北京北辰實業股份有限公司

BEIJING NORTH STAR COMPANY LIMITED

(A sino-foreign joint venture joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 588)

2007 FINAL RESULTS ANNOUNCEMENT

The board of directors (the "Board") of Beijing North Star Company Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007 as set out below:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Note	**2007**	**2006**
		RMB'000	*RMB'000* *(Restated)*
Revenue	2	**3,999,559**	2,810,561
Cost of sales	4	**(2,496,937)**	(1,711,553)
Gross profit		**1,502,622**	1,099,008
Selling and marketing expenses	4	**(163,784)**	(143,432)
Administrative expenses	4	**(416,601)**	(314,034)
Other gains - net	3	**9,107**	46,332
Operating profit		**931,344**	687,874
Finance income		**42,936**	21,366
Finance costs		**(72,447)**	(27,775)
Finance costs - net	5	**(29,511)**	(6,409)
Share of profit of a jointly controlled entity		**—**	708
Profit before income tax		**901,833**	682,173
Income tax expenses	6	**(309,432)**	(239,250)
Profit for the year		**592,401**	442,923
Attributable to:			
Equity holders of the Company		**463,153**	395,274
Minority interests		**129,248**	47,649
		592,401	442,923
Earnings per share for profit attributable to the equity holders of the Company (basic and diluted)	7	**RMB13.76 cents**	RMB18.67 cents
Dividend	8	**101,011**	134,681

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
ASSETS			
Non-current assets			
Land use rights		**1,203**	1,235
Investment properties		**2,145,000**	3,100,740
Property, plant and equipment		**840,383**	832,272
Properties under development		**7,252,539**	299,030
Interest in a jointly controlled entity		**—**	19,286
Deferred income tax assets		**41,550**	24,061
		10,280,675	4,276,624
Current assets			
Properties under development		**8,020,576**	5,505,585
Properties held for sale		**869,958**	819,627
Inventories		**52,476**	53,088
Trade and other receivables	10	**312,641**	356,049
Restricted bank deposits		**84,473**	180,282
Cash and cash equivalents		**2,255,546**	4,917,721
		11,595,670	11,832,352
Total assets		**21,876,345**	16,108,976

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**3,367,020**	3,367,020
Other reserves		**3,964,510**	3,941,259
Retained earnings			
- Proposed final dividend		**101,011**	134,681
- Others		**1,795,344**	1,454,740
		9,227,885	8,897,700
Minority interests		**250,516**	183,118
Total equity		**9,478,401**	9,080,818
LIABILITIES			
Non-current liabilities			
Long term borrowings		**4,101,760**	1,798,980
Deferred income tax liabilities		**477,852**	589,965
		4,579,612	2,388,945
Current liabilities			
Trade and other payables	11	**4,506,040**	3,893,086
Current portion of long term borrowings		**900,000**	400,000
Short term borrowings		**2,130,000**	250,000
Current income tax liabilities		**282,292**	96,127
		7,818,332	4,639,213
Total liabilities		**12,397,944**	7,028,158
Total equity and liabilities		**21,876,345**	16,108,976
Net current assets		**3,777,338**	7,193,139
Total assets less current liabilities		**14,058,013**	11,469,763

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company				
		Share capital	**Other reserves**	**Retained earnings**	**Minority interests**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2007		3,367,020	3,941,259	1,589,421	183,118	9,080,818
Profit for the year and total recognised income for 2007		—	—	463,153	129,248	592,401
2006 final dividend		—	—	(134,681)	—	(134,681)
Dividend to minority shareholders of a subsidiary		—	—	—	(17,854)	(17,854)
Acquisition of additional interests in a subsidiary from minority shareholders		—	1,713	—	(63,996)	(62,283)
Contributions from minority shareholders of a subsidiary		—	—	—	20,000	20,000
Transfer from retaind earnings	9	—	21,538	(21,538)	—	—
		—	23,251	(156,219)	(61,850)	(194,818)
Balance at 31 December 2007		3,367,020	3,964,510	1,896,355	250,516	9,478,401
Representing:						
Proposed final dividend at 31 December 2007				101,011		
Retained earnings-others				1,795,344		
				1,896,355		

	Note	Attributable to equity holders of the Company				
		Share capital	**Other reserves**	**Retained earnings**	**Minority interests**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2006		1,867,020	1,863,377	1,286,635	140,530	5,157,562
Profit for the year and total recognised income for 2006		—	—	395,274	47,649	442,923
Issue of A shares		1,500,000	2,032,070	—	—	3,532,070
2005 final dividend		—	—	(46,676)	—	(46,676)
Dividend to minority shareholders of a subsidiary		—	—	—	(5,061)	(5,061)
Transfer from retained earnings	9	—	45,812	(45,812)	—	—
		1,500,000	2,077,882	(92,488)	(5,061)	3,480,333
Balance at 31 December 2006		3,367,020	3,941,259	1,589,421	183,118	9,080,818
Representing:						
Proposed final dividend at 31 December 2006				134,681		
Retained earnings-others				1,454,740		
				1,589,421		

Notes:

1. **Accounting policies and basis of preparation**

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets and financial liabilities which are carried at fair value.

Standards, amendment and interpretations effective in 2007 and relevant to the operations of the Group are analysed as follows:

HKFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to HKAS 1, 'Presentation of financial statements — Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

HK (IFRIC) - Int 8, 'Scope of HKFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

HK(IFRIC) - Int 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

In 2007, the Company's directors are of the view that it would be more appropriate to reflect the land appreciation tax as an income tax expense rather than cost of sales in the income statement and the corresponding liability as income tax apyable, after a reassessment of the nature of land appreciation tax. The change resulted in a decrease in cost of sales and an increase in operating profit, profit before income tax and income tax expenses for the year ended 31 December 2006 by RMB38,477,000. This reclassification does not have any impact on opening reserve at 1 January 2007.

