowances and subsidies	–	633	(633)	–
Social security contributions	–	60	(60)	–
Including: Medical insurance	–	54	(54)	–
Work injury insurance	–	4	(4)	–
Maternity insurance	–	2	(2)	–
Housing funds	–	75	(75)	–
Labor union funds and employee education funds	–	12	(12)	–
Total	–	780	(780)	–

	31 December 2012	Increase	Decrease	31 December 2013
Wages and salaries, bonuses, allowances and subsidies	–	3,013	(3,013)	–
Social security contributions	–	185	(185)	–
Including: Medical insurance	–	162	(162)	–
Work injury insurance	–	13	(13)	–
Maternity insurance	–	10	(10)	–
Housing funds	–	221	(221)	–
Labor union funds and employee education funds	–	27	(27)	–
Others	–	13	(13)	–
Total	–	3,459	(3,459)	–

**(b) Defined contribution plans payable**

	31 December 2014	Increase	Decrease	31 December 2015
Basic social pension security	–	110	(110)	–
Unemployment security	–	7	(7)	–
Total	–	117	(117)	–

	31 December 2013	Increase	Decrease	31 December 2014
Basic social pension security	–	110	(110)	–
Unemployment security	–	7	(7)	–
Total	–	117	(117)	–

	31 December 2012	Increase	Decrease	31 December 2013
Basic social pension security	–	409	(409)	–
Unemployment security	–	32	(32)	–
Total	–	441	(441)	–



## (10) Taxes payable

	31 December 2015	31 December 2014	31 December 2013
Land-use tax payable	153	153	160
Others	3	9	21
Total	<u>156</u>	<u>162</u>	<u>181</u>

## (11) Other payables

	31 December 2015	31 December 2014	31 December 2013
Payables to related parties ( <i>note 5 (4)</i> )	275,228	558,712	525,609
Security deposits	423	423	648
Others	17	5	34
Total	<u>275,668</u>	<u>559,140</u>	<u>526,291</u>

## (12) Paid-in capital

	31 December 2014	Increase	Decrease	31 December 2015
Capital Investment ( <i>i</i> )	4,500	330,500	–	335,000
Jingzhong Technology	5,500	–	(5,500)	–
Total	<u>10,000</u>	<u>330,500</u>	<u>(5,500)</u>	<u>335,000</u>

(i) In June 2015, Jingzhong Technology disposed 55% equity interests of the Target Company Shenyang Haohua to Capital Investment. In December 2015, Capital Investment transferred its creditors' rights of the Target Company Shenyang Haohua amounted to RMB325,000,000 into capital contribution to increase the Target Company Shenyang Haohua paid-in capital (*note 5(4)*).

	31 December 2013	Increase	Decrease	31 December 2014
Capital Investment	4,500	–	–	4,500
Jingzhong Technology	5,500	–	–	5,500
Total	<u>10,000</u>	<u>–</u>	<u>–</u>	<u>10,000</u>

	31 December 2012	Increase	Decrease	31 December 2013
Capital Investment	4,500	–	–	4,500
Jingzhong Technology	5,500	–	–	5,500
Total	<u>10,000</u>	<u>–</u>	<u>–</u>	<u>10,000</u>

## (13) Revenue and cost of sales

	2015		2014		2013	
	Operating revenue	Operating costs	Operating revenue	Operating costs	Operating revenue	Operating costs
Sale of properties	14,740	13,749	26,626	25,106	1,900	1,995
	<u>14,740</u>	<u>13,749</u>	<u>26,626</u>	<u>25,106</u>	<u>1,900</u>	<u>1,995</u>

## (14) Taxes and surcharges

	2015	2014	2013
Business tax	737	1,331	95
Land appreciation tax	221	399	28
City maintenance and construction tax	52	93	7
Education surcharge	37	67	5
	<u>1,047</u>	<u>1,890</u>	<u>135</u>
Total	<u>1,047</u>	<u>1,890</u>	<u>135</u>

## (15) Expenses by nature

Cost of sales, selling and distribution expenses and general and administrative expenses in the income statement classified by nature are as follows:

	2015	2014	2013
Wages, social security and welfare (i)	2,720	4,201	4,172
Administrative office expenses	4,193	5,189	3,226
Tax expenses	1,857	1,911	1,902
Depreciation and amortization	173	64	76
Travel and entertainment expenses	198	187	219
Intermediary service fee	536	50	46
Marketing and commission fee	239	736	586
cost of properties sold	11,935	21,802	1,723
Others	7	3	7
	<u>21,858</u>	<u>34,143</u>	<u>11,957</u>
Total	<u>21,858</u>	<u>34,143</u>	<u>11,957</u>

(i) This amount included the basic social pension security for the year ended 31 December 2015, 2014 and 2013 amounted to RMB824,000, RMB1,275,000 and RMB774,000 respectively.

**(16) Interest expenses/(income) – net**

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Interest expenses	25,521	31,447	29,384
Including: Other loans	25,521	31,447	29,384
Interest income	(2)	(4)	(16)
Others	1	6	55
Net	<u>25,520</u>	<u>31,449</u>	<u>29,373</u>

Interest expenses analysed by the maturity between bank and other borrowings are as follows :

	<b>2015</b>		<b>2014</b>		<b>2013</b>	
	<b>Bank borrowings</b>	<b>Other borrowings</b>	<b>Bank borrowings</b>	<b>Other borrowings</b>	<b>Bank borrowings</b>	<b>Other borrowings</b>
Wholly repayable within five years	<u>–</u>	<u>25,521</u>	<u>–</u>	<u>31,447</u>	<u>–</u>	<u>29,384</u>

**(17) Asset impairment**

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Provision for impairment of inventories ( <i>note 4(3)</i> )	<u>4,050</u>	<u>8,789</u>	<u>168,478</u>

**(18) Income tax expenses**

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Current income tax	<u>–</u>	<u>–</u>	<u>–</u>

Reconciliations from income tax calculated based on the applicable tax rates and total loss presented in the financial statements to the income tax expenses are listed below:

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Total loss	(38,576)	(49,648)	(208,063)
Income tax expenses calculated at applicable tax rates (25%)	(9,644)	(12,412)	(52,016)
Impairment provision for which no deferred tax asset was recognized	345	–	42,120
Utilisation of impairment provision that unrecognized deferred income tax asset in previous years	–	(385)	–
Deductible losses for which no deferred tax asset was recognized	<u>9,299</u>	<u>12,797</u>	<u>9,896</u>
Income tax expenses	<u>–</u>	<u>–</u>	<u>–</u>

Deductible losses for which no deferred tax asset was recognized will be expired as follows:

	31 December 2015	31 December 2014	31 December 2013
2017	33,222	33,222	33,222
2018	39,584	39,584	39,584
2019	51,188	51,188	–
2020	37,196	–	–
	<u>161,190</u>	<u>123,994</u>	<u>72,806</u>
Total	<u>161,190</u>	<u>123,994</u>	<u>72,806</u>

As at 31 December 2015, 2014 and 2013, the Target Company Shenyang Haohua has not recognized deferred tax assets in respect of deductible losses amounting to RMB168,320,000, RMB166,940,000 and RMB168,478,000 respectively.

**(19) Notes to cash flow statement**

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

	2015	2014	2013
Net loss	(38,576)	(49,648)	(208,063)
Add: Depreciation of fixed assets	17	27	57
Amortization of intangible assets	156	37	19
Interest expenses	25,521	31,447	29,384
Decrease in inventories	13,749	21,630	1,995
Provisions for asset impairment	4,050	8,789	168,478
Decrease/(increase) in restricted cash	1,156	(1,654)	–
Decrease/(increase) in operating receivables	1,267	831	(550)
Decrease in operating payables	(23,334)	(15,694)	(31,785)
	<u>(15,994)</u>	<u>(4,190)</u>	<u>(40,465)</u>
Net cash flows from operating activities	<u>(15,994)</u>	<u>(4,190)</u>	<u>(40,465)</u>

**(b) Net increase in cash**

	2015	2014	2013
Cash at end of the year	–	314	3,064
Less: cash at beginning of the year	(314)	(3,064)	(1,111)
	<u>(314)</u>	<u>(2,750)</u>	<u>1,953</u>
Net (decrease)/increase in cash	<u>(314)</u>	<u>(2,750)</u>	<u>1,953</u>

**(c) Cash**

	31 December 2015	31 December 2014	31 December 2013
Cash at bank and on hand (note 4(1))	498	1,968	3,064
Less: restricted cash at bank	(498)	(1,654)	–
	<u>–</u>	<u>314</u>	<u>3,064</u>
Cash at end of the year	<u>–</u>	<u>314</u>	<u>3,064</u>

*(d) Significant financing activities not involving cash flows*

	2015	2014	2013
Transfer from other payable to paid-in capital by owner <i>(note (12)(i))</i>	325,000	–	–

## 5 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

## (1) The parent company

*(a) General information of the parent company*

As shown in Note 1, during the Relevant Periods, the Target Company Shenyang Haohua's parent company is Capital Investment, whose registered place and business nature are listed below:

	Place of registration	Nature of business
Capital Investment	Beijing, PRC	Investment management

Capital Group is the ultimate holding company of the Target Company Shenyang Haohua during the relevant Period.

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

	31 December 2014	Increase	Decrease	31 December 2015
Capital Investment	100,000	–	–	100,000

  

	31 December 2013	Increase	Decrease	31 December 2014
Capital Investment	100,000	–	–	100,000

  

	31 December 2012	Increase	Decrease	31 December 2013
Capital Investment	100,000	–	–	100,000

*(c) The proportions of equity interest and voting rights in the target Company Shenyang Haohua held by the parent company*

	31 December 2015		31 December 2014		31 December 2013	
	Equity interest %	Voting rights %	Equity interest %	Voting rights %	Equity interest %	Voting rights %
Capital Investment	100	100	45	45	45	45

## (2) Information of other related parties

Name of related entities	Relationship with the Target Company Shenyang Haohua
Beijing Capital Fangzhou Real Estate Development Co., Ltd. (hereafter "Capital Fangzhou")	Entities under common control of the same ultimate holding company
Capital Group	Ultimate holding company

## (3) Related party transactions

The Board of the Target Company Shenyang Haohua considers all transactions with related parties are on normal commercial terms, price of related party transaction is agreed by the Target Company Shenyang Haohua and its related parties.

(a) *(Receive)/provide funds*

	2015	2014	2013
Capital Investment	(14,995)	–	(48,413)
Capital Fangzhou	(1,000)	(1,656)	5,984
Total	<u>(15,995)</u>	<u>(1,656)</u>	<u>(42,429)</u>

In 2015, the Target Company Shenyang Haohua received loans borrowed from Capital Investment of RMB15,795,000 and repaid loans of RMB800,000. In 2013 the Target Company Shenyang Haohua received loans borrowed from Capital Investment of RMB55,200,000 and repaid interest of RMB6,787,000.

In 2015, the Target Company Shenyang Haohua received loans borrowed from Capital Fangzhou of RMB1,000,000. In 2014 and 2013, the Target Company Shenyang Haohua received loans borrowed from Capital Fangzhou of RMB12,820,000 and RMB6,100,000, and repaid loans with principal amount of RMB8,220,000 and RMB10,430,000 together with interests of RMB2,944,000 and RMB1,654,000 respectively.

(b) *Interest expenses*

	2015	2014	2013
Capital Investment	22,522	28,556	26,807
Capital Fangzhou	2,999	2,891	2,577
Total	<u>25,521</u>	<u>31,447</u>	<u>29,384</u>

## (4) Related party balances

Other payables (note 4(11))

	31 December 2015	31 December 2014	31 December 2013
Capital Investment	212,048	499,531	470,975
Capital Fangzhou	49,689	45,690	41,143
Capital Group	13,491	13,491	13,491
	<hr/>	<hr/>	<hr/>
Total	275,228	558,712	525,609
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2014, RMB436,500,000 and RMB63,031,000 were the borrowing principal and interests due to Capital Investment, the shareholder of the Target Company Shenyang Haohua (31 December 2013: RMB436,500,000 and RMB34,475,000), with an annual interest rate of 6.6%, unpledged and unguaranteed, and with no fixed maturity date.

In December 2015, Capital Investment converted creditors' rights to the Target Company Shenyang Haohua amounted to RMB325,000,000 into capital contribution to increase the Target Company Shenyang Haohua's paid-in capital, after the conversion, the borrowing principal and interests due to Capital Investment amounted to RMB126,495,000 and RMB85,553,000, with an annual interest rate of 6.6%, unpledged and unguaranteed, and with no fixed maturity date.

As at 31 December 2015, the borrowing principal and interests due to Capital Fangzhou amounted to RMB45,600,000 and RMB4,089,000 (31 December 2014: RMB44,600,000 and RMB1,090,000; 31 December 2013: RMB40,000,000 and RMB1,143,000), with an annual interest rate of 6.6%, unpledged and unguaranteed, and has no fixed maturity date.

Other payables due from related parties except for the loans above are free of interest, unsecured, unguaranteed and with no fixed maturity date.

## 6 FINANCIAL INSTRUMENTS AND RISK

The Target Company Shenyang Haohua's activities expose it to financial risks: including market risk, credit risk and liquidity risk. The Target Company Shenyang Haohua's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

## (1) Market risk

## (a) Interest rate risk

The Target Company Shenyang Haohua has no debts of floating interest rate, and expects no significant interest risk.

## (2) Credit risk

The Target Company Shenyang Haohua manages its credit risk on a classified basis. Credit risk mainly arises from cash at bank and other receivables etc.

Since cash at bank of the Target Company Shenyang Haohua are mainly deposited at state-owned banks and other large and medium-sized listed banks, the Target Company Shenyang Haohua expects no significant credit risk associated and that there would not be any significant losses due to non-performance by these counterparties.

In addition, the Target Company Shenyang Haohua has policies to limit the credit risk exposure on receivables. The Target Company Shenyang Haohua assesses the credit quality on its debtors by taking into account their financial position and other factors such as current market conditions. In respect of debtors with a poor credit history, the Target Company Shenyang Haohua will use written payment reminders to ensure the overall credit risk of the Target Company Shenyang Haohua is limited to controllable range.

## (3) Liquidity risk

Cash flow forecasting is performed by the Target Company Shenyang Haohua, the finance departments monitor rolling forecasts of the short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that it does not breach borrowing limits or covenants on any of borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Target Company Shenyang Haohua at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2015				total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial liabilities					
Accounts payable	22,353	–	–	–	22,353
Other payables	275,668	–	–	–	275,668
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>298,021</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>298,021</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	31 December 2014				total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial liabilities					
Accounts payable	29,468	–	–	–	29,468
Other payables	559,140	–	–	–	559,140
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>588,608</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>588,608</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>



		31 December 2013				
		Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	total
Financial liabilities						
	Accounts payable	42,408	–	–	–	42,408
	Other payables	526,291	–	–	–	526,291
	Total	<u>568,699</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>568,699</u>
<b>7</b>	<b>NET CURRENT ASSETS</b>					
		<b>31 December</b>	<b>31 December</b>	<b>31 December</b>		
		<b>2015</b>	<b>2014</b>	<b>2013</b>		
	Current assets	319,623	340,159	372,505		
	Less: current liabilities	<u>319,728</u>	<u>626,546</u>	<u>609,092</u>		
	Net current liabilities	<u>(105)</u>	<u>(286,387)</u>	<u>(236,587)</u>		
<b>8</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
		<b>31 December</b>	<b>31 December</b>	<b>31 December</b>		
		<b>2015</b>	<b>2014</b>	<b>2013</b>		
	Total assets	319,999	340,393	372,587		
	Less: current liabilities	<u>319,728</u>	<u>626,546</u>	<u>609,092</u>		
	Total assets less current liabilities	<u>271</u>	<u>(286,153)</u>	<u>(236,505)</u>		

**III SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Target Company Shenyang Haohua in respect of any period subsequent to 31 December 2015 up to the date of this report. No dividend or distribution has been declared or made by the Target Company Shenyang Haohua in respect of any period subsequent to 31 December 2015.

**PricewaterhouseCoopers Zhong Tian LLP**  
Shanghai, PRC

29 June 2016

**MANAGEMENT DISCUSSION AND ANALYSIS**

Set out below is the management discussion and analysis of the Target Companies for the years ended 31 December 2013, 2014 and 2015. The following financial information is based on the Accountant's Report on the Target Companies as set out in Appendix II to this circular.

**I. DONGHUAN XINRONG****A. Business review**

For the years ended 31 December 2013, 2014 and 2015, Donghuan Xinrong mainly focused on the property management and leasing of offices in Capital Building\* (首創大廈) located at No. 6, Chaoyangmenbei Street, Dongcheng District\* in Beijing (北京市東城區朝陽門北大街6號). During the years ended 31 December 2013, 2014 and 2015, Donghuan Xinrong had gradually acquired more units in Capital Building\* (首創大廈) as investment properties. As at the Latest Practicable Date, a total GFA of 48,431 sq. m. in Capital Building\* (首創大廈) was owned by Donghuan Xinrong and the occupancy rate was nearly 100%.

During the years ended 31 December 2013, 2014 and 2015, there was no material acquisition and/or disposal by Donghuan Xinrong.

Subsequent to completion of the Donghuan Equity Transfer Agreement, Donghuan Xinrong will continue to focus on property management and leasing of offices in Capital Building\* (首創大廈), which is conveniently situated in the core commercial district in East 2<sup>nd</sup> ring in Beijing, and an attractive location for renowned enterprises and multinational companies. It is expected that the occupancy rental rates of Capital Building\* (首創大廈) will be maintained at a high level in the future, and will become a sustainable source of income for the Group.