2. **Segment information**

(a) Primary reporting format - business segments

At 31 December 2007, the Group is organised into four main business segments:

(1) Sale of properties and land use rights;

(2) Retail operation;

(3) Rental from investment properties; and

(4) Operation of hotels

Turnover consists of sales of properties and land use rights, sales of goods, rental income and hotel operating income. Revenues recognised during the year ended 31 December 2007 and 31 December 2006 are as follows:

	Year ended 31 December	
	2007	**2006**
	RMB'000	*RMB'000*
Turnover		
Sales of properties and land use rights	**2,794,978**	1,608,887
Sales of goods	**386,763**	449,518
Rental income	**312,242**	321,304
Hotel operating income	**378,851**	351,366
	3,872,834	2,731,075
Others	**126,725**	79,486
Total revenue	**3,999,559**	2,810,561

Other operations of the Group mainly comprise property management, restaurant and recreation operations, none of which constitutes a separately reportable segment.

The segment results for the year ended 31 December 2007 are as follows:

	Sales of properties and land use rights	**Retail operations**	**Investment properties**	**Hotel operations**	**Other operations**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total segment revenue	2,794,978	386,763	313,694	379,244	165,148	4,039,827
Inter-segment revenue	—	—	(1,452)	(393)	(38,423)	(40,268)
Revenue from external customers	2,794,978	386,763	312,242	378,851	126,725	3,999,559
Segment results	677,746	57,417	144,627	104,473	(3,312)	980,951
Unallocated costs						(49,607)
Operating profit						931,344
Finance income						42,936
Finance costs						(72,447)
Finance costs-net						(29,511)
Share of profit of a jointly controlled entity	—	—	—	—	—	—
Profit before income tax						901,833
Income tax expenses						(309,432)
Profit for the year						592,401

The segment results for the year ended 31 December 2006 are as follows:

	Sales of properties and land use rights *RMB'000* *(Restated)*	Retail operations *RMB'000*	Investment properties *RMB'000*	Hotel operations *RMB'000*	Other operations *RMB'000*	Group *RMB'000* *(Restated)*
Total segment revenue	1,608,887	449,518	321,304	351,366	113,598	2,844,673
Inter-segment revenue	—	—	—	—	(34,112)	(34,112)
Revenue from external customers	1,608,887	449,518	321,304	351,366	79,486	2,810,561
Segment results	402,281	57,664	189,787	90,227	(2,807)	737,152
Unallocated costs						(49,278)
Operating profit						687,874
Finance income						21,366
Finance costs						(27,775)
Finance costs - net						(6,409)
Share of profit of a jointly controlled entity	—	—	—	—	708	708
Profit before income tax						682,173
Income tax expenses						(239,250)
Profit for the year						442,923

Comparative figures have been restated as a result of the reclassification of land appreciation tax from cost of sales to income tax expenses (Note 1).

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows:

	Sales of properties and land use rights *RMB'000*	**Retail operations** *RMB'000*	**Investment properties** *RMB'000*	**Hotel operations** *RMB'000*	**Other operations** *RMB'000*	**Group** *RMB'000*
Assets	17,442,907	173,208	2,247,168	666,997	51,276	20,581,556
Jointly controlled entity	—	—	—	—	—	—
Unallocated assets						1,294,789
Total assets						21,876,345
Liabilities	10,477,909	98,728	152,736	40,753	148,445	10,918,571
Unallocated liabilities						1,479,373
Total liabilities						12,397,944
Capital expenditure	7,009,343	5,039	44,540	8,690	6,477	7,074,089

The segment assets and liabilities at 31 December 2006 and capital expenditure for the year then ended are as follows:

	Sales of properties and land use rights *RMB'000*	**Retail operations** *RMB'000*	**Investment properties** *RMB'000*	**Hotel operations** *RMB'000*	**Other operations** *RMB'000*	**Group** *RMB'000*
Assets	7,789,616	223,781	3,159,398	679,114	41,255	11,893,164
Jointly controlled entity	—	—	—	—	19,286	19,286
Unallocated assets						4,196,526
Total assets						16,108,976
Liabilities	5,489,317	126,698	542,201	34,439	142,912	6,335,567
Unallocated liabilities						692,591
Total liabilities						7,028,158
Capital expenditure	797,254	3,407	17,172	6,989	1,010	825,832

(b) Secondary reporting format - geographical segments

Since all the Group's turnover and operating profit are derived from activities in the People's Republic of China (the "PRC") and all the Group's asset are located in the PRC, no geographical analysis is presented.

3. **Other gains - net**

	Year ended 31 December	
	2007	**2006**
	RMB'000	*RMB'000*
Fair value gains on investment properties	**17,000**	48,000
Loss on disposals of property, plant and equipment	**(996)**	(1,532)
Others	**(6,897)**	(136)
	9,107	46,332

4. **Expenses by nature**

Expenses included in cost of sales, selling and marketing expenses and administrative expenses are analysed as follows:

	Year ended 31 December	
	2007	**2006**
	RMB'000	*RMB'000*
		(Restated)
Depreciation	**68,489**	67,007
Amortisation	**81,543**	32,066
Reversal of impairment of receivables	**(654)**	(2,544)
Reversal of impairment of properties held for sale	**—**	(39,725)
Reversal of impairment of inventories	**(28)**	(370)
Employee benefit expense	**261,379**	222,107
Advertising costs	**29,689**	32,616
Cost of properties and land use rights sold		
- Land use rights	**118,717**	112,781
- Finance cost caplitalised in cost of properties	**33,861**	15,967
- Development costs	**1,659,024**	935,559
Cost of goods for resale	**234,300**	289,033
Cost of consumables used	**94,867**	69,836
Business tax	**183,080**	120,396
Other taxation	**37,086**	25,704
Office and consumption expenses	**88,796**	83,880
Energy expenses	**61,012**	58,153
Consulting and service expenses	**53,210**	54,004
Repair and maintenance expenses	**32,296**	32,645
Operating leases	**17,115**	17,115
Auditors' remuneration	**6,500**	2,942
Others	**17,040**	39,847
Total cost of sales, selling and marketing expenses and administrative expenses	**3,077,322**	2,169,019

Comparative figures have been restated as a result of the reclassification of land appreciation tax from cost of sales to income tax expenses (Note 1).

5. **Finance income and costs**

	Year ended 31 December 2007 *RMB'000*	2006 *RMB'000*
Interest expense:		
- bank borrowings wholly repayable within five years	**(201,115)**	(90,134)
- bank borrowings wholly repayable over five years	**(1,796)**	—
- bond not wholly repayable within five years	**(64,026)**	(37,571)
- other borrowing wholly repayable within five years	**(3,520)**	(7,073)
	(270,457)	(134,778)
Less: amount capitalised in properties under development at a capitalisation rate of 6.99% (2006: 5.33%) per annum	**198,010**	107,003
Finance costs	**(72,447)**	(27,775)
Finance income - interest income on short term bank deposits	**42,936**	21,366
Net finance costs	**(29,511)**	(6,409)

6. **Income tax expenses**

	Year ended 31 December 2007 *RMB'000*	2006 *RMB'000* *(Restated)*
Current income tax		
— PRC enterprise income tax	**225,556**	176,527
— PRC land appreciation tax	**213,478**	38,477
Deferred income tax	**(129,602)**	24,246
	309,432	239,250

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the year ended 31 December 2007 (2006: Nil). PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate is 33% (2006: 33%). On 16 March 2007, the People's Congress passed a new PRC Enterprise Income Tax Law, which changed the income tax rate applicable to all PRC enterprises to 25% effective as of 1 January 2008.

Comparative figures have been restated as a result of the reclassification of land appreciation tax from cost of sales to income tax expenses (Note 1).

7. **Earnings per share (basic and diluted)**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the year.

	Year ended 31 December	
	2007	**2006**
Profit attributable to equity holders of the Company (RMB'000)	**463,153**	395,274
Weighted average number of ordinary shares in issue (thousands)	**3,367,020**	2,117,020
Earnings per share (basic and diluted) (RMB cents per share)	**13.76 cents**	18.67 cents

Diluted earnings per share is equal to the basic earnings per share since the Company has no dilutive potential ordinary shares outstanding during the year ended 31 December 2007 and 31 December 2006.

8. **Dividend**

The dividends paid in 2007 and 2006 were RMB134,681,000 and RMB220,676,000 respectively.

At a meeting held on 5 March 2008 the directors proposed a final dividend of RMB0.03 per share, totalling RMB101,010,600. This proposed dividend is not reflected as a dividend payable in these financial statements but will be reflected as an appropriation of retained profits for the year ending 31 December 2008.

	Year ended 31 December	
	2007	**2006**
	RMB'000	*RMB'000*
2007 proposed final dividend of RMB0.03 per share (2006: RMB0.04 per share)	**101,011**	134,681

9. **Appropriations to reserves**

According to their respective Articles of Association, the Company and its subsidiaries are required to transfer 10% of their profit after taxation, as shown in their financial statements prepared under the relevant accounting principles and financial regulations applicable to PRC enterprises ("PRC GAAP"), to their statutory reserve fund. The total amount transferred to statutory reserve fund for the year ended 31 December 2007 is set out as follows:

	Percentage of profit after taxation of respective company	**Year ended 31 December**	
		2007	**2006**
		RMB'000	*RMB'000*
Statutory reserve fund	10%	21,538	45,812

10. **Trade and other receivables**

	As at 31 December	
	2007	**2006**
	RMB'000	*RMB'000*
Trade receivables	**38,416**	32,006
Less: provision for impairment of receivables	**(10,096)**	(10,905)
Trade receivables - net	**28,320**	21,101
Other receivables	**86,557**	41,274
Less: provision for impairment of receivables	**(15,740)**	(15,440)
Other receivables - net	**70,817**	25,834
Prepaid tax - Income tax	**26,417**	52,916
Prepaid tax - Others	**140,087**	94,287
Deposits of land use rights	**—**	148,176
Other prepayments	**47,000**	12,221
Dividend receivable	**—**	1,514
	312,641	356,049

The fair values of trade and other receivables are not materially different from their book values.

At 31 December 2007 and 2006, the ageing analysis of the trade receivable is as follows:

	As at 31 December	
	2007	**2006**
	RMB'000	*RMB'000*
0 - 30 days	**12,688**	9,355
31 - 120 days	**2,394**	1,474
Over 120 days	**23,334**	21,177
	38,416	32,006

The credit terms in connection with sales of properties and land use rights granted to the customers are set out in the sale and purchase agreements and vary from agreements. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

11. **Trade and other payables**

	As at 31 December	
	2007	**2006**
	RMB'000	*RMB'000*
Trade payables	**451,162**	149,939
Advances from customers	**3,186,039**	2,407,318
Dividends payable to minority shareholders of a subsidiary	**1,172**	7,944
Accrued construction costs	**4,475**	4,699
Accrued properties under development costs	**382,963**	378,734
Amount due to BNSIGC	**27,999**	95,387
Accrued bond interests	**47,738**	37,571
Land premium payable	**—**	435,070
Special purpose payable	**102,646**	114,308
Other payables	**301,846**	262,116
	4,506,040	3,893,086

The amount due to Beijing North Star Industrial Group Company ("BNSIGC") is unsecured, interest free and has no fixed terms of repayment.