**B. Financial review****Financial performance***Segmental information*

For the years ended 31 December 2013, 2014 and 2015, Donghuan Xinrong had only one reportable business segment, which was property management and leasing in the PRC.

*Revenue*

The breakdown of revenue for Donghuan Xinrong for the years ended 31 December 2013, 2014 and 2015, is set out below:

	<b>Year ended 31 December</b>		
	<b>2013</b> <i>RMB'000</i>	<b>2014</b> <i>RMB'000</i>	<b>2015</b> <i>RMB'000</i>
Revenue from rental income and management fees	74,365	84,330	93,188
Revenue from catering business	10,791	11,038	10,786
Other income	3,523	4,686	4,567
	<u>88,679</u>	<u>100,054</u>	<u>108,541</u>

Revenue increased by approximately 12.8% from approximately RMB88.7 million in 2013 to approximately RMB100.1 million in 2014, and further increased by approximately 8.4% to approximately RMB108.5 million, mainly due to the increase in rental income and management fee contributed by the gradual acquisition of additional investment properties held by Donghuan Xinrong and the increasing trend of market rental rates and management fees.

*Cost of sales*

	<b>Year ended 31 December</b>		
	<b>2013</b> <i>RMB'000</i>	<b>2014</b> <i>RMB'000</i>	<b>2015</b> <i>RMB'000</i>
Administrative office expenses	4,126	3,791	3,868
Investment property operating cost	6,610	6,157	7,262
Catering material consumption	3,619	3,355	3,828
Tax expenses	3,730	3,824	3,733
Intermediary service fee	4	786	621
Total	<u>18,089</u>	<u>17,913</u>	<u>19,312</u>

Cost of sales slightly decreased from approximately RMB18.1 million in 2013 to approximately RMB17.9 million in 2014 mainly due to stricter cost control measures implemented by Donghuan Xinrong in 2014 which resulted in the slight decrease in administrative office expenses, investment property operating cost and catering material consumption in 2014 as compared to 2013. The cost of sales increased from approximately RMB17.9 million in 2014 to approximately RMB19.3 million in 2015 mainly due to the purchase of investment properties by Donghuan Xinrong in 2015 which resulted in the corresponding increase in administrative office expenses and investment property operating cost.

*Gross profit margin*

The gross profit margin for Donghuan Xinrong for the years ended 31 December 2013, 2014 and 2015 was approximately 79.6%, 82.1% and 82.2%, respectively, which maintained a consistent trend.

*Taxes and surcharges*

The taxes and surcharges was mainly imposed on the property leasing and restaurant and catering businesses in Beijing of Donghuan Xinrong. The taxes and surcharges for the years ended 31 December 2013, 2014 and 2015 was approximately RMB5.3 million, RMB5.7 million and RMB6.1 million, respectively.

*General and administrative expenses*

	<b>Year ended 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Wages	13,653	19,248	20,781
Social security and welfare	276	300	375
Administrative office expenses	1,056	1,237	1,215
Depreciation and amortisation	78	175	191
Travel and entertainment expenses	131	399	445
Intermediary service fee	70	70	320
Others	335	121	333
	<hr/>	<hr/>	<hr/>
Total	<u>15,599</u>	<u>21,550</u>	<u>23,695</u>

General and administrative expenses increased from approximately RMB15.6 million in 2013 to approximately RMB21.6 million in 2014, and further increased to approximately RMB23.7 million in 2015 mainly due to the increase in employees and the upward pressure in market wages, resulting in the increase in wages, social welfare and welfare in the relevant years.

*Net financial expenses*

The net financial expenses for Donghuan Xinrong mainly represented the interest expenses in relation to interest bearing loans and other payables of Donghuan Xinrong, which decreased from approximately RMB17.6 million in 2013 to approximately RMB14.2 million in 2014, and then further decrease to approximately RMB10.4 million in 2015, mainly due to the decrease in the interest bearing portion of other payables of Donghuan Xinrong in 2014 and 2015 respectively.

*Income tax*

The income tax expense mainly represents the PRC corporate income tax based on the assessable profits in the PRC of Donghuan Xinrong. The income tax expense for the years ended 31 December 2013, 2014 and 2015 was approximately RMB14.7 million, RMB43.6 million and RMB31.6 million.

*Profit for the year*

As a result of the discussions above, Donghuan Xinrong recorded profits for the years ended 31 December 2013, 2014 and 2015 of approximately RMB39.8 million, RMB129.1 million and RMB94.4 million, respectively.

**Liquidity and financial resources**

As at 31 December 2013, 2014 and 2015, Donghuan Xinrong had net current liabilities of approximately RMB280.7 million, RMB247.8 million and RMB220.2 million, respectively. The decrease in net current liabilities primarily reflected the increase in cash and cash equivalents and accounts receivable, together with the decrease in other payables.

Donghuan Xinrong recorded a net cash outflow of approximately RMB73.9 million for the year ended 31 December 2013, contributed by the cash inflow from operating activities of approximately RMB50.1 million and a cash outflow of approximately RMB123.5 million, being repayment of balances owed to Capital Group by Donghuan Xinrong. For the year ended 31 December 2014, Donghuan Xinrong recorded a net cash inflow of approximately RMB22.9 million, contributed by cash inflows from operating activities of approximately RMB53.7 million and a cash outflow of approximately RMB30.7 million, being repayment of balances owed to Capital Group by Donghuan Xinrong. For the year ended 31 December 2015, Donghuan Xinrong recorded a net cash inflow of approximately RMB17.9 million, contributed by cash inflows from operating activities of approximately RMB51.5 million, the cash outflow of approximately RMB64.1 million for the acquisition of investment properties and a cash outflow of approximately RMB29.0 million, being repayment of balances owed to Capital Group by Donghuan Xinrong.

The loans and other payables of Donghuan Xinrong as at 31 December 2013, 2014 and 2015 was approximately RMB325.8 million, RMB313.1 million and RMB358.5 million, respectively, which composition is as follows:

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Bank loans ( <i>Note 1</i> )	–	–	60,000
Payables to related parties ( <i>Note 2</i> )	325,781	313,065	298,529
	325,781	313,065	358,529

*Notes:*

- (1) Donghuan Xinrong obtained a bank loan with a principal amount of RMB60 million during the year ended 31 December 2015, of which RMB6 million is payable within one year and RMB54 million is repayable within ten years as at 31 December 2015. The bank loan was secured with investment properties held by Donghuan Xinrong which amounted to approximately RMB480 million.
- (2) The payables to related parties mainly comprised of the shareholders' loan with a principal amount of RMB246 million, RMB230 million and RMB214 million as at 31 December 2013, 2014 and 2015, respectively. The interest charged on the shareholders' loan for the year ended 31 December 2013 and 2014 was based on the lending rate published by the People's Bank of China, and the interest charged on the shareholders' loan for the year ended 31 December 2015 was based on the fixed interest rate of 5.6%. Such shareholders' loan was unsecured and had no fixed repayment terms. Apart from the shareholders' loan mentioned above, the remaining balance of the payables to Capital Group for the respective years was interest-free, unsecured and had no fixed repayment terms.

For details of the loans and other payables of Donghuan Xinrong as at 31 December 2013, 2014 and 2015, please refer to notes 5(10), 5(11) and 5(12) of the Accountant's Report on the Target Companies as set out in Appendix II to this circular.

The total equity of Donghuan Xinrong as at 31 December 2013, 2014 and 2015 was approximately RMB765.9 million, RMB895.0 million and RMB989.3 million, respectively.

### **Gearing ratio**

The net gearing ratio of Donghuan Xinrong, which is equal to total liabilities over total assets as at 31 December 2013, 2014 and 2015 was approximately 43.3%, 40.7% and 40.9%, respectively.

### **Contingent liabilities**

Save as disclosed above, Donghuan Xinrong did not have any other contingent liabilities as at 31 December 2013, 2014 and 2015.

**Financial risk management**

For the years ended 31 December 2013, 2014 and 2015, Donghuan Xinrong was mainly exposed to interest rate, credit, liquidity risks arising in the normal course of business. For details of the exposure to such risks and the relevant risk management policies and practices adopted by Donghuan Xinrong, please refer to note 7 of the Accountant's Report on the Target Companies as set out in Appendix II to this circular.

As the operations of Donghuan Xinrong were principally based in PRC for the years ended 31 December 2013, 2014 and 2015, the principal assets and liabilities of Donghuan Xinrong were denominated in Renminbi and therefore Donghuan Xinrong considered that it did not have any material exposure to fluctuations in exchange rate and no hedging measures were taken.

**Significant investments**

The details of Donghuan Xinrong's investments in subsidiaries as at 31 December 2013, 2014 and 2015 are set out in note 4 of the Accountant's Report on the Target Companies in Appendix II to this circular.

**Employee and remuneration policies**

During the year ended 31 December 2015, Donghuan Xinrong had an average of 43 employees. Donghuan Xinrong adopts a remuneration policy with equal emphasis on the market-competitiveness of the remuneration and fairness among the employees, and includes medical benefits and statutory contributions. For the years ended 31 December 2013, 2014 and 2015, the employees of Donghuan Xinrong were mainly members of a retirement schemes offered by local social insurance entities.

**II. LIUJIN ZHIYE****A. Business review**

For the years ended 31 December 2013, 2014 and 2015, Liujin Zhiye mainly focused on the primary land development (shantytown renovation) of a property project located in Xihuang Village, Shijingshan District\* in Beijing (北京市石景山西黄村), with a total planned site area of 521,462 sq. m. and a total construction land area of 280,829 sq. m.. In particular, Liujin Zhiye was officially authorised by the local government for the shantytown renovation of the same property project in 2014. Primary land development (shantytown renovation) refers to government programs whereby a primary developer is engaged to develop land in accordance with planning conditions. The developer may be required to engage in land requisitioning, demolition, relocation of occupants, leveling of the land and construction of appropriate urban utilities. No land use right is required for such activities.



During the years ended 31 December 2013, 2014 and 2015, there was no material acquisition and/or disposal by Liujin Zhiye.

Subsequent to completion of the Liujin Equity Transfer Agreement, Liujin Zhiye will continue to focus on the primary land development (shantytown renovation) for the property project located in Shijingshan District\* in Beijing (北京市石景山西黄村), which has great development potential, and it is expected that the relevant land sites will be gradually available for auction and bidding in the near future. The participation in the property project in Shijingshan District in Beijing will allow Liujin Zhiye to gain a better position for potential opportunities in the subsequent property development of the same site, which is expected to contribute to the overall performance of the Group.

## **B. Financial review**

### **Financial performance**

#### *Segmental information*

For the years ended 31 December 2013, 2014 and 2015, Liujin Zhiye had only one reportable business segment, which was primary land development (shantytown renovation) in the PRC.

#### *Revenue*

The revenue for Liujin Zhiye for the years ended 31 December 2013, 2014 and 2015, was mainly from primary land development (shantytown renovation), which increased from approximately RMB13.0 million in 2013 to RMB43.6 million in 2014, and then to RMB52.6 million in 2015, mainly contributed by the recognition of significant funds in 2014 and 2015 received from the local government in relation to the relevant primary land development (shantytown renovation) agreements between Liujin Zhiye and the local government, pursuant to which Liujin Zhiye is commissioned by the local government to conduct primary land development (shantytown renovation) activities for a fee.

*Cost of sales*

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Cost of primary land development	–	7,091	38,429
Wages, social security and welfare	4,845	3,451	6,610
Administrative office expenses	6,824	4,234	–
Tax expenses	–	16	–
Depreciation	80	12	–
Travel and entertainment expenses	66	43	–
Intermediary service fee	–	49	–
Others	535	370	–
Total	<u>12,351</u>	<u>15,266</u>	<u>45,039</u>

Cost of sales increased from approximately RMB12.4 million in 2013 to approximately RMB15.3 million in 2014, which further increased to approximately RMB45.0 million in 2015 mainly due to (a) the increase in the primary land development and shantytown renovation activities conducted by Liujin Zhiye in 2014 and 2015 subsequent to the official commission having been granted by the local government in 2014, resulting in the significant increase in cost of primary land development in 2014 and 2015; (b) the relevant operations being reduced towards the completion of a primary land development contract in 2014, resulting in the decrease in wages, social security and welfare and administrative office expenses in 2014; and (c) the increase in employees in 2015 in conjunction with the increase in the primary land development and shantytown renovation activities subsequent to the official commission having been granted by the local government in 2014, resulting in the increase in wages, social security and welfare and administrative office expenses in 2015.

*Gross profit margin*

The gross profit margin for Liujin Zhiye increased from approximately 5.0% in 2013 to approximately 65.0% in 2014 and then decreased to approximately 14.4% in 2015 mainly due to the higher revenue recorded for the year ended 31 December 2014 as a result of the completion of a primary land development contract in that year and the relevant income of a significant amount was received accordingly in respect of primary land development conducted in previous years by Liujin Zhiye and which costs have been recorded in the relevant years.

*Taxes and surcharges*

The taxes and surcharges was mainly imposed on the primary land development (shantytown renovation) activities of Liujin Zhiye. The taxes and surcharges for the years ended 31 December 2013, 2014 and 2015 was approximately RMB728,000, RMB2.4 million and RMB7.3 million, respectively.

*General and administrative expenses*

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Wages, social security and welfare	–	456	4,118
Administrative office expenses	–	1,053	1,320
Tax expenses	–	650	–
Depreciation	–	26	23
Travel and entertainment expenses	–	155	53
Intermediary service fee	–	378	123
Others	–	6	–
	<hr/>	<hr/>	<hr/>
Total	–	2,724	5,637
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

General and administrative expenses increased from nil in 2013 to approximately RMB2.7 million in 2014 mainly due to the costs incurred by Liujin Zhiye in 2013 being considered to be solely in relation to the primary land development and shantytown renovation operations and thus was included in the cost of sales, and further increased to approximately RMB5.6 million in 2015 mainly due to the increase in employees in 2015 for greater administrative support for the increase in primary land development and shanty town renovation activities subsequent to the official commission having been granted by the local government in 2014 and the upward pressure in market wages in 2015, resulting in the significant increase in wages, social security and welfare.

*Net financial (income)/expenses*

The composition of net financial (income)/expenses for Liujin Zhiye for the years ended 31 December 2013, 2014 and 2015 is set out below:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Interest income ( <i>Note 1</i> )	(10)	(548)	(78,138)
Interest expenses ( <i>Note 2</i> )	4,417	–	55,259
Others	–	5	11
	<hr/>	<hr/>	<hr/>
	4,407	(543)	(22,868)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*Notes:*

- (1) Interest income for the year ended 31 December 2013, 2014 and 2015 mainly represented interest received from interest bearing other receivables and the increasing trend was mainly due to the increase in other receivables balances during the respective financial years.

- (2) Interest expenses for the year ended 31 December 2013 represented interest payable on other borrowings and interest expenses for the year ended 31 December 2015 represented interest payable on bank loans and other borrowings.

#### *Income tax*

The income tax expense mainly represents the PRC corporate income tax based on the assessable profits in the PRC of Liujin Zhiye. The income tax (credit)/expense for the years ended 31 December 2013, 2014 and 2015 was approximately RMB(402,000), RMB5.9 million and RMB4.4 million, respectively.

#### *Profit for the year*

As a result of the discussions above, Liujin Zhiye recorded (loss)/profits for the years ended 31 December 2013, 2014 and 2015 of approximately RMB(4.1) million, RMB17.7 million and RMB13.1 million, respectively.

#### **Liquidity and financial resources**

As at 31 December 2013, 2014 and 2015, Liujin Zhiye had net current assets of approximately RMB73.9 million, RMB792.7 million and RMB1,694.7 million, respectively. The increase in net current assets primarily reflected the increase in cash and cash equivalents, inventory, which effect was reduced by the increase in other payables.

Liujin Zhiye recorded a net cash outflow of approximately RMB3.3 million for the year ended 31 December 2013, mainly contributed by the cash outflow from operating activities of approximately RMB10.7 million, cash inflow of approximately RMB11.8 million, being repayment by a related party of balances owed to Liujin Zhiye and a cash outflow of approximately RMB4.4 million, being payment of interest expenses. For the year ended 31 December 2014, Liujin Zhiye recorded a net cash inflow of approximately RMB817.3 million, mainly contributed by cash inflows from operating activities of approximately RMB14.6 million, cash inflow of approximately RMB68.2 million, being repayment by a related party of balances owed to Liujin Zhiye and a cash inflow of approximately RMB700 million, being capital injection by the shareholders of Liujin Zhiye. For the year ended 31 December 2015, Liujin Zhiye recorded a net cash inflow of approximately RMB1,440.0 million, contributed by cash outflows from operating activities of approximately RMB24.0 million, the cash outflow of approximately RMB2,680.6 million for the payment of the commitment for primary land development (shantytown renovation) and an aggregate cash inflow from investing activities of approximately RMB4,144.5 million, mainly contributed by receipt of advances from Capital Investment and drawdown of loans.