Special purpose payable represented the refund of consideration paid for land use rights from the relevant government authority. In accordance with a notice issued on 1 September 1995 by the Beijing Municipal Government, the Group is required to use the proceeds from such refund for municipal infrastructure and green belt construction of one of the Group's properties under development. During the year ended 31 December 2007, approximately RMB11,662,000 (2006: RMB20,596,000) was paid for the required uses.

At 31 December 2007 and 2006, the ageing analysis of the trade payables is as follows:

	As at 31 December	
	2007	**2006**
	RMB'000	*RMB'000*
0 - 180 days	**229,818**	123,895
181 - 365 days	**140,000**	14,258
Over 365 days	**81,344**	11,786
	451,162	149,939

12. **Reconciliation of consolidated financial statements**

The Group has prepared a separate set of consolidated financial statements for the year ended 31 December 2007 in accordance with the PRC GAAP. The differences between the consolidated financial statements prepared under the PRC GAAP and HKFRS are summarised as follows:

	Profit attributable to equity holders of the Company for the year ended 31 December		**Capital and reserves attributable to the Company's equity holders as at 31 December**	
	2007	**2006**	**2007**	**2006**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)		*(Restated)*
As stated in accordance with PRC GAAP	328,131	339,115	8,231,594	8,039,795
Impact of HKFRS adjustments:				
1. Reversal of depreciation of investment properties under PRC GAAP	34,605	38,103	550,642	516,037
2. Fair value adjustments of investment properties under HKFRS	11,390	32,160	667,664	656,274
3. Differences on revaluation of certain assets	2,493	5,636	(281,616)	(284,109)
4. Amortisation of land use rights in respect of properties under development for sale and properties held for sale under HKFRS	(59,884)	(18,827)	(91,789)	(31,905)
5. Impact on deferred tax arising from investment differences due to adoption of new PRC GAAP	(1,608)	(1,608)	—	1,608
6. Effect of change in tax rate on deferred income tax on HKFRS adjustments	151,390	—	151,390	—
7. Reversal of negative goodwill recognised as other income under PRC GAAP	(3,364)	—	—	—
8. Others	—	695	—	—
As stated in accordance with HKFRS	463,153	395,274	9,227,885	8,897,700

On 15 February 2006, the China Ministry of Finance announced the Chinese Accounting Standards ("New CAS"). The Group had first time prepared its financial statements for the year ended 31 December 2007 under the New CAS. The profit attributable to Company's equity holders for the year ended 31 December 2006 and capital and reserves attributable to the Company's equity holders as at 31 December 2006 prepared under the PRC GAAP had been restated due to the first time adoption of the New CAS.

PRELIMINARY ANNOUNCEMENTS OF ANNUAL RESULTS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2007 have been agreed upon by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

RESULTS AND DIVIDEND

The Group's revenue increased by 42.3% to RMB3,999,559,000. The Group's profit attributable to equity holders of the Company for the year ended 31 December 2007 increased by 17.2% to RMB463,153,000.

The Board has recommended the payment of a final dividend of RMB0.03 per share (2006: RMB0.04 per share) for the year ended 31 December 2007, totalling RMB101,010,600 to those shareholders whose names appear on the register of shareholders of the Company on Friday, 11 April 2008. Subject to the approval of the shareholders at the annual general meeting of the Company for the year of 2008 ("AGM"), the final dividend will be payable on or before Tuesday, 20 May 2008.

CLOSURE OF REGISTER OF SHAREHOLDERS

The register of shareholders of the Company will be closed from Thursday, 3 April 2008 to Tuesday, 6 May 2008 (both dates inclusive), during which period no transfer of shares will be registered. In order to qualify for the final dividend, holders of H shares whose transfer forms have not been registered shall deposit the transfer forms together with the relevant share certificates at the Company's H share registrar, Hong Kong Registrars Limited at Rooms 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 2 April 2008 for registration.

REVIEW OF OPERATIONS DURING THE REPORTING PERIOD

During 2007, facing continuous macro-economic control measures and intensifying market competition, the Company conducted systematic analyses on the trends and impact of macro-economic policies, changes in the operating environment and the resulted supply-demand characteristics of the market. Accordingly, we have effectively reduced the impact of various adverse factors and have capitalised on the Olympics opportunity, adopting flexible operating strategies and thereby achieving a stable growth in the Company's operating results. During the year, the Company realised a revenue of RMB3,999,559,000, up 42.3% as compared to the previous year. Operating profit amounted to RMB931,344,000, up 35.4% over the previous year.

1. **Development Properties**

   Through efforts in strengthening investment, expanding development scale, improving projects' integrated operation standards, and capitalising on the projects' geographical advantages and accurate product positioning, the Company's development properties business continued to witness impressive sales, with operating results reaching new height. During the reporting period, total area under construction amounted to 1,260,000 m^2, while total area completed was 280,000 m^2. Contracted sales area was 210,000 m^2. Contracted sales revenue amounted to RMB3.11 billion, generally on par with the previous year. Operating profit amounted to RMB677,746,000, up 68%.

   With reference to the macro-economic control measures and the prevailing market environment, the Company accurately grasped the policy trends and timely rode the market changes. Accordingly, the Company has successfully capitalised on the opportunities of the property market and consequently achieved impressive sales for the development projects. Olympic Media Village reported 113,500 m^2 in area sold within just three months from its opening for sale in October. In addition, as the high-end residential property market of Beijing witnessed strong growth during the reporting period, all available units in the current launches of the Company's development projects (Fragrant Hill Qingqin Villas, Bihai Fangzhou Garden Villas and Changhe Yushu Garden Villas) were completely sold out.

   To achieve the revenue and profit targets, while pushing for higher sales, the development properties operation made coordinated efforts to ensure completion, inspection and acceptance under the Construction Commission's strict enforcement of the regulation of "Inspecting every residential unit and practicing simultaneous inspection and acceptance of residential and ancillary constructions". Accordingly, Beichen Green Garden - Ao City Noble Mansion, Fragrant Hill Qingqin Villas, Bihai Fangzhou Garden Villas and Changhe Yushu Garden Villas Phase I managed to commence occupation as scheduled.

In 2007, the Company strove to accelerate the development of development properties. With reference to the macro-economic control measures and market changes, the development properties operation conducted in-depth studies on the State's policy trends and the industry's development modes. After two years of strategic scrutiny on the property markets and public land transactions of various cities, the Company capitalised on the historic opportunity offered by the Xinhe Delta project in Changsha, China. The project alone offers 5 million m^2 of gross area, and the Company obtained the project's development rights at an auction. Meanwhile, the Company also successfully obtained the project development rights of approximately 440,000 m^2 of gross area under the Beichen · Fudi (Chang Ying Project). Therefore, in 2007, the Company achieved breakthroughs in land reserve. This has expanded the size of the Company's development properties, as well as substantially enhancing the Company's influence and brand value in the property sector. As at the end of the reporting period, the aforementioned new projects made good progress in their preliminary work. Among such work, the Changsha project has completed the work for the market analysis and project positioning stages, while the Beichen · Fudi (Chang Ying Project) has completed the land transaction with the authorities' planning opinion obtained.

Gross Sales Performance of Development Properties Projects During the Reporting Period

Project Name	**Recognised Sales Area** *'000 m^2*	**Recognised Sales Amount** *(RMB '000)*	**Area under Construction in 2007** *'000 m^2*	**Completed Area in 2007** *'000 m^2*
Beichen Green Garden	86.2	968,811	924.9	129.6
Bihai Fangzhou Garden Villas	9.4	209,617	—	—
Fragrant Hill Qingqin Villas	45.6	1,289,777	164.0	110.1
Changhe Yushu Garden Villas	22.7	287,647	42.0	40.0
Changdao Lanqiao Garden Villas	2.3	39,126	—	—

2. **Investment Properties and Hotels**

Driven by enhanced professional management and service standards and brand influence, the investment properties operation proactively undertook market development efforts and adjusted its customer mix. During the reporting period, the operation of investment properties and hotels realised an operating profit of RMB249,100,000.

Crowne Plaza Park View Wuzhou Beijing adjusted its customer mix in early 2007 with reference to market changes. Extra efforts were made to develop high-end markets such as business conferences, company annual meetings and individual business travellers, while accommodating fewer airline flight crews who offered relatively lower prices. While the occupancy rate declined slightly, the average room rate and overall operating results maintained rapid growth. After five years of operation, Crowne Plaza Park View Wuzhou Beijing has become the Company's most profitable investment property project and its overall score topped all 42 hotels under the InterContinental Hotel Group's brand in China.

Beijing Continental Grand Hotel and Beijing International Convention Centre fully utilised the complementary advantage of their convention, hotel and catering resources, adhering to the integrated operation model. Accordingly, its operating efficiency increased further.

Office properties witnessed active average price adjustments for both new and renewed tenancies through hardware improvements and an addition of extra services. As a result, average rentals and average occupancy rates remained at higher levels and stayed ahead of office properties of similar quality in the vicinity.

In addition, in order to successfully complete the hospitality duties for the 2008 Olympic Games, the Company converted six apartment blocks in the western area near the Olympic Games District to Hui Yuan Apartment Media Village by undertaking comprehensive renovation according to the requirements of The Beijing Organising Committee for the Games of the XXIX Olympiad. Meanwhile, in order to further improve product quality, the Company carried out an overall upgrade and renovation of the Block D apartments according to five-star standards. Besides making rational arrangements to fit in renovation work with operations, the apartment operation strove to exploit the potential of both the long-term tenancy and casual residence segments, as well as achieving a stable transition before the Olympic Games.

3. **Retail Operation**

In 2007, the retail operation set the objective of "safeguarding operations and safeguarding stable progress of development projects" amid intensifying market competition in neighbouring regions. The operation overcame the impact of negative factors and maintained stable results, as well as further enhancing the management and control model of professional division of labour. Accordingly, a solid foundation has been laid for the preparation of the commercial projects. During the reporting period, the operation recorded an operating profit of RMB57,417,000.

4. **Smooth Progress in Olympic Games Hospitality Services and Preparations for New Properties**

The Company aims to successfully complete the hospitality service duties of the "four hotels, two villages, two centres and one stadium" during the Olympic Games. Accordingly, during 2007, while striving for stable growth in operating results, the Company concentrated its efforts in developing Beichen Green Garden Olympic Media Village, renovating Hui Yuan Apartment Media Village, constructing the National Olympic Convention Centre and its ancillary facilities, preparing hospitality services for the Olympics, and planning and organising the post-Olympics operations of these various projects. The "four hotels" refers to Crowne Plaza Park View Wuzhou Beijing, Beijing Continental Grand Hotel, InterContinental Beijing Beichen and the National Olympic Convention Centre Hotel. The "two villages" are Beichen Green Garden Media Village and Hui Yuan Apartment Media Village, while the "two centres" refers to the National Olympic Convention Centre which will be used as the Main Press Centre and the International Broadcasting Centre during the Olympic Games. The "one stadium" refers to the use of the National Olympic Convention Centre as the Fencing Stadium during the Olympic Games. Among these, InterContinental Beijing Beichen and the National Olympic Convention Centre Hotel are ancillary projects of the National Olympic Convention Centre.