The loans and other payables of Liujin Zhiye as at 31 December 2013, 2014 and 2015 was approximately RMB21,000, RMB35.1 million and RMB3,312.5 million, respectively, which composition is as follows:

	Year ended 31 December		
	2013 RMB'000	2014 RMB'000	2015 RMB'000
Bank loans ( <i>Note 1</i> )	–	–	2,344,192
Payables to related parties ( <i>Note 2</i> )	21	35,140	968,284
	21	35,140	3,312,476
	21	35,140	3,312,476

*Notes:*

- (1) Liujin Zhiye obtained a bank loan with a principal amount of RMB2,344.2 million during the year ended 31 December 2015, which was unsecured and had an annual interest rate based on 5% lower than the lending rate published by the People's Bank of China for the corresponding term of 1 to 5 years. Such bank loan will expire on 7 October 2020 and will be settled with the principal payable in full when due.
- (2) The payables to related parties mainly comprises of the shareholders' loan with a principal amount of nil, RMB35.0 million and RMB967.7 million as at 31 December 2013, 2014 and 2015, respectively. For the year ended 31 December 2014, the principal amount was unsecured, interest-free and had no fixed repayment terms. For the year ended 31 December 2015, the principal amount was unsecured, had an annual interest rate of 9% and had no fixed repayment terms.

For details of the loans and other payables of Liujin Zhiye as at 31 December 2013, 2014 and 2015, please refer to notes 4(8), 4(9) and 5(4) of the Accountant's Report on the Target Companies as set out in Appendix II to this circular.

The total equity of Liujin Zhiye as at 31 December 2013, 2014 and 2015 was approximately RMB75.5 million, RMB793.3 million and RMB1,726.4 million, respectively.

### Gearing ratio

The net gearing ratio of Liujin Zhiye, which is equal to total liabilities over total assets as at 31 December 2013, 2014 and 2015 was approximately 5.6%, 4.5% and 65.9%, respectively.

### Contingent liabilities

Save as disclosed above, Liujin Zhiye did not have any other contingent liabilities as at 31 December 2013, 2014 and 2015.

### Financial risk management

For the years ended 31 December 2013, 2014 and 2015, Liujin Zhiye was mainly exposed to interest rate, credit, liquidity risks arising in the normal course of business. For details of the exposure to such risks and the relevant risk management policies and practices adopted by Liujin Zhiye, please refer to note 6 of the Accountant's Report on the Target Companies as set out in Appendix II to this circular.

As the operations of Liujin Zhiye were principally based in PRC for the years ended 31 December 2013, 2014 and 2015, the principal assets and liabilities of Liujin Zhiye were denominated in Renminbi and therefore Liujin Zhiye considered that it did not have any material exposure to fluctuations in exchange rate and no hedging measures were taken.

#### **Significant investments**

Liujin Zhiye did not have any material equity investments as at 31 December 2013, 2014 and 2015.

#### **Employee and remuneration policies**

During the year ended 31 December 2015, Liujin Zhiye had an average of 30 employees. Liujin Zhiye adopts a remuneration policy with equal emphasis on the market-competitiveness of the remuneration and fairness among the employees, and includes medical benefits and statutory contributions. For the years ended 31 December 2013, 2014 and 2015, the employees of Liujin Zhiye were mainly members of a retirement schemes offered by local social insurance entities.

### **III. CHONGQING RUNZHI**

#### **A. Business review**

For the years ended 31 December 2013, 2014 and 2015, Chongqing Runzhi mainly focused on the development of the Yuyue Project\* (渝閱項目) located in Jinma Village, Zouma Town, Jiulongpo District\* in Chongqing (重慶市九龍坡區走馬鎮金馬村), with a total planned site area of 200,001.70 sq. m. and a total planned GFA of 107,985.5 sq. m.. The project is primarily involved in the development of residential properties. As at 31 December 2015, the total completed GFA was 25,311.56 sq. m., of which 6,148.48 sq. m. has been sold. Due to the stabilisation policies of the PRC government aimed at the local property market and the slowing down of the economy during the years ended 31 December 2013, 2014 and 2015, average sales prices and demand in the property market were weakened and the sales for the Yuyue Project\* (渝閱項目) were largely affected.

During the years ended 31 December 2013, 2014 and 2015, there was no material acquisition and/or disposal by Chongqing Runzhi.

Subsequent to completion of the Chongqing Equity Transfer Agreement, Chongqing Runzhi will continue to focus on the property development of the Yuyue Project\* (渝閱項目), which is resourceful and conveniently situated, and will tap on the sales channels, branding and expertise of the Group to create synergies and opportunities for improving the design and costs control of the Yuyue Project\* (渝閱項目), which is expected to contribute to the overall performance of the Group.

**B. Financial review****Financial performance***Segmental information*

For the years ended 31 December 2013, 2014 and 2015, Chongqing Runzhi had only one reportable business segment, which was property development in the PRC.

*Revenue*

The revenue for Chongqing Runzhi for the years ended 31 December 2013, 2014 and 2015, was mainly from sale of completed properties increased from nil in 2013 to approximately RMB44.0 million in 2014, and then decreased to nil in 2015, mainly contributed by the stabilisation policies of the PRC government and the slowing down of the economy, which weakened the market demand for residential properties in Chongqing. In particular, nil revenue was recorded in 2015 mainly due to the adjustment of the product plan and design by Chongqing Runzhi, which involved obtaining the relevant approvals from the local government and therefore the promotion and sales was suspended accordingly.

*Cost of sales*

	<b>Year ended 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Wages	–	583	–
Cost of properties sold	–	40,950	–
	<hr/>	<hr/>	<hr/>
Total	–	41,533	–
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Cost of sales increased from nil to approximately RMB41.5 million in 2014, and then decreased to nil in 2015 which was mainly due to the sale of properties in 2014 and the suspension of promotion and sales in 2015 for obtaining the relevant approvals from the local government on the adjustment of the product plan and design, resulting in the increase in cost of properties sold in 2014 and then the decrease in cost of properties sold in 2015.

*Gross profit margin*

The gross profit margin for Chongqing Runzhi for the years ended 31 December 2013, 2014 and 2015 was nil, approximately 5.6% and nil, respectively, which was consistent with the revenue trend in the respective years.

*Taxes and surcharges*

The taxes and surcharges was mainly imposed on property development activities of Chongqing Runzhi. The taxes and surcharges for the years ended 31 December 2013, 2014 and 2015 was nil, approximately RMB4.0 million and nil, respectively, which is consistent with the revenue trend for the respective years.

*General and administrative expenses*

	<b>Year ended 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Wages, social security and welfare	184	5,488	155
Depreciation and amortisation	172	177	177
Administrative office expenses	254	1,218	710
Property management fee	–	1,390	1,254
Travel and entertainment expenses	46	415	142
Intermediary service fee	40	1,087	1,447
Tax expenses	56	1,160	13
Others	–	873	334
	<hr/>	<hr/>	<hr/>
Total	752	10,649	4,232
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

General and administrative expenses increased from approximately RMB0.75 million in 2013 to approximately RMB10.6 million in 2014, and decreased to approximately RMB4.2 million mainly due to the increase in employees in 2014 to support the sales and operations in 2014, resulting in the increase in wages, social security and welfare in 2014 and the decrease in employees in 2015 as a result of the suspension in the promotion and sales of properties in 2015, resulting in the decrease in wages, social security and welfare in 2015.

*Net financial expenses*

The net financial expenses for Chongqing Runzhi for the years ended 31 December 2013, 2014 and 2015 mainly comprised of interest payable on bank loans and other borrowings, and increased from approximately RMB19.4 million in 2013 to approximately RMB57.6 million in 2014, and then to approximately RMB61.4 million, mainly due to the increase in the interest bearing portion of other payables during the respective financial years.

*Loss for the year*

As a result of the discussions above, Chongqing Runzhi recorded losses for the years ended 31 December 2013, 2014 and 2015 of approximately RMB170.0 million, RMB83.5 million and RMB75.4 million, respectively.



**Liquidity and financial resources**

As at 31 December 2013, 2014 and 2015, Chongqing Runzhi had net current liabilities of approximately RMB75.0 million, RMB258.3 million and RMB0.6 million, respectively. The increase of net current liabilities from approximately RMB75.0 million as at 31 December 2013 to approximately RMB258.3 million as at 31 December 2014 was mainly contributed by the decrease in cash and cash equivalents, inventory and other current assets, together with the increase in other current liabilities and the current portion of non-current liabilities. The decrease of net current liabilities from approximately RMB258.3 million as at 31 December 2014 to approximately RMB0.6 million as at 31 December 2015 was mainly contributed by the increase in other receivables and the decrease in other payables, other current liabilities and the current portion of non-current liabilities.

Chongqing Runzhi recorded a net cash inflow of approximately RMB17.1 million for the year ended 31 December 2013, mainly contributed by the cash inflows from drawdown of loan of RMB100 million and advancement of shareholders' loan of approximately RMB291.7 million, which effect was reduced by the net cash outflow from operating activities of approximately RMB9.1 million, repayment of shareholders' loan of approximately RMB272.4 million and repayment of bank loan of RMB80 million. For the year ended 31 December 2014, Chongqing Runzhi recorded a net cash outflow of approximately RMB57.5 million, mainly contributed by cash outflows from operating activities of approximately RMB48.4 million and cash outflow of approximately RMB11.1 million, being payment of interest. For the year ended 31 December 2015, Chongqing Runzhi recorded a net cash outflow of approximately RMB600,000, mainly contributed by cash outflows for operating activities of approximately RMB13.2 million, cash outflows for repayment of loans of RMB99.0 million and cash outflows of approximately RMB27.9 million for investments, which effect was reduced by the cash inflow of RMB150 million, being advancement of shareholders' loan.

The loans and other payables of Chongqing Runzhi as at 31 December 2013, 2014 and 2015 was approximately RMB409.6 million, RMB463.8 million and RMB232.0 million, respectively, which composition is as follows:

	<b>Year ended 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans ( <i>Note 1</i> )	100,000	99,000	–
Payables to related parties ( <i>Note 2</i> )	309,615	364,751	231,970
	<u>409,615</u>	<u>463,751</u>	<u>231,970</u>

*Notes:*

- (1) As at 31 December 2013 and 2014, bank loans of RMB100 million and RMB99 million were secured by the mortgage of certain land use rights in properties under development of Chongqing Runzhi, and secured by the pledge of equity of Chongqing Runzhi. The bank loans should be repaid on or before 31 December 2015 and the annual interest rate was 11%.
- (2) As at 31 December 2013 and 2014, the payables to related parties mainly comprised the shareholders' loan of approximately RMB291.7 million with interest rate of 16%, unsecured, unguaranteed, and with no fixed maturity date. Such amounts was being repaid in 2015.

As at 31 December 2015, the payables to related parties mainly comprised the shareholders' loan of RMB150 million, which annual interest rate was 16%, unpledged, unguaranteed and repayable on demand.

For details of the loans and other payables of Chongqing Runzhi as at 31 December 2013, 2014 and 2015, please refer to notes 4(10) to 4(12) and 5(4) of the Accountant's Report on the Target Companies as set out in Appendix II to this circular.

The total equity of Chongqing Runzhi as at 31 December 2013, 2014 and 2015 was a (debit)/credit amount of approximately RMB(173.9) million, RMB(257.3) million and RMB0.3 million, respectively.

**Gearing ratio**

The net gearing ratio of Chongqing Runzhi, which is equal to total liabilities over total assets as at 31 December 2013, 2014 and 2015 was approximately 146.1%, 197.2% and 99.9%, respectively.

**Contingent liabilities**

Chongqing Runzhi provided guarantees for certain purchasers of properties in relation to the granting of bank loans to them and such guarantees amounted to RMB31,066,000 as at 31 December 2015.

In addition, Chongqing Runzhi had initiated the litigation process for an alleged breach by a contractor of a construction contract entered into in 2012, which contract value amounted to RMB25 million. In 2014, the contractor filed a counterclaim against Chongqing Runzhi for an amount of approximately RMB26.3 million. The litigation was still in progress as at the Latest Practicable Date.

Save as disclosed above, Chongqing Runzhi did not have any other contingent liabilities as at 31 December 2013, 2014 and 2015.

**Financial risk management**

For the years ended 31 December 2013, 2014 and 2015, Chongqing Runzhi was mainly exposed to interest rate, credit, liquidity risks arising in the normal course of business. For details of the exposure to such risks and the relevant risk management policies and practices adopted by Chongqing Runzhi, please refer to note 7 of the Accountant's Report on the Target Companies as set out in Appendix II to this circular.

As the operations of Chongqing Runzhi were principally based in PRC for the years ended 31 December 2013, 2014 and 2015, the principal assets and liabilities of Chongqing Runzhi were denominated in Renminbi and therefore Chongqing Runzhi considered that it did not have any material exposure to fluctuations in exchange rate and no hedging measures were taken.

**Significant investments**

Chongqing Runzhi did not have any material equity investments as at 31 December 2013, 2014 and 2015.

**Employee and remuneration policies**

During the year ended 31 December 2015, Chongqing Runzhi had one employee. Chongqing Runzhi adopts a remuneration policy with equal emphasis on the market-competitiveness of the remuneration and fairness among the employees, and includes medical benefits and statutory contributions. For the years ended 31 December 2013, 2014 and 2015, the employees of Chongqing Runzhi were mainly members of a retirement schemes offered by local social insurance entities.

**IV. SHENYANG HAOHUA****A. Business review**

For the years ended 31 December 2013, 2014 and 2015, Shenyang Haohua mainly focused on the development of the Legendary Bay Project\* (首創•琥珀灣項目) located in Gaokan Subdistrict, Qipanshan Tourism Development Zone\* in Shenyang (瀋陽市棋盤山旅遊開發區高坎街道), with a total planned site area of 231,666 sq. m. and a total planned GFA of 170,000 sq. m.. The project is primarily involved in the development of residential properties, retail shops and other facilities. Due to the stabilisation policies of the PRC government aimed at the local property market and the slowing down of the economy during the years ended 31 December 2013, 2014 and 2015, average sales prices and demand in the property market were weakened and the sales for the Legendary Bay Project\* (首創•琥珀灣項目) were largely affected.

During the years ended 31 December 2013, 2014 and 2015, there was no material acquisition and/or disposal by Shenyang Haohua.

Subsequent to completion of the Shenyang Equity Transfer Agreement, Shenyang Haohua will continue to focus on the property development of the Legendary Bay Project\* (首創•琥珀灣項目), which is planned as a low density luxury residential area, and will tap on the sales channels, branding and expertise of the Group to create synergies and opportunities for improving the design and costs control of the Legendary Bay Project\* (首創•琥珀灣項目), which is expected to contribute to the overall performance of the Group.

## B. Financial review

### Financial performance

#### *Segmental information*

For the years ended 31 December 2013, 2014 and 2015, Shenyang Haohua had only one reportable business segment, which was property development in the PRC.

#### *Revenue*

The revenue for Shenyang Haohua for the years ended 31 December 2013, 2014 and 2015, was mainly from sale of completed properties increased from approximately RMB1.9 million in 2013 to approximately RMB26.6 million in 2014, and then decreased to approximately RMB14.7 million in 2015, mainly contributed by the stabilisation policies of the PRC government and the slowing down of the economy, which weakened the market demand for residential properties in Shenyang.

#### *Cost of sales*

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Wages	272	3,304	1,814
Cost of properties sold	1,723	21,802	11,935
Total	1,995	25,106	13,749

Cost of sales increased from approximately RMB2.0 million in 2013 to approximately RMB25.1 million in 2014, and then decreased to approximately RMB13.7 million in 2015 mainly due to the increase in sale of properties in 2014 in conjunction with the completion of the relevant properties in 2014, which then decreased in 2015 due to weakened market demand for residential properties in Shenyang contributed by the stabilisation policies of the PRC government and the slowing down of the economy.

*Gross profit margin*

The gross profit margin/(loss) for Shenyang Haohua for the years ended 31 December 2013, 2014 and 2015 was approximately (5)%, approximately 5.7% and approximately 6.7%, respectively, as a result of weak average selling prices during the respective years.

*Taxes and surcharges*

The taxes and surcharges was mainly imposed on the property development activities of Shenyang Haohua. The taxes and surcharges for the years ended 31 December 2013, 2014 and 2015 was approximately RMB135,000, RMB1.9 million and RMB1.0 million, respectively, which is consistent with the revenue trend for the respective years.

*General and administrative expenses*

	<b>Year ended 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Wages	3,778	838	827
Social security and welfare	122	59	79
Depreciation and amortisation	59	52	173
Travel and entertainment expenses	219	187	198
Administrative office expenses	3,215	5,189	4,193
Tax expenses	1,902	1,911	1,857
Intermediary service fee	46	50	536
Others	2	–	–
	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>9,343</u>	<u>8,286</u>	<u>7,863</u>

General and administrative expenses decreased from approximately RMB9.3 million in 2013 to approximately RMB8.3 million in 2014, and slightly decreased to approximately RMB7.9 million in 2015 mainly due to (a) the increase in administrative office expenses in 2014 to support the increase in sale of properties in 2014, which decreased in 2015 as the sale of properties reduced in that year; and (b) the decrease in wages and social security and welfare in 2014 as a result of decrease in employees in 2014 in conjunction with the stricter cost control measures implemented, which was maintained at a similar level in 2015.

*Net financial expenses*

The net financial expenses for Shenyang Haohua for the years ended 31 December 2013, 2014 and 2015 mainly comprised of interest payable on other borrowings, and increased from approximately RMB29.4 million in 2013 to approximately RMB31.4 million in 2014, and then to approximately RMB25.5 million, mainly due to changes in the interest bearing portion of other payables during the respective years.

*Loss for the year*

As a result of the discussions above, Shenyang Haohua recorded losses for the years ended 31 December 2013, 2014 and 2015 of approximately RMB208.1 million, RMB49.6 million and RMB38.6 million, respectively.