During the reporting period, the National Olympic Convention Centre and its ancillary projects and Beichen Green Garden Media Village have all entered the construction completion stage. Flooring works, interior and exterior decoration and facility installation of the projects' premium floor areas were fully commenced, while the renovation of Hui Yuan Apartment Media Village progressed as planned. Meanwhile, to ensure the Olympic Games' hospitality services will be carried out properly, the Company has compiled and refined the guest receiving manual and the emergency handling plans. Regular pre-job education and operational training were conducted with the staff to ensure hospitality services and related safeguarding work will meet the implementation standards during the Olympic Games, thereby providing strong support for the successful completion of the Olympic Games hospitality service duties.

Meanwhile, to ensure that the additional assets, the National Olympic Convention Centre and its ancillary projects operate from a "high starting point", the Company maintained a market-oriented principle to proactively conduct studies on market analyses, operations positioning, development opportunities and management control model. A sales and marketing plan was compiled in advance, thereby effectively safeguarding a rapid achievement of profitability after the Games. As at the end of the reporting period, the Company has successfully established the management companies for the National Olympic Convention Centre and InterContinental Beijing Beichen, while the operations preparation for InterContinental Beijing Beichen and the National Olympic Convention Centre Hotel was basically completed as well. The opening preparation and long-term convention and exhibition marketing of the National Olympic Convention Centre were also carried out simultaneously in an orderly manner.

Apart from the National Olympic Convention Centre and its ancillary projects, the Company's other new properties are also progressing smoothly. The main office building of Beichen Building has entered the indoor fine-decoration stage, with steady progress made on the pre-leasing work. In addition, the decoration work of Beichen Building's commercial podium is proceeding at full speed. The joint-venture company for the high-end department store operation was basically established, and cooperation work with the foreign partner intensified further. The Company has been actively attracting business operators, striving to commence this operation before the Olympic Games.

5. **Overall Prowess**

In 2007, the Company diligently implemented the Company Brand Planning Guideline and focused on enhancing its brand value. According to the research results published by China Property Top 10 Research Group (中國房地產TOP10研究組), the Company successfully entered the list of Leading Composite Property Brands in the Nationwide Property Industry (全國房地產複合地產領先品牌). The Company also won various honours, including the 18th in the Top 100 Property Developers of China (中國房地產百强企業第18名) and the Top 100 Stars in the China Property Industry (中國房地產企業百强之星). This demonstrated the Company's corporate image as a composite property developer with development properties, investment properties and retail operation, and that such an image was acknowledged by consumers and the society to a certain extent. In addition, the Company's A-shares had been included in the SSE 180 Index, the SSE 50 Index, the Shanghai-Shenzhen 300 Index, the China Securities 100 Index and the SSE Corporate Governance Index, thereby substantially improving the Company's influence in the capital market.

6. **Investor Relations**

As a company with simultaneous listings of A shares and H shares, the Company emphasises the cultivation and development of investor relations, with reference to the listing characteristics of the two locations. In 2007, the Company held regular large-scale investment presentations, as well as participating in investor meetings organised by investment banks, so as to enhance the Company's publicity and influence in the capital market. Moreover, in 2007, the Company received over 200 individuals from domestic/foreign funds and institutional investors on their field research with the Company, thereby making it convenient for investors to understand the Company's development.

7. **Environmental Protection Efforts**

Currently, all of the Company's development projects have strictly adopted the State's relevant energy-saving standards for construction, with considerable results achieved. In addition, the Company also responded to the call of "Green Olympics" and replaced all the energy-consuming facilities in the Company's completed investment properties, thereby achieving energy savings and pollution reduction and contributing to environmental protection.

PROSPECTS IN 2008 AND MANAGEMENT RESPONSES

In 2008, while the State will adopt a steady fiscal policy and a contractionary monetary policy, this will not change the fundamentals of the rapid GDP growth and the boom of the Company's involved industries. Accordingly, the Company will continue to adhere to its established development strategy plan: as we sustain the investment properties operation and steadily expand the retail operation, we will also accelerate the development of the development properties operation. In accelerating our development, we aim to become a large and strong enterprise, making development properties a major source of profit growth for the Company.

1. **Development Properties**

   The continuous launching of the macro-economic control measures will have long-term impact upon the property market and will facilitate the industry's long-term healthy development. Short-term fluctuations in the property market due to the macro-economic control measures are inevitable, but the medium/long-term positive trend of the property industry will see no fundamental change on the premises of sustained macro-economic growth and ever-increasing property demand. Short-term market fluctuations will steadily correct the rate of increase in property prices and will rationalise land transactions, thereby facilitating the property industry's healthy and stable development in the medium/long-term. In the future, an enterprise's development will be more dependent on enhancing the overall operating capability and core competitiveness. For a property developer with regulated management and professional operation, the present scenario presents challenges as well as opportunities.

   In 2008, the Company will enhance its core competitiveness and further raise its profitability through strengthened product positioning, planning design, cost control and marketing and sales efforts in a market-oriented manner, based on the smooth progress of its current projects. In view of the current market environment and a financial environment with tightening money supply, the Company will enhance the analysis and appropriation of cash flows. On the premise of having available funding, the Company will expand its land reserve at the right opportunity and in a balanced manner, so as to achieve rapid development of development properties in an appropriate scale. In addition, the Company will also pay attention to the operating characteristics of further industry consolidation caused by the deepening macro-economic control measures. We will not rule out the adoption of approaches such as project transfers, equity investments, joint development and mergers and acquisitions to further expand the influence and operation scale of the Company's development properties.