**Liquidity and financial resources**

As at 31 December 2013, 2014 and 2015, Shenyang Haohua had net current liabilities of approximately RMB236.6 million, RMB286.4 million and RMB105,000, respectively. The increase of net current liabilities from approximately RMB236.6 million as at 31 December 2013 to approximately RMB286.4 million as at 31 December 2014 was mainly contributed by the decrease in cash and cash equivalents and inventory, together with the increase in other current liabilities, which effect was reduced by the decrease in other payables. The decrease of net current liabilities from approximately RMB286.4 million as at 31 December 2014 to approximately RMB105,000 as at 31 December 2015 was mainly contributed by the decrease in other payables.

Shenyang Haohua recorded a net cash inflow of approximately RMB2.0 million for the year ended 31 December 2013, mainly contributed by the cash outflows from operating activities of approximately RMB40.5 million and the net cash inflow relating to capital raising activities of approximately RMB42.4 million. For the year ended 31 December 2014, Shenyang Haohua recorded a net cash outflow of approximately RMB2.8 million, mainly contributed by cash outflows from operating activities of approximately RMB4.2 million, which effect was reduced by the net cash inflow relating to capital raising activities of approximately RMB1.7 million. For the year ended 31 December 2015, Shenyang Haohua recorded a net cash outflow of approximately RMB314,000, mainly contributed by cash outflows for operating activities of approximately RMB16.0 million, which effect was reduced by the net cash inflow relating to capital raising activities of approximately RMB16.0 million.

The other payables of Shenyang Haohua as at 31 December 2013, 2014 and 2015 was approximately RMB526.3 million, RMB559.1 million and RMB275.7 million, respectively, which mainly comprised of shareholders' loan of approximately RMB476.5 million, RMB481.1 million and RMB172.1 million, respectively. The shareholders' loans were unsecured, had no fixed repayment terms and had a fixed annual interest rate of 6.6%.

For details of the other payables of Shenyang Haohua as at 31 December 2013, 2014 and 2015, please refer to notes 4(11) and 5(4) of the Accountant's Report on the Target Companies as set out in Appendix II to this circular.

The total equity of Shenyang Haohua as at 31 December 2013, 2014 and 2015 was a (debit)/ credit amount of approximately RMB(236.5) million, RMB(286.2) million and RMB0.3 million, respectively.

#### **Gearing ratio**

The net gearing ratio of Shenyang Haohua, which is equal to total liabilities over total assets as at 31 December 2013, 2014 and 2015 was approximately 163.5%, 184.1% and 99.9%, respectively.

#### **Contingent liabilities**

Save as disclosed above, Shenyang Haohua did not have any other contingent liabilities as at 31 December 2013, 2014 and 2015.

#### **Financial risk management**

For the years ended 31 December 2013, 2014 and 2015, Shenyang Haohua was mainly exposed to credit and liquidity risks arising in the normal course of business. For details of the exposure to such risks and the relevant risk management policies and practices adopted by Shenyang Haohua, please refer to note 6 of the Accountant's Report on the Target Companies as set out in Appendix II to this circular.

As the operations of Shenyang Haohua were principally based in PRC for the years ended 31 December 2013, 2014 and 2015, the principal assets and liabilities of Shenyang Haohua were denominated in Renminbi and therefore Shenyang Haohua considered that it did not have any material exposure to fluctuations in exchange rate and no hedging measures were taken.

#### **Significant investments**

Shenyang Haohua did not have any material equity investments as at 31 December 2013, 2014 and 2015.

#### **Employee and remuneration policies**

During the year ended 31 December 2015, Shenyang Haohua had an average of 5 employees. Shenyang Haohua adopts a remuneration policy with equal emphasis on the market-competitiveness of the remuneration and fairness among the employees, and includes medical benefits and statutory contributions. For the years ended 31 December 2013, 2014 and 2015, the employees of Shenyang Haohua were mainly members of a retirement schemes offered by local social insurance entities.

*The following information does not form part of the Accountant's Reports on the financial information of the Group and the Accountant's Reports on the financial information of Donghuan Xinrong, Liuji Zhiye, Chongqing Runzhi and Shenyang Haohua from PricewaterhouseCoopers Zhong Tian LLP, the Company's reporting accountant, as set out in appendix II to this circular, and is included herein for information only. The pro forma financial information should be read in conjunction with the financial information of the Group and the Accountant's Reports on the financial information of Donghuan Xinrong, Liuji Zhiye, Chongqing Runzhi and Shenyang Haohua.*

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

The following unaudited pro forma statement of assets and liabilities of the Group (the "Unaudited Pro Forma Financial Information") has been prepared on the basis of the notes set out below for the purpose of illustrating the effects on the assets and liabilities of the Enlarged Group as if the Transaction contemplated under the Agreements (the "Proposed Transaction") had taken place as at 31 December 2015.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Transaction been completed as at 31 December 2015, or any future dates.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information contained in this circular.

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies consistent with those of the Group as set out in the published annual report of the Group for the year ended 31 December 2015.



**APPENDIX IV**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE ENLARGED GROUP**
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF  
THE ENLARGED GROUP**

	Pro forma adjustments of transaction					Unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 31 December 2015 RMB'000 (Notes 3&4)	
	Audited statement of assets and liabilities of Target Company Liujin Real Estate as at 31 December 2015 RMB'000 (Note 1)	Audited statement of assets and liabilities of Target Group Donghuan Xinrong as at 31 December 2015 RMB'000 (Note 2)	Audited statement of assets and liabilities of Target Company Shenyang haohua as at 31 December 2015 RMB'000 (Note 2)	Audited statement of assets and liabilities of Target Company Chongqing Runzhi as at 31 December 2015 RMB'000 (Note 2)	Unaudited Pro Forma Adjustments RMB'000		
<b>ASSETS</b>							
<b>Current assets</b>							
Cash at bank and on hand	17,747,986	2,261,716	93,280	498	1,164	(4,202,695)	15,901,949
Financial assets at fair value through profit or loss	228,266	-	-	-	-	-	228,266
Notes receivable	1,811	-	-	-	-	-	1,811
Trade receivables	671,044	-	5,854	-	-	-	676,898
Advances to suppliers	585,740	-	-	99	-	-	585,839
Interest receivable	19,980	-	-	-	-	-	19,980
Dividends receivable	21,825	-	-	-	-	-	21,825
Other receivables	2,509,853	368,288	934	2,914	48,952	(368,000)	2,562,941
Inventories	58,089,148	49,766	205	314,448	229,898	-	58,683,465
Current portion of non-current assets	593,030	-	-	-	-	-	593,030
Assets of disposal group classified as held for sale	9,921	-	-	-	-	-	9,921
Other current assets	2,180,922	-	-	1,664	1,847	-	2,184,433
<b>Total current assets</b>	<b>82,659,526</b>	<b>2,679,770</b>	<b>100,273</b>	<b>319,623</b>	<b>281,861</b>	<b>(4,570,695)</b>	<b>81,470,358</b>
<b>Non-current assets</b>							
Available-for-sale financial assets	86,444	-	-	-	-	-	86,444
Long-term receivables	2,283,991	2,379,676	-	-	-	-	4,663,667
Long-term equity investments	5,515,566	-	-	-	-	(694,713)	4,820,853
Investment properties	10,373,033	-	1,572,000	-	-	-	11,945,033
Fixed assets	136,727	656	882	26	823	-	139,114
Intangible assets	-	-	-	350	-	-	350
Goodwill	172,137	-	-	-	-	-	172,137
Long-term prepaid expenses	104,573	-	7	-	-	-	104,580
Deferred income tax assets	469,401	-	-	-	-	-	469,401
<b>Total non-current assets</b>	<b>19,141,872</b>	<b>2,380,332</b>	<b>1,572,889</b>	<b>376</b>	<b>823</b>	<b>(694,713)</b>	<b>22,401,579</b>
<b>Total assets</b>	<b>101,801,398</b>	<b>5,060,102</b>	<b>1,673,162</b>	<b>319,999</b>	<b>282,684</b>	<b>(5,265,408)</b>	<b>103,871,937</b>

**APPENDIX IV**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE ENLARGED GROUP**

	Pro forma adjustments of transaction					Unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 31 December 2015 RMB'000 (Notes 3&4)
	Audited statement of assets and liabilities of Target Company Liu jin Real Estate as at 31 December 2015 RMB'000 (Note 1)	Audited statement of assets and liabilities of Target Group Donghuan Xinrong as at 31 December 2015 RMB'000 (Note 2)	Audited statement of assets and liabilities of Target Company Shenyang haohua as at 31 December 2015 RMB'000 (Note 2)	Audited statement of assets and liabilities of Target Company Chongqing Runzhi as at 31 December 2015 RMB'000 (Note 2)	Unaudited Pro Forma Adjustments RMB'000	
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Short-term borrowings	3,005,029	-	-	-	-	3,005,029
Notes payable	39,476	-	-	-	-	39,476
Trade payables	6,197,916	-	45	22,353	49,683	6,269,997
Advances from customers	12,678,775	-	4,563	21,551	780	12,705,669
Employee benefits payable	199,294	5,594	450	-	-	205,338
Taxes payable	2,234,615	7,870	10,862	156	-	2,253,503
Interests payable	330,095	3,323	-	-	-	333,418
Dividends payable	197,803	-	-	-	-	197,803
Other payables	3,032,293	968,284	298,529	275,668	231,970	(2,090,257) 2,716,487
Current portion of non-current liabilities	6,756,707	-	6,000	-	-	6,762,707
<b>Total current liabilities</b>	<b>34,672,003</b>	<b>985,071</b>	<b>320,449</b>	<b>319,728</b>	<b>282,433</b>	<b>(2,090,257) 34,489,427</b>
<b>Non-current liabilities</b>						
Long-term borrowings	24,106,490	2,344,192	54,000	-	-	26,504,682
Debentures payable	12,481,249	-	-	-	-	12,481,249
Long-term payables	5,508,075	-	-	-	-	5,508,075
Deferred income tax liabilities	1,341,408	4,456	309,370	-	-	1,655,234
Derivative financial liabilities	55,601	-	-	-	-	55,601
<b>Total non-current liabilities</b>	<b>43,492,823</b>	<b>2,348,648</b>	<b>363,370</b>	<b>-</b>	<b>-</b>	<b>46,204,841</b>
<b>Total liabilities</b>	<b>78,164,826</b>	<b>3,333,719</b>	<b>683,819</b>	<b>319,728</b>	<b>282,433</b>	<b>(2,090,257) 80,694,268</b>
<b>NET ASSETS</b>	<b>23,636,572</b>	<b>1,726,383</b>	<b>989,343</b>	<b>271</b>	<b>251</b>	<b>(3,175,151) 23,177,669</b>

**B. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

1. The audited consolidated statement of financial position of the Group as at 31 December 2015 are extracted from the published annual report of the Group for the year ended 31 December 2015.
2. The audited statement of financial position of Target Company Liujin Real Estate, Target Group Donghuan Xinrong, Target Company Shenyang Haohua and Target Company Chongqing Runzhi (together, “the Target Companies”) as at 31 December 2015 are extracted from the Accountant’s Reports as set out in Appendix II in this Circular.
3. Since the Group and the Target Companies are all under the common control of Capital Group and that control is not transitory, the Transactions are considered as business combination under common control, as if the acquisitions had been occurred and all the Target Companies had combined from the beginning of the earliest financial period of the consolidated financial statements presented or the date when they were first under the common control, where this is the shorter period.

The net assets of the Group and the Target Companies are combined using the existing book values from the controlling party’s perspective. No amount is recognised in respect of goodwill or excess of the Group’s interest in the net fair value of all the Target Companies’ identifiable assets, liabilities and contingent liabilities over costs of acquisitions at the time of the business combinations under common control. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is treated as an adjustment to share premium.

- 3.1 Pursuant to the Transfer Agreements, the consideration for share acquisition of the Target Companies amounts to RMB2,480,438,000, and the Group should pay for the liabilities of shareholders' loan originally held by the Target Companies with consideration of RMB1,722,257,000 as well. In total, the consideration for the Transaction amounts to RMB4,202,695,000, which will be settled in cash. Details of the Transaction is set out as follows:

	<i>RMB'000</i>								
Total cash consideration for the Transaction	4,202,695								
Less: consideration for shareholders' loan	<u>(1,722,257)</u>								
Cash consideration for share acquisition	2,480,438								
Carrying amount of 40% equity interests of Target Company Liujin Real Estate held by the Group in initial recognition ( <i>Note 3.2 &amp; 3.3</i> )	<u>688,000</u>								
Combination cost of the Transaction	3,168,438								
Less: Carrying amount of net assets of the Target Companies	<u>(2,716,248)</u>								
<table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td>Including: Carrying amount of net assets of the Target Company Liujin Real Estate</td> <td style="text-align: right;">(1,726,383)</td> </tr> <tr> <td>Carrying amount of net assets of the Target Group Donghuan Xinrong</td> <td style="text-align: right;">(989,343)</td> </tr> <tr> <td>Carrying amount of net assets of the Target Company Shenyang Haohua</td> <td style="text-align: right;">(271)</td> </tr> <tr> <td>Carrying amount of net assets of the Target Company Chongqing Runzhi</td> <td style="text-align: right;">(251)</td> </tr> </tbody> </table>		Including: Carrying amount of net assets of the Target Company Liujin Real Estate	(1,726,383)	Carrying amount of net assets of the Target Group Donghuan Xinrong	(989,343)	Carrying amount of net assets of the Target Company Shenyang Haohua	(271)	Carrying amount of net assets of the Target Company Chongqing Runzhi	(251)
Including: Carrying amount of net assets of the Target Company Liujin Real Estate	(1,726,383)								
Carrying amount of net assets of the Target Group Donghuan Xinrong	(989,343)								
Carrying amount of net assets of the Target Company Shenyang Haohua	(271)								
Carrying amount of net assets of the Target Company Chongqing Runzhi	(251)								
The difference between the carrying amount of the combination cost and the carrying amount of the net assets obtained	<u><u>452,190</u></u>								

Above difference will be recognised as deduction of share premium in the Group's consolidated equity upon completion.

- 3.2 Target Company Liujin Real Estate was originally a joint venture with 40% equity interests held by the Group, therefore the Transaction of acquiring the remaining 60% equity interests of Target Company Liujin Real Estate is a business combination under the common control achieved in stages. For the long-term equity investment obtained by the acquirer before the combination date, the related profit and loss recognized in the period from the date when the original equity interest obtained or the date when the acquirer and the acquiree were first under the common control, where this is the shorter period, to the combination date should write down the retained earnings on the beginning day in the comparative financial statements (if the combination date is not on beginning day of the year, the investment income in the current period should be written down as well). As at 31 December 2015, the carrying amount of the long-term equity investment of 40% equity interests in Target Company Liujin Real Estate held by the Group was RMB694,713,000, and the retained earnings in the Group's consolidated equity written down on the combination date amounted to RMB6,713,000.
- 3.3 After the Transaction, Target Company Liujin will become the subsidiary of the Group. The receivables held by Target Company Liujin Real Estate due from Zhongrui Kaihua, a subsidiary of the Group, amounting to RMB368,000,000, and the long-term equity investment of 40% equity interest in Target Company Liujin Real Estate originally held by Zhongzhi Dingfu, a subsidiary of the Group, amounting to RMB688,000,000 will be treated as inter-group balances and eliminated.
4. No other adjustments have been made to reflect any trading results or other transactions of the Group and of the Target Companies subsequent to 31 December 2015.

*The following is the text of a report received from PricewaterhouseCoopers Zhong Tian LLP, for the purpose of incorporation in this circular.*



普华永道

29 June 2016

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Beijing Capital Land Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Beijing Capital Land Ltd. (the "Company") and its subsidiaries (collectively the "Group"), and Beijing Liujin Real Estate Limited Liability Company. ("Target Company Liujin Real Estate"), Beijing Donghuan Xinrong Investment and management Co., Ltd. and its subsidiary ("Target Group Donghuan Xinrong"), Shenyang Haohua Real Estate Co., Ltd. ("Target Company Shenyang Haohua") and Chongqing Runzhi Construction and Development Co., Ltd. ("Target Company Chongqing Runzhi")(collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2015 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IV-1 to IV 6 of the Company's circular dated 29 June 2016, in connection with the proposed acquisition 60% equity interest of Target Company Liujin Real Estate, and the proposed acquisition 100% equity interests of Target Group Donghuan Xinrong, Target Company Shenyang Haohua and Target Company Chongqing Runzhi (the "Transaction") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-6.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 31 December 2015 as if the Transaction had taken place at 31 December 2015. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the year ended 31 December 2015, on which an audit report has been published.

普华永道中天会计师事务所(特殊普通合伙)

PricewaterhouseCoopers Zhong Tian LLP, 11/F PricewaterhouseCoopers Center  
2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC  
T: +86(21)2323 8888, F: +86(21)2323 8800, www.pwccn.com

**Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The directors are responsible for compiling 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 with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Reporting Accountant's Responsibilities**

Our responsibility is to express 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.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

**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 LLP**  
Shanghai, the People's Republic of China

29 June 2016



*The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of the value of the property interests of the Target Companies in the PRC as at 30 April 2016.*



16th Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

29 June 2016

The Directors  
Beijing Capital Land Limited  
Room 6008, Block 1, No. 26 Qingchun Road  
Huairou District, Beijing  
The People's Republic of China

Dear Sirs,

#### **Instructions, Purpose & Date of Valuation**

In accordance with your instructions for us to value the properties owned by certain companies (the "Target Companies") which Beijing Capital Land Limited (the "**Company**") or its subsidiaries (collectively the "**Group**") plan to acquire in the People's Republic of China (the "**PRC**") (as more particularly described in the attached valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such properties as at 30 April 2016 (the "**Valuation Date**").