In 2008, the investment and development scales of the Company's development properties will be further expanded. The commenced and resumed construction area for the year is expected to be 2,170,000 m^2, while the construction area to be commenced is expected to be 1,190,000 m^2. The completed area is expected to be 830,000 m^2. The Company aims for a contracted sales area of 430,000 m^2, with a contracted sales revenue of RMB4.5 billion. Among these, Media Village (Phase II) will timely adjust the sales strategy according to market changes to maintain the solid sales momentum, so as to ensure occupation commencement by year-end. Construction of Bei Chen · Xiang Lu (Hot Spring Project) and Beichen · Fudi (Chang Ying Project) will be accelerated and pre-sale work will be carried out at full speed. Efforts will be made on the planning and design of the not yet commenced portions of Fragrant Hill Qingqin Villas, Bihai Fangzhou Garden Villas and Changhe Yushu Garden Villas, so as to ensure that construction can commence upon obtaining the relevant approvals and to achieve cash returns as soon as possible.

2. **Investment Properties and Hotels**

The macro-economy of the Beijing Municipality will maintain rapid growth in the future, and the market demand for offices, hotels and serviced apartments will further increase. In addition, due to the Olympic Games' impact, the influence of Beijing as a city will increase substantially, leading to substantial growth in the convention and exhibition market as well.

The Company's existing and additional investment properties are all located in the Olympic Games District. They form a complete assets chain with various operations facilitating each other. In 2008, the Company will capitalise on its geographical advantage to further enhance its professional management and service standards and brand influence, as well as striving to exploit the operation potential of the existing assets.

3. **Retail Operation**

With the property market's rapid development, the area supplied of commercial properties witnessed continued explosive growth. In particular, the Asian and Olympic Games Business District, which is a core district of northern Beijing, encounters a market supply far exceeding that of the Beijing Municipality average. International and domestic retail enterprises are expanding rapidly in the district, with market competition intensifying.

Indeed, the retail operation is in one of the most competitive markets. However, the operation's development potential should not be underestimated. The Company has competitive advantages in respect of its management team, operation mission and supply channels built up over a long period of time, giving ample room for development to this operation among the Company's business mix. The holding of the Olympic Games facilitates the expedited formation of a secondary city centre and a secondary business centre in northern Beijing, with the Asian and Olympic Games Area being the core. This has also laid a strong consumption base for a rapid development of the retail scene in the Asian and Olympic Games Area.

In 2008, the Company's retail operation will further capitalise on the advantages of its professional operation to further enhance the strategic management control model, whilst maintaining steady operating performance. We will strive to complete the decoration plans and business positioning on the additional operating floor areas, and proactively carry out work to attract business operators. We will strive to ensure the scheduled opening of the department store at Beichen Building's commercial podium in July 2008, and the scheduled opening of the supermarket at Beichen Building's commercial podium (Lower-ground First Floor) in December 2008.

4. **Key Tasks**

In 2008, the Company will focus on the orderly proceeding of the aforementioned regular tasks and will dedicate every effort to the preliminary preparation of the Olympic Games hospitality services and the new properties, as well as pressing ahead the Changsha project.

(1) *Successful completion of the preliminary preparation of the Olympic Games hospitality services and the new properties*

The Olympic Games is a century-long dream of the Chinese, as well as the best opportunity for us to showcase the Chinese culture and the results of economic development. As a participant and beneficiary of the Olympic Games, the Company holds seven projects, namely Crowne Plaza Park View Wuzhou Beijing, Beijing Continental Grand Hotel, InterContinental Beijing Beichen, the National Olympic Convention Centre Hotel, Hui Yuan Apartment Media Village, the National Olympic Convention Centre and its ancillary projects, and Beichen Green Garden Media Village. It directly shoulders the Olympic Games' hospitality service duties with "four hotels, two villages, two centres and one stadium". To the Company, this is an honourable and historic mission, as well as an ineluctable social responsibility. The Company must ensure that the Olympic Games hospitality services are conducted properly. In addition, the National Olympic Convention Centre is a high-end investment property of the

Company; whether it can adequately facilitate growth for other operations of the investment properties business and achieve expectations rapidly will pose a major test to the Company's overall operation capability. Accordingly:

Before the Games, all construction work for the Olympic Games projects will be fully completed by arranging the work plans according to the timing of completion, inspection and acceptance. We will also work hard to complete market research, development plans and working plans for the new properties under the post-Olympic economy;

During the Games, while striving for completing the Olympic Games hospitality service duties in a high quality manner, we will enhance our brand influence and will strengthen market development and accumulation of potential customers, so as to ensure the new properties will operate from a "high starting point";

After the Games, we will move from the Olympic Games hospitality mode to the normal operation mode as soon as possible, which involves an earlier completion of commencement preparation and initial operation work of the new properties on the basis of ensuring rapid resumption of the existing properties' normal operation;

(2) *Pressing ahead the Changsha project with every effort*

For the development properties operation and even the whole Company, the Changsha project is both an opportunity and a challenge. The Changsha Xinhe Delta Project is situated at the joint of Xiang River and Liuyang River, with a 2-km long riverside scenery strip. Adjacent to Changsha Museum, Changsha Library and Changsha Music Hall, all of which are now under construction, the project commands an excellent geographical location. The total construction size of the project is approximately 5 million m^2, with the gross area of above-ground constructions amounting to 3.8 million m^2. It boasts a vast scale and a rich variety of properties. Upon the project's completion, it will become an integrated urban core district with all-in-one functions of culture, leisure, commercial, business and residence.

The Changsha Xinhe Delta Project will adopt the model of "Three-Dimensional Development and Pedestrian-Vehicle Streaming" on the premise of concentrated and conserving land use, in order to achieve the vertical separation of pedestrians and vehicles. The innovative concept of "Three-Dimensional Development and Pedestrian-Vehicle Streaming" is a pioneering new urban development model, but it also brings about higher demands on the planning work. In addition, the quest to resolve the foundation problem and height discrepancy between the flood-controlling dam and the natural land, as well as the challenges posed by the project's multi-business and multi-property planning, have resulted in complexities unseen in other projects. Having summarised the characteristics of the Changsha Xinhe Delta Project, the Company has commenced various preliminary preparatory tasks for the project in 2007, including company incorporation, market analysis, project positioning and planning and design.