#### **Basis of Valuation**

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

#### **Valuation Basis and Assumptions**

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors.

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the properties, we have relied on the information and advice given by the Company or the Company's legal adviser, JunZeJun Law Offices (君澤君律師事務所), regarding the titles to the properties and the interests of the Target Companies in the properties in the PRC. Unless otherwise stated in the respective legal opinion, in valuing the properties, we have assumed that the Target Companies have an enforceable title to each of the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Company are set out in the notes of the respective valuation certificates.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of any onerous nature which could affect their values.

### **Method of Valuation**

As at the Valuation Date, the properties in Groups I and II are completed properties in the PRC and the relevant title certificates including Construction Works Completion Examination Certificates, Building Ownership Certificates or Real Estate Title Certificates or such equivalent certificates or permits have been obtained.

The properties in Group III comprise properties held for future development in the PRC. Permits for Commencement of Construction Works or such equivalent permits have not been obtained but Certificates for the Use of State-owned Land or Grant Contracts of Land Use Rights or such equivalent certificates or contracts have been obtained as at the Valuation Date.

In valuing the properties in Group I, which are completed properties held by the Target Companies for sale in the PRC, we have used the Direct Comparison Method assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market subject to suitable adjustments between the subject properties and the comparable properties. Given that the properties are mostly strata residential units and ancillary commercial podium units, comparable sales transactions are frequent and information about such sales is readily available, we have therefore used the Direct Comparison Method which is in line with the market practice.

In valuing the property in Group II, which is completed property held by the Target Companies for investment in the PRC, we have used the Investment Method on the basis of capitalisation of rental income derived from the existing tenancies with due allowance for reversionary potential of the property. Transactions involving large scale properties of the same nature and tenancy structure in the same districts are not frequent. On the other hand, as the property generates rental income from letting arrangements and such rental comparables are more readily available, we consider the Investment Method, which is also commonly used in valuing properties for investment purpose, to be the best method to value the property.

In valuing the properties in Group III, which are properties held by the Target Companies for future development in the PRC, we have mainly used the Direct Comparison Method assuming sale of each of these properties in its existing state by making reference to comparable land sales transactions as available in the relevant market. This method is the most appropriate method for valuing land properties.

### **Source of Information**

We have been provided by the Company with extracts of documents in relation to the titles to the properties in the PRC. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation of the properties, we have relied on the information and advice given by the Company or the Company's legal adviser, JunZeJun Law Offices (君澤君律師事務所), regarding the title to the properties and the interests of the Target Companies in the properties in the PRC.

In respect of all properties, we have accepted advice given by the Company on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of units, particulars of occupancy, rental incomes and revenue, development schemes, development time schedules, construction costs, site and floor areas, interest attributable to the Target Companies and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuations. We were also advised by the Company that no material facts have been omitted from the information provided.

We would point out that the copies of documents of the properties in the PRC provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise you to make reference to the original Chinese editions of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

**Title Investigation**

We have been provided with extracts of documents relating to the titles of the properties in the PRC, but no searches have been made in respect of the properties. Moreover, we have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Company or the Company's legal adviser regarding the interests of the Target Companies in the properties in the PRC.

**Site Inspection**

We inspected the exterior and, wherever possible, the interior of the properties in January 2016. However, we have not carried out any investigations on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

**Currency**

Unless otherwise stated, all monetary sums stated in our valuations are in Renminbi ("RMB"), the official currency of the PRC.

We enclose herewith a summary of valuations and valuation certificates for your attention.

Yours faithfully,  
For and on behalf of  
**DTZ Cushman & Wakefield Limited**  
**Andrew K.F. Chan**  
*Registered Professional Surveyor (General Practice)*  
*Registered China Real Estate Appraiser*  
MSc, MHKIS  
*Senior Director, Valuation & Advisory Services*

*Note:* Mr. Andrew K.F. Chan is a Registered Professional Surveyor who has over 28 years' experience in the valuation of properties in the PRC.

## SUMMARY OF VALUATIONS

Property	Market value in existing state as at 30 April 2016 <i>RMB</i>	Interest attributable to the Target Companies %	Market value in existing state attributable to the Target Companies as at 30 April 2016 <i>RMB</i>
<b>Group I – Completed properties held by the Target Companies for sale in the PRC</b>			
1. The unsold portions of Phases 1 and 3.1 of Legendary Bay Project, Qijianfang Village, Gaokan Subdistrict, Shenyang Qipanshan Tourism Development Zone, Shenyang, Liaoning Province, the PRC  (中華人民共和國遼寧省瀋陽市棋盤山 旅遊開發區高坎街道七間房村首創• 琥珀灣一期及三•一期未售部分)	246,000,000	100	246,000,000
2. The unsold portions of Building Nos. 1-27, Phase 1 of Yuyue Project, No. 1 Jinmahu Road, Zouma Town, Jiulongpo District, Chongqing, the PRC  (中華人民共和國重慶市九龍坡區走馬 鎮金馬湖路1號渝閱一期1至27幢未售 部分)	129,800,000	100	129,800,000
<b>Sub-total:</b>			<b>375,800,000</b>
<b>Group II – Completed property held by the Target Companies for investment in the PRC</b>			
3. Portions of Capital Building, No. 6 Chaoyangmenbei Street, Dongcheng District, Beijing, the PRC  (中華人民共和國北京市東城區 朝陽門北大街6號首創大廈部分物業)	1,573,000,000	100	1,573,000,000
<b>Sub-total:</b>			<b>1,573,000,000</b>

## SUMMARY OF VALUATIONS

Property	Market value in existing state as at 30 April 2016 <i>RMB</i>	Interest attributable to the Target Companies <i>%</i>	Market value in existing state attributable to the Target Companies as at 30 April 2016 <i>RMB</i>
<b>Group III – Properties held by the Target Companies for future development in the PRC</b>			
4. The development site for the proposed development to be known as Phases 2, 3.2 and 4 of Legendary Bay Project, Qijianfang Village, Gaokan Subdistrict, Shenyang Qipanshan Tourism Development Zone, Shenyang, Liaoning Province, the PRC  (中華人民共和國遼寧省瀋陽市棋盤山旅遊開發區高坎街道七間房村開發項目首創•琥珀灣二期、三•二期及四期)	83,000,000	100	83,000,000
5. The development site for the proposed development to be known as the remaining portion of Phase 1, and Phase 2 of Yuyue Project, Jinma Village, Zouma Town, Jiulongpo District, Chongqing, the PRC  (中華人民共和國重慶市九龍坡區走馬鎮金馬村開發項目渝闊一期餘下部分及二期)	110,900,000	100	110,900,000
		<b>Sub-total:</b>	<b>193,900,000</b>
		<b>Total:</b>	<b><u>2,142,700,000</u></b>

## VALUATION CERTIFICATE

## Group I – Completed properties held by the Target Companies for sale in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2016
<p>1. The unsold portions of Phases 1 and 3.1 of Legendary Bay Project, Qijianfang Village, Gaokan Subdistrict, Shenyang Qipanshan Tourism Development Zone, Shenyang, Liaoning Province, the PRC</p> <p>(中華人民共和國遼寧省瀋陽市棋盤山旅遊開發區高坎街道七間房村首創•琥珀灣一期及三•一期未售部分)</p>	<p>The property comprises the unsold villa and commercial portions of Phases 1 and 3.1 erected on 2 parcels of land with a total site area of 99,282 sq. m.. Phase 1 was completed in 2010 and Phase 3.1 was completed in 2014.</p> <p>The property is situated in Shenyang Qipanshan Tourism Development Zone. It is located to the south of Binhe Road. Developments in the vicinity comprise mainly villa developments such as Poly Twelve Oaks Manor (保利十二橡樹莊園), Shimao Notting Hill (世茂諾丁山), YIDA Forever (億達玖墅), etc. The property is mainly served by public bus routes.</p> <p>The property has a total gross floor area of 31,901.34 sq. m..</p> <p>The land use rights of the property have been granted for residential and commercial uses for terms due to expire on between 4 June 2059 and 3 February 2060.</p>	<p>The property is vacant and held for sale.</p>	<p>RMB246,000,000</p> <p>(100% interest attributable to the Target Companies: RMB246,000,000)</p>

## Notes:

- (1) The constituent gross floor areas are summarized as follows:

<b>Portion</b>	<b>Gross Floor Area</b> <i>sq. m.</i>
Villa	29,845.20
Retail	2,056.14
	<b>Total</b>
	<b>31,901.34</b>

- (2) According to 4 Certificates for the Use of State-owned Land issued by the Shenyang Municipal Planning and Land Resources Qipanshan International Landscape Tourism Development Zone Branch Bureau (瀋陽市規劃和國土資源局棋盤山國際風景旅遊開發區分局), the land use rights of an enlarged development, including the property, are vested in Shenyang Haohua Land Limited (瀋陽昊華置業有限公司) with key details as follows:

<b>Certificate No.</b>	<b>Land Plot No.</b>	<b>Issue Date</b>	<b>Land Use</b>	<b>Land Use Term</b> <b>Expiry Date</b>	<b>Site Area</b> <i>sq. m.</i>
(2010) 003	N/A	13 January 2010	Residential, Commercial	13 January 2060	26,666
(2010) 007	070317024	3 February 2010	Residential, Commercial	3 February 2060	52,701
(2009) 015	070317021-2	5 June 2009	Residential, Commercial	4 June 2059	68,699
(2009) 009	070317021-1	5 June 2009	Residential, Commercial	4 June 2059	83,600
				<b>Total</b>	<b>231,666</b>
					<b>231,666</b>

- (3) According to Grant Contract of Land Use Rights No. 2101122009A2001 dated 20 April 2009, the land use rights of an enlarged development, including the property, comprising a total site area of 231,666 sq. m., have been contracted to be granted to Shenyang Haohua Land Limited (瀋陽昊華置業有限公司). The salient conditions are set out as follows:

Location	: Qijianfang Village, Gaokan Subdistrict
Land Use	: Residential, commercial
Site Area	: 231,666 sq. m.
Land Use Term	: 50 years for residential use and 40 years for commercial use
Plot Ratio	: No more than 1.0
Permissible Gross Floor Area	: No more than 231,666 sq. m.
Land Premium	: RMB222,399,360
Building Covenant	: To commence construction on or before 31 December 2009 To complete construction on or before 31 December 2012

- (4) According to Planning Permit for Construction Use of Land No. 210112200912006 issued by the Shenyang Planning and Land Resources Bureau on 15 April 2009, the construction site of an enlarged development, including the property, with a total area of 165,000 sq. m. is in compliance with the urban planning requirements.

- (5) Details of 2 Planning Permits for Construction Works issued by the Shenyang Planning and Land Resources Bureau are as follows:

<b>Permit No.</b>	<b>Phase</b>	<b>Issue Date</b>	<b>Gross Floor Area</b> <i>sq. m.</i>
210112200912009	1	11 June 2009	44,760.00
210112201012025	3	26 November 2010	59,004.66
		<b>Total</b>	<b>103,764.66</b>
			<b>103,764.66</b>



- (6) Details of 20 Permits for Commencement of Construction Works issued by the Shenyang Qipanshan International Landscape Tourism Development Zone Construction Administration Bureau are as follows:

Permit No.	Phase	Issue Date	Gross Floor Area <i>sq. m.</i>
210112200908070101	1	7 August 2009	39,143.51
210112200907140101	1	14 July 2009	5,616.00
210112201105110501	3	29 April 2011	764.62
210112201105110701	3	29 April 2011	764.36
210112201105110601	3	29 April 2011	764.36
210112201105110401	3	11 May 2011	1,045.51
210112201105110301	3	29 April 2011	1,128.70
210112201105110101	3	29 April 2011	1,022.54
210112201104290601	3	29 April 2011	859.46
210112201104290101	3	29 April 2011	1,022.54
210112201104290901	3	29 April 2011	859.46
210112201105110201	3	29 April 2011	1,077.40
210112201104290801	3	29 April 2011	1,022.54
210112201104290701	3	29 April 2011	1,128.70
210112201104290201	3	29 April 2011	1,320.34
210112201104290501	3	29 April 2011	1,264.97
210112201104290301	3	29 April 2011	1,077.40
210112201104291001	3	29 April 2011	1,028.52
210112201104290401	3	29 April 2011	1,077.40
210112201105110801	3	11 May 2011	12,070.70
<b>Total</b>			<b>74,059.03</b>

- (7) According to 11 Pre-sale Permits issued by the Shenyang Real Estate Bureau (瀋陽市房產局), the construction works of the property were permitted for pre-sale with key details as follows:

Permit No.	Issue Date	Phase	Block	Gross Floor Area <i>sq. m.</i>
10268	2 August 2010	1	2	1,046.79
09341	14 October 2009	1	7, 19, 21, 25 and 26	5,641.58
09343	16 October 2009	1	8, 27 and 34	3,579.17
09400	19 November 2009	1	14 and 17	1,801.54
10068	27 April 2010	1	3, 10, 13, 2, 23 and 24	7,196.93
10189	1 July 2010	1	1, 5, 6, 9 and 28-33	10,630.82
10213	13 July 2010	1	35, 36 and 37	2,875.06
09315	22 September 2009	1	11, 12, 15, 16, 18, 22 and 38	7,216.09
10022	1 March 2010	1	4	1,619.89
11325	7 July 2011	3	123, 133, 134, 139, 140, 127, 135, 111, 117, 119, 130, 136, 105, 112, 118, 128, 138, 104, 124, 137, 98, 99, 132, 143, 110, 131, 141 and 142	27,524.78
13008	17 January 2013	3	91, 92 and 93	2,395.67
<b>Total</b>				<b>71,528.32</b>

- (8) According to the information provided by the Group, various units with a total gross floor area of 2,340.34 sq. m. of the property have been committed to be sold for a consideration of approximately RMB21,440,000. In the course of our valuation, we have included such committed portions and taken into account such consideration in our valuation.

- (9) According to 72 Completion and Acceptance Certificates for Construction Works, an enlarged portion, including the property, with a total gross floor area of 74,222 sq. m. has been completed.
- (10) According to Business Licence No. 21013400001155 dated 29 June 2015, Shenyang Haohua Land Limited (瀋陽昊華置業有限公司) was established as a limited liability company with a registered capital of RMB10,000,000 for a valid operation period from 10 August 2007 to 9 August 2032.
- (11) We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, inter alia, the following information:
- (i) The Certificates for the Use of State-owned Land of the property are valid, legal and enforceable under the PRC laws;
  - (ii) Shenyang Haohua Land Limited (瀋陽昊華置業有限公司) is the sole legal land user of the property and have obtained the relevant certificates and approval from the government in respect of the construction of the property;
  - (iii) Shenyang Haohua Land Limited (瀋陽昊華置業有限公司) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property;
  - (iv) All land premium stated in the Grant Contract of Land Use Rights has been paid and settled; and
  - (v) No material legal impediment is observed for Shenyang Haohua Land Limited (瀋陽昊華置業有限公司) to obtain the Building Ownership Certificates of the property.
- (12) In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:
- |  |     |
|--|-----|
| Certificate for the Use of State-owned Land                  | Yes |
| Building Ownership Certificate                               | No  |
| Grant Contract of Land Use Rights                            | Yes |
| Completion and Acceptance Certificate for Construction Works | Yes |
| Planning Permit for Construction Use of Land                 | Yes |
| Planning Permit for Construction Works                       | Yes |
| Permit for Commencement of Construction Works                | Yes |
| Pre-sale Permit  | Yes |
| Business Licence   | Yes |
- (13) Jeffery Wang, Senior Manager of DTZ Shenyang Office, inspected the property on 20 January 2016.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2016
2. The unsold portions of Building Nos. 1-27, Phase 1 of Yuyue Project, No. 1 Jinmahu Road, Zouma Town, Jiulongpo District, Chongqing, the PRC  (中華人民共和國重慶市九龍坡區走馬鎮金馬湖路1號渝閩一期1至27幢未售部分)	<p>The property comprises the unsold residential and commercial portions of Phase 1 of Yuyue Project erected on a parcel of land with a total site area of 40,729.62 sq. m.. The property was completed in 2013.</p> <p>The property is situated in Zouma Town, Jiulongpo District. It is located to the south and east of Jinma Road and by the side of Liaojiagou Reservoir. There are few developments in the vicinity except Yuyue Project.</p> <p>The property has a total gross floor area of 19,163.08 sq. m..</p> <p>The land use rights of the property have been granted for terms due to expire on 24 October 2053 for residential use, due to expire on 1 November 2056 for residential use and due to expire on 24 October 2043 for commercial use.</p>	The property is vacant and held for sale.	RMB129,800,000  (100% interest attributable to the Target Companies: RMB129,800,000)

*Notes:*

- (1) The constituent gross floor areas are summarized as follows:

Portion	Gross Floor Area <i>sq. m.</i>
Villa	16,677.05
Retail	2,486.03
<b>Total</b>	<b>19,163.08</b>

- (2) According to 24 Real Estate Title Certificates dated between 14 and 25 August 2014, the land use rights and the building ownership of Building Nos. 4-27, 1 Jinmahu Road, Zouma Town, Jiulongpo District, are vested in Chongqing Runzhi Construction Development Limited (重慶潤智建設開發有限公司) with key details as follows:

Certificate No.	Building No.	Land Use	Land Use Term Expiry Date	Use	Gross Floor Area <i>sq. m.</i>
105-2014-36466	4	Residential	24 October 2053	Residential	1,057.86
105-2014-36516	5	Residential	24 October 2053	Residential	1,057.86
105-2014-36512	6	Residential	24 October 2053	Residential	1,057.86
105-2014-36507	7	Residential	24 October 2053	Residential	1,057.86
105-2014-37139	8	Residential	24 October 2053	Residential	1,057.86
105-2014-36532	9	Residential	24 October 2053	Residential	1,057.86
105-2014-36530	10	Residential	24 October 2053	Residential	1,003.90
105-2014-37729	11	Residential	24 October 2053	Residential	651.08
105-2014-37651	12	Residential	1 November 2056	Residential	686.72
105-2014-37739	13	Residential	24 October 2053	Residential	651.08
105-2014-37746	14	Residential	24 October 2053	Residential	646.40
105-2014-37677	15	Residential	24 October 2053	Residential	651.08
105-2014-37654	16	Residential	24 October 2053	Residential	646.40
105-2014-37693	17	Residential	24 October 2053	Residential	651.08
105-2014-37699	18	Residential	24 October 2053	Residential	686.72
105-2014-37758	19	Residential	24 October 2053	Residential	968.50
105-2014-37763	20	Residential	24 October 2053	Residential	978.20
105-2014-36541	21	Residential	24 October 2053	Residential	1,057.86
105-2014-36518	22	Residential	24 October 2053	Residential	1,057.86
105-2014-36540	23	Residential	24 October 2053	Residential	1,057.86
105-2014-36535	24	Residential	24 October 2053	Residential	1,057.86
105-2014-36603	25	Residential	24 October 2053	Residential	1,057.86
105-2014-36523	26	Residential	24 October 2053	Residential	1,057.86
105-2014-37644	27	Commercial	24 October 2043	Commercial	2,486.03
				<b>Total</b>	<b>23,401.51</b>

As advised by the Company, the property comprises portions of the buildings as stated in the Real Estate Title Certificates mentioned above.

- (3) According to Planning Permit for Construction Use of Land No. 20050059 issued by the Chongqing Planning Bureau on 1 September 2005, the construction site of an enlarged development, including the property, with a total area of 196,562 sq. m. is in compliance with the urban planning requirements.
- (4) According to Planning Permit for Construction Works No. 500107201200046 issued by the Chongqing Planning Bureau on 20 July 2012, the construction works of Phase 1 of Shiwaitaoyuan (now known as Yuyue Project) with a total gross floor area of 26,448.28 sq. m. are in compliance with the construction works requirements and have been approved.
- (5) Details of 3 Permits for Commencement of Construction Works issued by the Chongqing Jiulongpo District Municipal Commission of Urban-Rural Development are as follows:

Permit No.	Portion	Issue Date	Gross Floor Area <i>sq. m.</i>
510202200703130101	Earth and stone works	13 March 2007	n/a
500107201112160201	Phase 1	16 December 2011	23,580.96
510202200809040101	Clubhouse	4 September 2008	2,101.34
			<b>Total</b>
			<b>25,682.30</b>

- (6) According to 12 Grant Contracts of Land Use Rights, the land use rights of an enlarged development, including the property, have been contracted to be granted to Chongqing Runzhi Construction Development Limited (重慶潤智建設開發有限公司) with key details as follows:

Contract No.	Issue Date	Land Use	Land Use Expiry Date	Site Area <i>sq. m.</i>	Permissible Gross Floor Area <i>sq. m.</i>
2003-48	24 October 2003	Residential, Commercial	October 2053 October 2043	10,267.4	15,401.10
2003-53	24 October 2003	Residential, Commercial	October 2053 October 2043	19,379.1	29,068.65
2003-55	20 October 2003	Residential, Commercial	October 2053 October 2043	7,301.7	10,952.55
2003-57	29 September 2003	Residential, Commercial	September 2053 September 2043	19,925.7	29,888.55
2003-60	9 October 2003	Residential, Commercial	October 2053 October 2043	14,502.3	21,753.45
2003-63	20 October 2003	Residential, Commercial	October 2053 October 2043	15,354.7	23,032.05
2003-65	24 October 2003	Residential, Commercial	October 2053 October 2043	19,779.7	29,669.55
2003-70	24 October 2003	Residential, Commercial	October 2053 October 2043	18,830.8	28,246.20
2003-78	30 October 2003	Residential, Commercial	October 2053 October 2043	18,232.1	27,348.15
2003-83	5 November 2003	Residential, Commercial	October 2053 October 2043	19,646.4	29,469.60
2003-84	10 November 2003	Residential, Commercial	October 2053 October 2043	17,192.8	25,789.20
2003-89	20 November 2003	Residential, Commercial	October 2053 October 2043	19,589.8	29,384.70
<b>Total</b>				<b>200,002.50</b>	<b>300,003.75</b>

- (7) According to 2 Completion and Acceptance Certificates for Construction Works, the property has been completed.

Certificate No.	Issue Date	Building No.	Gross Floor Area <i>sq. m.</i>
2013-037	27 August 2013	1-26	23,673.73
2012-068	12 December 2012	27	2,717.21
<b>Total</b>			<b>26,390.94</b>

- (8) According to the Survey Reports issued by Chongqing Pingzheng Real Estate Survey Office (重慶市平正房地產測量事務所), the constituent gross floor areas of the construction works are summarised as follows:

Building No.	Building Use	Gross Floor Area <i>sq. m.</i>
1	Residential	611.80
2	Residential	580.87
3	Residential	717.38
<b>Total</b>		<b><u>1,910.05</u></b>

- (9) According to Business Licence No. 500107000014997 dated 4 June 2015, Chongqing Runzhi Construction Development Limited (重慶潤智建設開發有限公司) was established as a limited liability company with a registered capital of RMB8,080,000 for a valid operation period from 1 April 1996.

- (10) We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, inter alia, the following information:

- (i) The Real Estate Title Certificates of the property are valid, legal and enforceable under the PRC laws;
- (ii) Chongqing Runzhi Construction Development Limited (重慶潤智建設開發有限公司) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;
- (iii) The building ownership of portions of the property with a total gross floor area of 3,819.15 sq. m. have been mortgaged as security for borrowings. Chongqing Runzhi Construction Development Limited (重慶潤智建設開發有限公司) has the rights to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights of those portions of the property granted with Real Estate Title Certificates provided that where any of the property has been mortgaged, the company has to discharge the mortgage or obtain the mortgagee's consent in advance;
- (iv) All land premium stated in the Grant Contract of Land Use Rights has been paid and settled; and
- (v) No material legal impediment is observed for Chongqing Runzhi Construction Development Limited (重慶潤智建設開發有限公司) to obtain the Building Ownership Certificates of the property.

- (11) In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

Real Estate Title Certificate	Yes (portions)
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Completion and Acceptance Certificate for Construction Works	Yes
Survey Report	Yes (portions)
Business Licence	Yes

- (12) Tyler Liu, Assistant Manager of DTZ Chongqing Office, inspected the property on 19 January 2016.

## VALUATION CERTIFICATE

## Group II – Completed property held by the Target Companies for investment in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2016
3. Portions of Capital Building, No. 6 Chaoyangmenbei Street, Dongcheng District, Beijing, the PRC  (中華人民共和國北京市東城區朝陽門北大街6號首創大廈部分物業)	<p>The property comprises portions of units on Levels B2-17 of a 19-storey (including a 2-storey basement) completed in 1998.</p> <p>Capital Building is situated in Dongcheng District. It is located at No. 6 Chaoyangmenbei Street and surrounded by East 2nd Ring Road, Dongzhong Street and Gongtibe Road. Developments in the vicinity comprise mainly office buildings such as Fuhua Plaza, Minetals Plaza, New Poly Plaza etc. The property is served by public bus routes and subway.</p> <p>The property has a total gross floor area of 48,431.44 sq. m..</p> <p>The land use rights of the property have been granted for terms of 50 years due to expire on 10 August 2043 for composite use.</p>	<p>As at the Valuation Date, the property was approximately 99% occupied and subject to various tenancies with the latest expiry on 14 October 2019 at a monthly rental income of approximately RMB7,400,000 (exclusive of management fee).</p>	<p>RMB1,573,000,000</p> <p>(100% interest attributable to the Target Companies: RMB1,573,000,000)</p>

## Notes:

- (1) The constituent gross floor areas are summarized as follows:

Portion	Gross Floor Area <i>sq. m.</i>
Basement 2-Level 3, Level 5, Levels 8-11 and 15-17	43,572.99
Level 6	3,232.58
Level 12	1,625.87
<b>Total</b>	<b>48,431.44</b>

- (2) According to 2 Building Ownership Certificates, the building ownership of portions of the property is vested in Beijing Donghuan Xinrong Investment Management Limited (北京東環鑫融投資管理有限公司) with key details as follows:

Certificate No.	Issue Date	Building Use	Portion	Gross Floor Area <i>sq. m.</i>
1850008	2 February 2005	Office	Basement 2-Level 3, Level 5, Levels 8-11 and 15-17	43,572.99
1850012	6 June 2007	Office	Level 6	3,232.58
<b>Total</b>				<b>46,805.57</b>

- (3) According to Real Estate Ownership Certificate No. (2015)0023791 dated 23 December 2015, the building ownership and the land use rights of Level 12 of the property comprising a total gross floor area of 1,625.87 sq. m. and a total site area of 201.9 sq. m. respectively for a term due to expire on 10 August 2043 for composite use are vested in Beijing Donghuan Xinrong Investment Management Limited (北京東環鑫融投資管理有限公司).

- (4) According to 2 Certificates for the Use of State-owned Land issued by the Beijing City Land Resources Management Bureau (北京市土地管理局), the land use rights of the property are vested in Beijing Donghuan Xinrong Investment Management Limited (北京東環鑫融投資管理有限公司) with key details as follows:

Certificate No.	Issue Date	Land Use	Land Use Term Expiry Date	Site Area <i>sq. m.</i>
(2004)1850008	25 February 2005	Composite	10 August 2043	5,410.92
(2007)0000617	20 October 2007	Composite	10 August 2043	401.42
<b>Total</b>				<b>5,812.34</b>

- (5) According to Business Licence No. 911101017596175916 dated 7 December 2015, Beijing Donghuan Xinrong Investment Management Limited (北京東環鑫融投資管理有限公司) was established as a limited liability company with a registered capital of RMB10,000,000 for a valid operation period from 8 March 2004 to 7 March 2024.

- (6) We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, inter alia, the following information:

- (i) The Certificates for the Use of State-owned Land, the Building Ownership Certificates and the Real Estate Ownership Certificate of the property are valid, legal and enforceable under the PRC laws;
- (ii) Beijing Donghuan Xinrong Investment Management Limited (北京東環鑫融投資管理有限公司) is the sole legal land user of the property;
- (iii) The land use rights and building ownership of portions of the property with a gross floor area of 43,572.99 sq. m. have been used as a litigation guarantee. Beijing Donghuan Xinrong Investment Management Limited (北京東環鑫融投資管理有限公司) has the rights to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of those portions of the property with a gross floor area of 43,572.99 sq. m. provided that where any of the property has been used as a litigation guarantee, the company has to discharge the litigation guarantee;



- (iv) The land use rights and building ownership of portions of the property with a gross floor area of 3,232.58 sq. m. have been mortgaged as security for borrowings of RMB130,590,000. Beijing Donghuan Xinrong Investment Management Limited (北京東環鑫融投資管理有限公司) has the rights to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of those portions of the property with a gross floor area of 3,232.58 sq. m. provided that where any of the property has been mortgaged, the company has to discharge the mortgage or obtain the mortgagee's consent in advance; and
- (v) Beijing Donghuan Xinrong Investment Management Limited (北京東環鑫融投資管理有限公司) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of portions of the property with a gross floor area of 1,625.87 sq. m..
- (7) In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:
- |   |                |
|---|----------------|
| Certificate for the Use of State-owned Land | Yes            |
| Building Ownership Certificate              | Yes (portions) |
| Real Estate Ownership Certificate           | Yes (portions) |
| Business Licence                            | Yes            |
- (8) Jingxiang Hu, Senior Manager of DTZ Beijing Office, inspected the property on 19 January 2016.

## VALUATION CERTIFICATE

## Group III – Properties held by the Target Companies for future development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2016
<p>4. The development site for the proposed development to be known as Phases 2, 3.2 and 4 of Legendary Bay Project, Qijianfang Village, Gaokan Subdistrict, Shenyang Qipanshan Tourism Development Zone, Shenyang, Liaoning Province, the PRC</p> <p>(中華人民共和國遼寧省瀋陽市棋盤山旅遊開發區高坎街道七間房村開發項目首創・琥珀灣二期、三・二期及四期)</p>	<p>The property comprises 3 parcels of land with a total site area of 132,384 sq. m..</p> <p>The property is situated in Shenyang Qipanshan Tourism Development Zone. It is located to the south of Binhe Road. Developments in the vicinity comprise mainly villa developments such as Poly Twelve Oaks Manor (保利十二橡樹莊園), Shimao Notting Hill (世茂諾丁山), YIDA Forever (億達玖墅), etc. The property is mainly served by public bus routes.</p> <p>According to the information provided by the Company, the total permissible gross floor area of the property for villa development is 96,000 sq. m..</p> <p>The land use rights of the property have been granted for residential and commercial uses for terms due to expire on between 4 June 2059 and 3 February 2060.</p>	<p>The property is a vacant land pending development.</p>	<p>RMB83,000,000</p> <p>(100% interest attributable to the Target Companies: RMB83,000,000)</p>

*Notes:*

- (1) According to 4 Certificates for the Use of State-owned Land issued by the Shenyang Municipal Planning and Land Resources Bureau Qipanshan International Landscape Tourism Development Zone Branch Bureau (瀋陽市規劃和國土資源局棋盤山國際風景旅遊開發區分局), the land use rights of an enlarged development, including the property, are vested in Shenyang Haohua Land Limited (瀋陽昊華置業有限公司) with key details as follows:

Certificate No.	Land Plot No.	Issue Date	Land Use	Land Use Term Expiry Date	Site Area sq. m.
(2010) 003	N/A	13 January 2010	Residential, Commercial	13 January 2060	26,666
(2010) 007	070317024	3 February 2010	Residential, Commercial	3 February 2060	52,701
(2009) 015	070317021-2	5 June 2009	Residential, Commercial	4 June 2059	68,699
(2009) 009	070317021-1	5 June 2009	Residential, Commercial	4 June 2059	83,600
<b>Total</b>					<b>231,666</b>

- (2) According to Grant Contract of Land Use Rights No. 2101122009A2001 dated 20 April 2009, the land use rights of an enlarged development, including the property, comprising a total site area of 231,666 sq. m., have been contracted to be granted to Shenyang Haohua Land Limited (瀋陽昊華置業有限公司). The salient conditions are set out as follows:

Location	: Qijianfang Village, Gaokan Subdistrict
Land Use	: Residential, commercial
Site Area	: 231,666 sq. m.
Land Use Term	: 50 years for residential use and 40 years for commercial use
Plot Ratio	: No more than 1.0
Permissible Gross Floor Area	: No more than 231,666 sq. m.
Land Premium	: RMB222,399,360
Building Covenant	: To commence construction on or before 31 December 2009 To complete construction on or before 31 December 2012

- (3) According to Planning Permit for Construction Use of Land No. 210112200912006 issued by the Shenyang Planning and Land Resources Bureau on 15 April 2009, the construction site of an enlarged development, including the property, with a total area of 165,000 sq. m. is in compliance with the urban planning requirements.
- (4) Details of 2 Planning Permits for Construction Works issued by the Shenyang Planning and Land Resources Bureau are as follows:

Permit No.	Phase	Issue Date	Gross Floor Area sq. m.
210112201012005	2	22 March 2010	21,590.70
210112201012025	3	26 November 2010	59,004.66
<b>Total</b>			<b>80,595.36</b>

- (5) According to Business Licence No. 210134000001155 dated 29 June 2015, Shenyang Haohua Land Limited (瀋陽昊華置業有限公司) was established as a limited liability company with a registered capital of RMB10,000,000 for a valid operation period from 10 August 2007 to 9 August 2032.

- (6) We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, inter alia, the following information:
- (i) The Certificates for the Use of State-owned Land of the property are valid, legal and enforceable under the PRC laws;
  - (ii) Shenyang Haohua Land Limited (瀋陽昊華置業有限公司) is the sole legal land user of the property and have obtained the relevant certificates and approval from the government in respect of the construction of the property;
  - (iii) Shenyang Haohua Land Limited (瀋陽昊華置業有限公司) has the rights to freely lease, transfer, mortgage and dispose of the land use rights of the property; and
  - (iv) All land premium stated in the Grant Contract of Land Use Rights has been paid and settled.
- (7) In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:
- |  |                |
|--|----------------|
| Certificate for the Use of State-owned Land  | Yes            |
| Grant Contract of Land Use Rights            | Yes            |
| Planning Permit for Construction Use of Land | Yes            |
| Planning Permit for Construction Works       | Yes (portions) |
| Business Licence                             | Yes            |
- (8) Jeffery Wang, Senior Manager of DTZ Shenyang Office, inspected the property on 20 January 2016.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2016
<p>5. The development site for the proposed development to be known as the remaining portion of Phase 1, and Phase 2 of Yuyue Project, Jinma Village, Zouma Town, Jiulongpo District, Chongqing, the PRC</p> <p>(中華人民共和國重慶市九龍坡區走馬鎮金馬村開發項目渝閩一期餘下部分及二期)</p>	<p>The property comprises 9 parcels of land with a total site area of 159,272.08 sq. m..</p> <p>The property is situated in Zouma Town, Jiulongpo District. It is located to the south and east of Jinma Road and by the side of Liaojiagou Reservoir. There are few developments in the vicinity except Yuyue Project.</p> <p>According to the information provided by the Company, the plot ratio is not more than 0.54 for villa development.</p> <p>The land use rights of the property have been granted for terms due to expire in between September and October 2053 for residential use, and due to expire in between September and October 2043 for commercial use.</p>	<p>The property is a vacant land pending development.</p>	<p>RMB110,900,000</p> <p>(100% interest attributable to the Target Companies: RMB110,900,000)</p>

## Notes:

- (1) According to 9 Certificates for the Use of State-owned Land issued by the Chongqing Land Resources and Housing Administrative Bureau (重慶市國土資源和房屋管理局), the land use rights of the property are vested in Chongqing Runzhi Construction Development Limited (重慶潤智建設開發有限公司) with key details as follows.