In 2008, on the basis of the commenced preliminary tasks, the Company will continue to complete the reporting and approval-seeking tasks for the overall planning proposal. Meanwhile, the Company will carry out the in-depth design tasks for the Pioneer District by way of refined product positioning and customer analysis. We will also fully utilise the Xinhe Delta Project's advantage of being the first express approval project of the Changsha Municipality to expedite all reporting and approval-seeking tasks, thereby striving to commence construction works for the Pioneer District within the year.

5. **Financing Work**

The contractionary monetary policy and full-fledged macro-economic control measures will substantially increase the difficulty for property developers to seek financing through traditional financing channels, as well as heaping great pressure on the capital chain of property developments. However, as the difficulty in the traditional financial approaches increases, the adverse impact is equal and objective for all property developers.

In 2008, the Company will make enhancing its own operation capability a key task. By enhancing cost management, financial management, sales management and project progress management, we will strengthen the analysis and utilisation of cash flows and proactively push for the issuance of corporate bonds to meet the Company's development needs. In addition, the Company will also capitalise on the advantages of its simultaneous listings in two locations and its unique business structure to explore more varied financing models, striving to achieve further progress.

6. **Other Tasks**

(1) *Brand building*

In 2008, the Company will capitalise on the opportunities of the Olympic Games. We will adhere to the fundamental strategy of creating an enterprise value chain around the assets chain of investment properties, and will fully upgrade the Company's brand value by way of enhancing the Company's brand system, strengthening brand promotion and expanding our brand influence.

(2) *Investor relations*

We will strive for achieving breakthroughs in our investor relations work. Timely disclosures of development properties' operating results and strengthening communication with A share funds and institutional investors will be the Company's key tasks for enhancing investor relations in 2008.

FINANCIAL RESOURCES AND LIQUIDITY

At 31 December 2007, the equity of the Group increased by 3.7% compared to 31 December 2006. The increase was attributable to profit attributable to equity holders of the Company during the reporting period of RMB463,153,000.

The Group's bank borrowings as at 31 December 2007 amounted to RMB5,650,000,000. The net amount for the Group's 10-year corporate bonds was RMB1,481,760,000 as at the end of the reporting period.

Current assets of the Group, which mainly comprised cash at bank and on hand, properties held for sale and properties under development for sale, amounted to RMB11,595,670,000, whereas the Group's current liabilities amounted to RMB7,818,332,000. As at 31 December 2007, cash at bank and on hand amounted to RMB2,255,546,000 (excluding restricted bank deposits).

As at 31 December 2007, the Group had long-term bank borrowings of RMB1,300,000,000 secured by the land use rights of certain properties under development as well as such properties themselves. The total liabilities to total assets ratio for the Group was 57% (calculated by dividing total liabilities by total assets) as at the end of the reporting period.

The Group's operations take place within the territory of mainland China and all transactions are settled in RMB. Accordingly, there is no exposure to the risk of exchange rate fluctuations.

The Group does not have any contingent liabilities for the year.

PURCHASE, SALE AND REDEMPTION OF SHARES

The Company had not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's issued shares during the year.

DESIGNATED DEPOSITS AND DUE FIXED DEPOSITS

As at 31 December 2007, the Group had no designated deposits placed with financial institutions in the PRC. All of the Group's cash deposits are placed with commercial banks in the PRC and are in compliance with relevant laws and regulations. The Group has not experienced any incident of not being able to withdraw bank deposits when due.

EMPLOYEE

As at 31 December 2007, the Company had 5,277 employees. The remuneration policy of the Company is that the total salary is paid with reference to its economic efficiency. Save from the remuneration disclosed above, the Company does not maintain any share option scheme for its employees. The Company regularly provides to its administrative personnel training on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws. The training is provided in different forms, such as seminars, site visits, study tours and survey tours.

STAFF HOUSING QUARTERS

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

QUALIFIED ACCOUNTANT

The Company has not been able to employ a Qualified Accountant in accordance with the specified qualifications set out in Rule 3.24 of the Listing Rules. The Company is in the process of finding a suitable candidate to assume such a position as soon as practicable. The Company will keep the shareholders of the Company informed of the progress of the appointment of the Qualified Accountant.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has strived to maintain and establish a high level of corporate governance and has fully complied with the provisions set out in Appendix 14 "Code on Corporate Governance Practices" of the Listing Rules during the reporting period.

AUDIT COMMITTEE

The Company has established an audit committee since September 2004. The audit committee comprises three independent non-executive directors, Mr. MENG Yan as Chairman, Mr. YU Jing-Song and Mr. FU Yiu-Man, Peter. Their duties include reviewing and supervising the Company's financial reporting process and internal control systems. The audit committee and the management have reviewed the accounting principles and practices adopted by the Group and have discussed matters on auditing, internal control and financial reporting, as well as reviewing the unaudited interim financial report and the audited annual financial statements. The audit committee has also reviewed the draft financial statements of the Group for the year ended 31 December 2007.

On Behalf of the Board
HE Jiang-Chuan
Chairman

Beijing, PRC, 5 March 2008

At as the date of this announcement, the Board comprised seven directors, of which four are executive directors, namely Mr. HE Jiang-Chuan, Ms. ZHAO Hui-Zhi, Mr. LIU Jian-Ping and Mr. CHEN Ji and three are independent non-executive directors, namely, Mr. MENG Yan, Mr. YU Jing-Song and Mr. FU Yiu-Man, Peter.