Certificate No.	Land Plot No.	Issue Date	Land Use	Land Use Expiry Date	Term Site Area <i>sq. m.</i>
105D-2012-00516	JL0110100005000	26 July 2012	Residential, Commercial	September 2053 September 2043	19,925.7
105D-2012-00517	JL0110100004000	26 July 2012	Residential, Commercial	October 2053 October 2043	19,379.1
105D-2012-00518	JL0110100003000	26 July 2012	Residential, Commercial	October 2053 October 2043	10,266.5
105D-2012-00519	JL0110100001000	26 July 2012	Residential, Commercial	October 2053 October 2043	15,354.7
105D-2012-00520	JL0110100002000	26 July 2012	Residential, Commercial	October 2053 October 2043	14,502.3
105D-2012-00521	JL0110100011000	26 July 2012	Residential, Commercial	October 2053 October 2043	18,232.1
105D-2012-00522	JL0110100012000	26 July 2012	Residential, Commercial	October 2053 October 2043	18,830.8
105D-2012-00523	JL0110100006000	26 July 2012	Residential, Commercial	October 2053 October 2043	7,301.7
105D-2014-00277	JL0110100026000	3 June 2014	Residential, Commercial	October 2053 October 2043	54,940.9
<b>Total</b>					<b>178,733.8</b>

As advised by the Company, the property comprises portions of the land plots as stated in the Certificates for the Use of State-owned Land mentioned above.

- (2) According to 12 Grant Contracts of Land Use Rights, the land use rights of an enlarged development, including the property, have been contracted to be granted to Chongqing Runzhi Construction Development Limited (重慶潤智建設開發有限公司) with key details as follows:

Contract No.	Issue Date	Land Use	Land Use Expiry Date	Site Area <i>sq. m.</i>	Permissible Gross Floor Area <i>sq. m.</i>	Building Covenant (for completion)	Land Premium <i>RMB</i>
2003-48	24 October 2003	Residential, Commercial	October 2053 October 2043	10,267.4	15,401.10	December 2005	723,852
2003-53	24 October 2003	Residential, Commercial	October 2053 October 2043	19,379.1	29,068.65	December 2005	1,366,247

Contract No.	Issue Date	Land Use	Land Use Expiry Date	Site Area <i>sq. m.</i>	Permissible Gross Floor Area <i>sq. m.</i>	Building Covenant (for completion)	Land Premium <i>RMB</i>
2003-55	20 October 2003	Residential, Commercial	October 2053 October 2043	7,301.7	10,952.55	September 2005	514,770
2003-57	29 September 2003	Residential, Commercial	September 2053 September 2043	19,925.7	29,888.55	December 2005	1,404,762
2003-60	9 October 2003	Residential, Commercial	October 2053 October 2043	14,502.3	21,753.45	June 2005	1,022,412
2003-63	20 October 2003	Residential, Commercial	October 2053 October 2043	15,354.7	23,032.05	December 2005	1,082,506
2003-65	24 October 2003	Residential, Commercial	October 2053 October 2043	19,779.7	29,669.55	September 2005	1,394,469
2003-70	24 October 2003	Residential, Commercial	October 2053 October 2043	18,830.8	28,246.20	December 2005	1,327,571
2003-78	30 October 2003	Residential, Commercial	October 2053 October 2043	18,232.1	27,348.15	December 2005	1,285,363
2003-83	5 November 2003	Residential, Commercial	October 2053 October 2043	19,646.4	29,469.60	December 2005	1,385,071
2003-84	10 November 2003	Residential, Commercial	October 2053 October 2043	17,192.8	25,789.20	December 2005	1,212,092
2003-89	20 November 2003	Residential, Commercial	October 2053 October 2043	19,589.8	29,384.70	December 2005	1,381,081
<b>Total</b>				<b>200,002.50</b>	<b>300,003.75</b>		<b>14,100,196</b>

- (3) According to Planning Permit for Construction Use of Land No. 20050059 issued by the Chongqing Planning Bureau on 1 September 2005, the construction site of an enlarged development, including the property, with a total area of 196,562 sq. m. is in compliance with the urban planning requirements.
- (4) According to Review comments for Construction Plan No. 2005-0059 issued by the Chongqing Planning Bureau on 1 September 2005, the construction works with a total gross floor area of 107,985.5 sq. m. on a site of 196,562 sq. m. are in compliance with the urban planning requirements.
- (5) According to Business Licence No. 500107000014997 dated 4 June 2015, Chongqing Runzhi Construction Development Limited (重慶潤智建設開發有限公司) was established as a limited liability company with a registered capital of RMB8,080,000 for a valid operation period from 1 April 1996.
- (6) We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, inter alia, the following information:
- (i) The Certificates for the Use of State-owned Land of the property are valid, legal and enforceable under the PRC laws;
  - (ii) Chongqing Runzhi Construction Development Limited (重慶潤智建設開發有限公司) is the sole legal land user of the property;

- (iii) The land use rights of the property have been mortgaged. Chongqing Runzhi Construction Development Limited (重慶潤智建設開發有限公司) has the rights to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights of the property provided that where any of the property has been mortgaged, the company has to discharge the mortgage or obtain the mortgagee's consent in advance;
- (iv) All land premium stated in the Grant Contract of Land Use Rights has been paid and settled; and
- (v) The Chongqing Jiulongpo District Land Resources Management Bureau (重慶市九龍坡區國土資源局) has the rights to withdraw the land use rights that have been granted to Chongqing Runzhi Construction Development Limited (重慶潤智建設開發有限公司) without compensation according to law, unless a Supplementary Agreement of Grant Contracts of Land Use Rights to extend the date of construction is issued, or Chongqing Runzhi Construction Development Limited (重慶潤智建設開發有限公司) obtains documents issued by the land management departments to prove that Chongqing Runzhi Construction Development Limited (重慶潤智建設開發有限公司) is not responsible for the construction delay.
- (7) In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:
- |  |     |
|--|-----|
| Certificate for the Use of State-owned Land  | Yes |
| Grant Contract of Land Use Rights            | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works       | No  |
| Business Licence                             | Yes |
- (8) Tyler Liu, Assistant Manager of DTZ Chongqing Office, inspected the property on 19 January 2016.



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility for the information contained herein, includes particulars given in compliance with the Listing Rules for the purpose of giving information relating to the Group. 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

- (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, Capital Group was directly interested in 1,649,205,700 Domestic Shares in the Company, representing approximately 54.47% of the Company's total issued share capital (as disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO). As at the Latest Practicable Date, each of Mr. Wang Hao, Mr. Li Songping, Mr. Song Fengjing and Mr. Shen Jianping was a director of Capital Group. Save as disclosed herein, as at the Latest Practicable Date, none of the other Directors or any proposed director of the Company was a director or employee of a company which 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 Division 2 and 3 of Part XV of the SFO. Nevertheless, Mr. Wang Hao, Mr. Li Songping, Mr. Song Fengjing and Mr. Shen Jianping have abstained from voting on the relevant Board resolutions approving the Acquisitions by virtue of their directorships in Capital Group.
- (c) As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).
- (d) 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 2015 (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 Enlarged Group.
- (e) 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:

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
Capital Group	1,649,205,700 (Note 1)	Non-listed Shares	82.16 (long position)	-	82.16	54.47 (long position)	-	54.47
Beijing Rong Tong Zheng He Investment Management Company Limited* (北京融通正和投資管理 有限公司)	357,998,300 (Notes 1 and 2)	Non-listed Shares	-	17.83 (long position)	17.83	-	11.82 (long position)	11.82
Guoda Limited	357,998,300 (Note 3)	Non-listed Shares	-	17.83 (long position)	17.83	-	11.82 (long position)	11.82
China Resource Products Limited	357,998,300 (Note 4)	Non-listed Shares	13.71 (long position)	4.12 (long position)	17.83	9.09 (long position)	2.73 (long position)	11.82
Yieldwell International Enterprise Limited	82,762,100	Non-listed Shares	4.12 (long position)	-	4.12	2.73 (long position)	-	2.73
Reco Pearl Private Limited	165,070,000	H Shares	16.17 (long position)	-	16.17	5.45 (long position)	-	5.45
Recosia China Pte Ltd	165,070,000 (Note 5)	H Shares	-	16.17 (long position)	16.17	-	5.45 (long position)	5.45
Recosia Pte Ltd.	165,070,000 (Note 6)	H Shares	-	16.17 (long position)	16.17	-	5.45 (long position)	5.45
Government of Singapore Investment Corporation (Realty) Pte Ltd.	165,070,000 (Note 7)	H Shares	-	16.17 (long position)	16.17	-	5.45 (long position)	5.45

*Notes:*

1. 1,649,205,700 Shares are directly held by Capital Group. As at the Latest Practicable Date, China Resource Products Limited is held as to 31.53% by Beijing Sunshine Real Estate Comprehensive Development Company\*(北京陽光房地產綜合開發公司), which in turn is wholly-owned by Capital Group. Accordingly, Capital Group is not deemed to be interested in 275,236,200 Shares held through China Resource Products Limited and 82,762,100 Shares held through China Resource Products Limited and Yieldwell International Enterprise Limited pursuant to the SFO.
2. 275,236,200 Shares are deemed corporate interests pursuant to the SFO indirectly held through Guoda Limited and China Resource Products Limited. 82,762,100 Shares are deemed corporate interests pursuant to the SFO indirectly held through Guoda Limited, China Resources Products Limited and Yieldwell International Enterprise Limited.
3. 275,236,200 Shares are deemed corporate interests pursuant to the SFO indirectly held through China Resource Products Limited. 82,762,100 Shares are deemed corporate interests pursuant to the SFO indirectly held through China Resources Products Limited and Yieldwell International Enterprise Limited.
4. 82,762,100 Shares are deemed corporate interests pursuant to the SFO indirectly held through Yieldwell International Enterprise Limited.
5. 165,070,000 Shares are deemed corporate interests pursuant to the SFO indirectly held through Reco Pearl Private Limited.
6. 165,070,000 Shares are deemed corporate interests pursuant to the SFO indirectly held through Reco Pearl Private Limited and Recosia China Pte Ltd.
7. 165,070,000 Shares are deemed corporate interests pursuant to 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.

#### 4. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

To the best knowledge of the Company, save as disclosed below, none of the Target Companies or any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Target Companies or any of its subsidiaries.

In 2012, Chongqing Runzhi entered into a landscape construction contract with Chongqing Garden Construction Engineering (Group) Co., Ltd. (hereinafter “Chongqing Garden Construction Engineering”) with an amount of RMB25,000,000. Chongqing Runzhi believed that the Chongqing Garden Construction Engineering had failed to perform the material quality and price recognition procedures as agreed in the contract and bought materials for construction without Chongqing Runzhi’s price verification, which resulted in disputes in the settlement process. In order to settle corresponding disputes, Chongqing Runzhi filed a lawsuit with the court to determine the project settlement, and demanded corresponding compensation from Chongqing Garden Construction Engineering Co., Ltd. In August 2014, Chongqing Garden Construction Engineering filed a counterclaim against Chongqing Runzhi and required the latter to pay the project settlement and performance bonds with a total amount of RMB26,334,000. At present, the case is still in trial.

Pursuant to the Chongqing Equity Transfer Agreement, Chuangzhi Trust and Xinwei Infrastructure have agreed to indemnify Chongqing Runzhi and Xinli Yeda for all liabilities, losses, expenses, compensation, penalties, debts and payables incurred or litigation involved, including damages and costs payable as a result of litigation, suffered by Chongqing Runzhi and/or Xinli Yeda prior to or subsequent to the completion of the equity transfer of Chongqing Runzhi and which arise from circumstances or matters occurring prior to completion of the acquisition of Chongqing Runzhi.

## 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 dated 15 August 2014 entered into between Reco Ziyang Pte Ltd. and Asian Expert Limited in relation to the acquisition of 60% equity interest in Xi'an Capital Xin Kai Real Estate Ltd. by Asian Expert Limited from Reco Ziyang Pte Ltd. at the consideration of approximately RMB937.6 million;
- (b) the equity transfer agreement dated 15 August 2014 entered into between Far Reaching Company Limited and Asian Expert Limited in relation to the transfer of the entire equity interest in Xi'an Capital Xin Kai Real Estate Ltd. at the consideration of a total of approximately RMB1,563 million;
- (c) the subscription agreement dated 15 August 2014 entered into between Get Thrive Limited and Juda International Holdings Limited, which is now known as Beijing Capital Juda Limited (“**BC Juda**”) in relation to the subscription by Get Thrive Limited of convertible preference shares to be issued by BC Juda at the consideration of a total of approximately HK\$1,963.4 million;
- (d) the shareholders' agreement entered into between Capital Investment and Zhongzhi Dingfu dated 18 September 2014 in relation to the increase of capital contribution of RMB360,000,000 by Zhongzhi Dingfu to Liujin Zhiye;
- (e) the equity transfer agreement in relation to the equity interest of Tianjin Banshan Renjia Real Estate Co., Ltd.\* (天津伴山人家置業有限公司) and Chongqing equity transfer agreement in relation to the equity interest of Chongqing Xinshi Real Estate Development Co., Ltd.\* (重慶首創新石置業有限公司), both dated 4 November 2014, made between Star Key Limited, First Base Properties Ltd. and Reco Ziyang Pte Ltd., in relation to the transfer by Reco Ziyang Pte Ltd. of 45% equity interest of Tianjin Banshan Renjia Real Estate Co., Ltd.\* (天津伴山人家置業有限公司) (then held as to 55% of its equity interest by the Company) and of 50% equity interest of Chongqing Xinshi Real Estate Development Co., Ltd.\* (重慶首創新石置業有限公司) (then held as to 50% of its equity interest by the Company) to Star Key Limited and First Base Properties Ltd., respectively, at a consideration of approximately RMB224.62 million and RMB581.74 million, respectively;

- (f) the non-competition deed dated 13 November 2014 and executed by each of the Company and BC Juda, pursuant to which the Company has provided non-competition undertakings in favour of BC Juda not to engage in property business in selected target cities in the PRC and in consideration, BC Juda has provided non-competition undertakings in favour of the Company not to engage in property business in cities other than such selected target cities, incidental to the sale of the entire equity interest of Xi'an Capital Xin Kai Real Estate Ltd. by Asian Expert Limited to Far Reaching Company Limited (the “**Non-Competition Deed**”);
- (g) the sponsor agreement dated 25 November 2014 entered into among inter alia, BC Juda, Asian Expert Limited and HSBC Corporate Finance (Hong Kong) Limited, as sponsor, in relation to their rights and obligations in connection with the listing application of BC Juda at the sponsor's fees of US\$2 million;
- (h) the subscription agreement dated 25 November 2014 entered into between the Company, Central Plaza Development Ltd., as issuer, International Financial Center Property Ltd., as guarantor, and DBS Bank Ltd., The Hongkong and Shanghai Banking Corporation Limited, ICBC International Securities Limited and Standard Chartered Bank, as joint lead managers, to carry out a drawdown under the “US\$1,000,000,000 guaranteed medium term note and perpetual securities programme” established on 10 February 2014 to offer and issue the drawdown notes in an aggregate nominal amount of US\$450,000,000 at a distribution rate of 7.125% in relation to senior perpetual capital securities offered and issued by Central Plaza Development Ltd. and guaranteed by International Financial Center Property Ltd.;
- (i) the investment agreement dated 14 January 2015 entered into between the Company, Capital Group, certain subsidiaries of Capital Group including Beijing Agricultural Investment Co., Ltd. (北京市農業投資有限公司), Beijing Capital Investment & Guarantee Co., Ltd. (北京首創融資擔保有限公司), Beijing Capital Jingzhong (Tianjin) Investment Co., Ltd.\* (首創經中(天津)投資有限公司), Beijing Shuixing Investment management Co., Ltd.\* (北京水星投資管理有限責任公司) and Shouzheng Desheng Capital Management Co., Ltd.\* (首正德盛資本管理有限公司), Jiaxing Shoujin Heyi Investment Partnership Enterprise (Limited Partnership)\* (嘉興首金合益投資合夥企業(有限合夥)) (a limited partnership established under the laws of the PRC) and Dhc Software Co., Ltd. (東華軟件股份公司) (a public limited company (SZSE Stock Code: 002065)) in relation to the formation of the joint venture company, Beijing Capital Financial Asset Exchange Information Service Co., Ltd. (北京首創金融資產交易信息服務股份有限公司), pursuant to which the contribution of the Company is RMB20,000,000;
- (j) the agreement dated 17 March 2015 entered into between Shanghai Capital Zhengheng Property Co., Ltd.\* (上海首創正恒置業有限公司), Beijing Wan'an Jinrui Investment Management Co., Ltd.\* (北京萬安金瑞投資管理有限公司) and CIFI Group Co., Ltd. (旭輝集團股份有限公司) in relation to the injection of registered capital into the project company, Shanghai Shoujia Property Company Limited\* (上海首嘉置業有限公司), pursuant to which the contributions of Shanghai Capital Zhengheng Property Co., Ltd.\* (上海首創正恒置業有限公司) and Beijing Wan'an Jinrui Investment Management Co., Ltd.\* (北京萬安金瑞投資管理有限公司) are RMB5,100,000 and RMB4,900,000, respectively;

- (k) the agreement dated 26 June 2015 entered into between Beijing Langyuan Real Estate Co., Ltd.\* (北京郎園置業有限公司), Zhongguancun Development Group\* (中關村發展集團股份有限公司), Beijing Zhongguancun Software Park Development Co., Ltd.\* (北京中關村軟件園發展有限責任公司) and Beijing Zhongguancun IC Park Development Co., Ltd.\* (北京中關村集成電路設計園發展有限責任公司) in relation to the injection of capital into the project company, Beijing Zhongguancun IC Park Development Co., Ltd.\* (北京中關村集成電路設計園發展有限責任公司) (the “**Project Company**”), pursuant to which Beijing Langyuan Real Estate Co., Ltd.\* (北京郎園置業有限公司) will inject RMB500,000,000 to the registered capital of the Project Company and provide up to RMB913,500,000 in shareholders’ loan to the Project Company;
- (l) the underwriting agreement dated 6 May 2015 entered into between the Company and China International Capital Corporation Limited, as underwriter, in relation to the underwriting arrangement in respect of the issue by the Company of 5-year RMB bonds in a principal amount of RMB3,000,000,000 with a coupon rate of 4.58%;
- (m) the subscription agreement dated 23 July 2015 entered into between BC Juda, Rosy Capital Global Limited and Capital Group with The Hongkong and Shanghai Banking Corporation Limited and DBS Bank Ltd., ABCI Capital Limited, Bank of China (Hong Kong) Limited and China Construction Bank Corporation, Singapore Branch in connection with the issue of RMB1,300,000,000 guaranteed notes at 5.25% due 2018 by Rosy Capital Global Limited;
- (n) the keepwell and liquidity support deed dated 30 July 2015 entered into between BC Juda, Rosy Capital Global Limited, Capital Group and The Hongkong and Shanghai Banking Corporation Limited, as trustee, pursuant to which Capital Group will, inter alia, cause each of Rosy Capital Global Limited and BC Juda to have a consolidated net worth position of at least US\$1.00 and RMB100,000,000, respectively, at all times, and to have sufficient liquidity to ensure timely payment of any and all amounts payable under or in respect of the RMB1,300,000,000 guaranteed notes at 5.25% due 2018 issued by Rosy Capital Global Limited;
- (o) the deed of equity interest purchase undertaking dated 30 July 2015 entered into between BC Juda, Rosy Capital Global Limited, Capital Group and The Hongkong and Shanghai Banking Corporation Limited, as trustee, pursuant to which Capital Group agreed to purchase certain equity interest following an event of default under the RMB1,300,000,000 guaranteed notes at 5.25% due 2018 issued by Rosy Capital Global Limited;
- (p) the domestic share subscription agreement dated 10 August 2015 entered into between Capital Group and the Company, pursuant to which Capital Group conditionally agreed to subscribe for, and the Company conditionally agreed to issue, 1,000,000,000 new domestic shares at the subscription price of RMB3.08 per new domestic share;
- (q) the capital injection agreement dated 9 December 2015 entered into between Capital Investment and Zhongzhi Dingfu in relation to, among other matters, make an aggregate capital contribution of no more than RMB920,000,000 to the registered capital of Liujin Zhiye in proportion to their percentage shareholding in Liujin Zhiye of 60% and 40% respectively;



- (r) the guarantee agreement dated 22 December 2015 entered into between the Company and a licensed commercial bank in the PRC in relation to the provision of a joint guarantee by the Company for a term from the date of drawdown to the date of settlement of the up to RMB600,000,000 loan made available by such licensed commercial bank in the PRC to Capital Jiaming New Town Investment Co., Ltd.\* (首創嘉銘新城鎮投資發展有限公司);
- (s) the equity transfer agreement dated 25 December 2015 entered into between the Company and International Financial Centre Property Ltd. as vendors and Zhuhai Hengqin Chuangyuan Zhonghuan Equity Investment Centre (Limited Partner)\* (珠海橫琴創元中環股權投資中心(有限合夥)) and Beijing Chuangyuanhui Capital Management Co., Ltd.\* (北京創元匯資本管理有限公司) as purchasers in relation to the transfer of the entire equity interest in Beijing Central Plaza Xinrong Hotel Management Co., Ltd.\* (北京中環鑫融酒店管理有限公司) at a consideration of RMB624,400,000;
- (t) the shares and shareholder's loan transfer agreement dated 31 December 2015 entered into among Grand Modest Limited as purchaser, Rueyyuan Holding Company Limited as vendor and Speed Plus Investments Limited in relation to sale and purchase of 25 shares in Speed Plus Investments Limited, representing 25% of the total issued shares of Speed Plus Investments Limited, at a consideration of US\$13,600,522.27 and the shareholders' loan at an aggregate consideration of US\$61,731,870.23;
- (u) the cooperation framework agreement dated 24 March 2016 entered into among Tianjin Xingtai Jixing Real Estate Co., Ltd.\* (天津興泰吉鑫置業有限公司), Shenzhen Lianxin Investment Management Company Limited\* (深圳聯新投資管理有限公司), Shenzhen Yujia Investment Management Company Limited\* (深圳市裕嘉投資管理有限公司), Tianjin Real Estate Development (Group) Company Limited\* (天津市房地產發展(集團)股份有限公司), Renheng Development (Tianjin) Company Limited\* (仁恆發展(天津)有限公司) and Tianjin Lianjin Real Estate Development Company Limited\* (天津聯津房地產開發有限公司) in relation to the injection of registered capital into Tianjin Lianjin Real Estate Development Company Limited\* (天津聯津房地產開發有限公司) and co-development of the site located at north west of the intersection of Guangrong Road and Hanyang North Road, Hongqiao District, Tianjin\*, the PRC (天津市紅橋區咸陽北路與光榮道交口西北側) pursuant to which Tianjin Xingtai Jixing Real Estate Co., Ltd.\* (天津興泰吉鑫置業有限公司) agreed to provide an aggregate amount of up to RMB643,750,000;
- (v) the joint venture agreement dated 1 April 2016 entered into between Beijing Ruiyuan Fengji Real Estate Development Co. Ltd.\* (北京瑞元豐吉置業有限公司) and Beijing Capital New Town Construction Investment Fund (Limited Partnership)\* (北京首創新城鎮建設投資基金(有限合夥)) in relation to the formation of Beijing Capital Qingyundianzhen Development Limited\* (北京首創青雲城鎮建設開發有限公司), pursuant to which Beijing Ruiyuan Fengji Real Estate Development Co. Ltd.\* (北京瑞元豐吉置業有限公司) and Beijing Capital New Town Construction Investment Fund (Limited Partnership)\* (北京首創新城鎮建設投資基金(有限合夥)) agreed to contribute RMB52,200,000 and RMB37,800,000, respectively;
- (w) the Equity Transfer Agreements;
- (x) the Lease Agreement;

- (y) the equity transfer agreement dated 8 June 2016 entered into among Shanghai Juque Investment Management Co., Ltd.\* (上海鉅譽投資管理有限公司) and Shanghai Juxin Enterprise Management Consultation Co., Ltd.\* (上海鉅歆企業管理諮詢有限公司) as purchasers and the Company as seller in relation to the transfer of the entire equity interest in Beijing Chuangxin Jianye Real Estate Investment Ltd.\* (北京創新建業地產投資有限公司) at a consideration of RMB701,573,886;
- (z) the equity transfer agreement dated 8 June 2016 entered into between Capital Juda Outlets Resources Limited as purchaser and Renowned Brand Outlet Store Enterprise Limited as seller in relation to the transfer of the entire issued share capital of Zhejiang Outlets Property Real Estate Co., Ltd.\* (浙江奧特萊斯置業有限公司) at a consideration of RMB472,957,000;
- (aa) the shareholder loan transfer agreement dated 8 June 2016 entered into among Shanghai Juque Investment Management Co., Ltd.\* (上海鉅譽投資管理有限公司) as purchaser, the Company as seller and Beijing Chuangxin Jianye Real Estate Investment Ltd.\* (北京創新建業地產投資有限公司) in relation to the transfer of the shareholder loan at a consideration of RMB1,197,796,182;
- (bb) the subscription agreement dated 8 June 2016 entered into between BC Juda as issuer and BECL Investment Holding Limited as subscriber in relation to the subscription by BECL Investment Holding Limited of 905,951,470 new limited-voting non-redeemable convertible preference shares to be allotted and issued by BC Juda at an issue price of HK\$2.78 per new limited-voting non-redeemable convertible preference share; and
- (cc) the capital injection agreement dated 27 June 2016 entered into between Shanghai Capital Zhengheng Property Co., Ltd.\* (上海首創正恒置業有限公司) and Shanghai Poly Jianjin Real Estate Co., Ltd.\* (上海保利建錦房地產有限公司) in relation to a capital injection of not more than RMB2,779,500,000 into Shanghai Yujing Real Estate Co., Ltd.\* (上海裕憬房地產開發有限公司) and Shanghai Xuanxi Real Estate Co., Ltd.\* (上海暄熹房地產開發有限公司) by Shanghai Capital Zhengheng Property Co., Ltd.\* (上海首創正恒置業有限公司).

To the best knowledge of the Company, none of the Target Companies or any of its subsidiaries has entered into any contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular which the Directors consider to be material.



## 6. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the experts who have given opinions or advices for inclusion in this circular:

<b>Name</b>	<b>Qualification</b>
Nuada Limited	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser as approved and appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the Equity Transfer Agreements and the transactions contemplated thereunder
PricewaterhouseCoopers Zhong Tian LLP	Certified Public Accountants
DTZ Cushman & Wakefield Limited	independent property valuer
JunZeJun Law Offices	PRC legal advisers

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s), report(s), certificate(s) and/or opinion(s) (as the case may be) and the references to its name included herein in the form and context in which it is respectively included.

Each of the above experts confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which have since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

## 7. MATERIAL CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2015 (being the date to which the latest published audited financial statements of the Company were made up) up to the Latest Practicable Date.

## 8. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their close 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.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at the place of business of the Company in Hong Kong unless (i) a tropic cyclone warning signal number 8 or above is hoisted, or (ii) a black rainstorm warning signal is issued, except public holidays, for a period of 14 days from the date of this circular:

- (a) the Articles;
- (b) the letter from the Board, the text of which is set out on pages 5 to 30 of this circular;
- (c) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 31 of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out on pages 32 to 61 of this circular;
- (e) the accountant's reports on the financial information of the Target Companies prepared by PricewaterhouseCoopers Zhong Tian LLP, the text of which is set out in Appendix II of this circular;
- (f) the report from PricewaterhouseCoopers Zhong Tian LLP in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV of this circular;
- (g) the property valuation report prepared by DTZ Cushman & Wakefield Limited on the properties of the Group, the text of which is set out in Appendix V of this circular;
- (h) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (i) the written consents referred to in the paragraph headed "Expert's Qualification and Consent" in this appendix;
- (j) the annual reports of the Company for the financial years ended 31 December 2013, 2014 and 2015 respectively;
- (k) the legal opinion given by JunZeJun Law Offices regarding the titles to the properties and the interests of the Company in the properties in the PRC; and
- (l) this circular.

**10. MISCELLANEOUS**

- (a) The registered address of the Company is at Room 6008, Block 1, No. 26 Qingchun Road, Huairou District, Beijing, PRC.
- (b) The principal place of business of the Company in the PRC is at F17, 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 2906-08, AIA Central, 1 Connaught Road Central, Hong Kong.
- (d) The Hong Kong share registrar of the Company is Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) The company secretary is Mr. Lee Sze Wai, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (f) In the event of any inconsistencies, the English text of this circular and the proxy forms shall prevail over the Chinese text.

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## NOTICE OF EGM

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

**(Stock Code: 2868)**

### NOTICE OF THE EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of Beijing Capital Land Ltd. (the “**Company**”) will be held on Friday, 15 July 2016 at 9:00 a.m. at F17, Red Goldage, No. 2, Guang Ning Bo Street, Beijing, People’s Republic of China (the “**PRC**”) to consider and, if thought fit, pass the following resolutions. Capitalised terms defined in the circular dated 29 June 2016 issued by the Company (the “**Circular**”) shall have the same meanings when used herein unless otherwise specified:

#### ORDINARY RESOLUTIONS

##### **Resolution in relation to the Donghuan Equity Transfer Agreement**

1. “**THAT:**

- (a) the Donghuan Equity Transfer Agreement (as defined and described in the circular of the Company dated 29 June 2016 (the “**Circular**”), copies of which are produced to the meeting marked “A” and signed by the Chairman of the EGM for the purpose of identification, made between Capital Group and the Company and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any Director be and is hereby authorised to implement and take all steps and to do all acts and things which in his opinion may be necessary or desirable to give effect and/or to complete or in connection with the Donghuan Equity Transfer Agreement and transactions contemplated thereunder, including, without limitation, to approve any changes and amendments thereto, to obtain all necessary approvals from, and make all relevant registrations and filings with, the relevant PRC and other authorities, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder.”

##### **Resolution in relation to the Liujin Equity Transfer Agreement**

2. “**THAT:**

- (a) the Liujin Equity Transfer Agreement (as defined and described in the circular of the Company dated 29 June 2016 (the “**Circular**”), copies of which are produced to the meeting marked “B” and signed by the Chairman of the EGM for the purpose of identification, made between Capital Investment and Zhongzhi Dingfu and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

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## NOTICE OF EGM

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- (b) any Director be and is hereby authorised to implement and take all steps and to do all acts and things which in his opinion may be necessary or desirable to give effect and/or to complete or in connection with the Liujin Equity Transfer Agreement and transactions contemplated thereunder, including, without limitation, to approve any changes and amendments thereto, to obtain all necessary approvals from, and make all relevant registrations and filings with, the relevant PRC and other authorities, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder.”

### **Resolution in relation to the Chongqing Equity Transfer Agreement**

3. **“THAT:**

- (a) the Chongqing Equity Transfer Agreement (as defined and described in the circular of the Company dated 29 June 2016 (the **“Circular”**)), copies of which are produced to the meeting marked “C” and signed by the Chairman of the EGM for the purpose of identification, made among Chuangzhi Trust, Xinwei Infrastructure and Xinli Yeda and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any Director be and is hereby authorised to implement and take all steps and to do all acts and things which in his opinion may be necessary or desirable to give effect and/or to complete or in connection with the Chongqing Equity Transfer Agreement and transactions contemplated thereunder, including, without limitation, to approve any changes and amendments thereto, to obtain all necessary approvals from, and make all relevant registrations and filings with, the relevant PRC and other authorities, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder.”

### **Resolution in relation to the Shenyang Equity Transfer Agreement**

4. **“THAT:**

- (a) the Shenyang Equity Transfer Agreement (as defined and described in the circular of the Company dated 29 June 2016 (the **“Circular”**)), copies of which are produced to the meeting marked “D” and signed by the Chairman of the EGM for the purpose of identification, made among Capital Investment, Xinli Yeda, Capital Group and Capital Fangzhou and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

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## NOTICE OF EGM

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- (b) any Director be and is hereby authorised to implement and take all steps and to do all acts and things which in his opinion may be necessary or desirable to give effect and/or to complete or in connection with the Shenyang Equity Transfer Agreement and transactions contemplated thereunder, including, without limitation, to approve any changes and amendments thereto, to obtain all necessary approvals from, and make all relevant registrations and filings with, the relevant PRC and other authorities, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder.”

By Order of the Board  
**Beijing Capital Land Ltd.**  
**Lee Sze Wai**  
*Company Secretary*

Hong Kong, 29 June 2016

*Notes:*

**(1) Voting arrangements**

As disclosed in the Circular, Capital Group and any Shareholder who has a material interest in the Equity Transfer Agreements and the transactions contemplated thereunder, together with China Resource Products Limited and Yieldwell International Enterprise Limited (both being associates of Capital Group), will abstain from voting on the resolutions to be proposed at the EGM for approving the proposed Equity Transfer Agreements and the transactions contemplated thereunder.

**(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 Thursday, 7 July 2016.

**(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 Shares or Non-H Foreign 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 or to the H Share registrar of the Company by such time. The H Share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong by such time.
- iii. Shareholders or their proxies shall produce their identification documents when attending the EGM.

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## NOTICE OF EGM

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**(4) Miscellaneous**

i. The duration of the EGM is expected not to exceed half a day. Shareholders who attend the EGM shall arrange for their own transportation and accommodation at their own expenses.

ii. All voting at the EGM will be conducted by poll.

iii. Place of business of the Company in the PRC:

F17, Red Goldage  
No. 2, Guang Ning Bo Street  
Beijing, PRC

Telephone: 86-10-6652 3000

Facsimile: 86-10-6652 3171

iv. Place of business of the Company in Hong Kong:

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

Telephone: 852-2869 9098

Facsimile: 852-2869 9708

*The Board as of the date of this circular comprises Mr. Wang Hao (Chairman) and Mr. Tang Jun (President) who are the Executive Directors, Mr. Li Songping, Mr. Song Fengjing, Mr. Shen Jianping and Ms. Sun Baojie who are the Non-Executive Directors, Mr. Wang Hong, Mr. Li Wang and Mr. Wong Yik Chung, John who are the Independent Non-Executive Directors.*