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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)

2008 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 2008 as set out below:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2008	2007
	Note	***RMB'000***	*RMB'000*
			(Restated)
Continuing operations			
Revenue	2	**4,121,801**	3,956,285
Cost of sales	4	**(2,459,896)**	(2,498,850)
Gross profit		**1,661,905**	1,457,435
Selling and marketing expenses	4	**(141,431)**	(142,965)
Administrative expenses	4	**(423,706)**	(316,586)
Other gains — net	3	**865,806**	9,107

	Note		
Operating profit		**1,962,574**	1,006,991
Finance income	5	**23,343**	42,936
Finance costs	5	**(54,587)**	(72,447)
Finance costs — net	5	**(31,244)**	(29,511)
Share of loss of a jointly controlled entity		**(10,727)**	—
Profit before income tax		**1,920,603**	977,480
Income tax expenses	6	**(601,546)**	(321,207)
Profit for the year from continuing operations		**1,319,057**	656,273
Discontinued operations			
(Loss)/profit for the year from discontinued operations		**(721)**	124
Profit for the year		**1,318,336**	656,397
Attributable to:			
Equity holders of the Company		**1,164,781**	517,110
Minority interests		**153,555**	139,287
		1,318,336	656,397
Earnings per share for profit attributable to the equity holders of the Company during the year (basic and diluted) *(expressed in RMB cents per share)*			
From continuing operations	7	**34.61**	15.36
From discontinued operations	7	**(0.02)**	—
	7	**34.59**	15.36
Dividends	8	**101,011**	101,011

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2008	2007
	Note	***RMB'000***	*RMB'000*
			(Restated)
ASSETS			
Non-current assets			
Land use rights		**1,171**	1,203
Investment properties		**4,382,600**	2,145,000
Property, plant and equipment		**4,393,911**	840,383
Interest in a jointly controlled entity		**21,066**	—
Deferred income tax assets		**20,329**	14,164
		8,819,077	3,000,750
Current assets			
Properties under development		**10,881,626**	15,390,062
Completed properties held for sale		**2,797,453**	877,211
Inventories		**111,495**	52,476
Trade and other receivables	9	**489,719**	312,641
Restricted bank deposits		**83,085**	84,473
Cash and cash equivalents		**4,898,455**	2,255,546
		19,261,833	18,972,409
Assets of disposal group classified as held for sale		**55,888**	—
		19,317,721	18,972,409
Total assets		**28,136,798**	21,973,159

		As at 31 December	
		2008	2007
	Note	***RMB'000***	*RMB'000*
			(Restated)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**3,367,020**	3,367,020
Other reserves		**4,001,217**	3,964,510
Retained earnings			
— Proposed final dividend		**101,011**	101,011
— Others		**2,915,036**	1,881,206
		10,384,284	9,313,747
Minority interest in equity		**227,104**	261,468
Total equity		**10,611,388**	9,575,215
LIABILITIES			
Non-current liabilities			
Long term borrowings		**7,592,812**	4,101,760
Deferred income tax liabilities		**712,915**	477,852
Deferred income		**2,550**	—
		8,308,277	4,579,612

		As at 31 December	
		2008	2007
	Note	***RMB'000***	*RMB'000*
			(Restated)
Current liabilities			
Trade and other payables	10	**6,898,506**	4,506,040
Current income tax liabilities		**417,984**	282,292
Current portion of long term borrowings		**1,200,000**	900,000
Short term borrowings		**650,000**	2,130,000
		9,166,490	7,818,332
Liabilities of disposal group classified as held for sale		**50,643**	—
		9,217,133	7,818,332
Total liabilities		**17,525,410**	12,397,944
Total equity and liabilities		**28,136,798**	21,973,159
Net current assets		**10,100,588**	11,154,077
Total assets less current liabilities		**18,919,665**	14,154,827

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 investment properties, financial assets and financial liabilities which are carried at fair value.

Except as described below, the principal accounting policies applied in the preparation of the consolidated financial statements have been consistently applied to all the years presented.

During the year, the Group has changed its accounting policy on land use rights which is held for development for sales.

Land use rights which is held for development for sales are inventories and measured at lower of cost and net realisable value.

Previously land use rights which is held for development for sales is classified as prepaid operating lease and charged to income statement on a straight line basis over the period of the lease.

The management believes that the new classification of land use rights which is held for development for sales results in a better presentation of financial position of the Group and reflecting the management's intention on the use of the asset. The new accounting policy also results in more relevant financial information as it is consistent with the industry practices.

The change in accounting policy has been accounted for retrospectively and the consolidated financial statements have been restated by reversal of amortisation made in prior years in order to comply with HKAS 8 'Accounting policies, changes in accounting estimates and errors'. The effect on the consolidated financial statements is as follows:

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Reversal of amortisation included in administrative expenses	**(130,681)**	(81,511)
Increase in cost of sales	**2,674**	5,740
Increase in income tax expenses	**32,002**	11,775
Increase in net profit attributable to the equity holders of the Company	**81,537**	53,957
Increase in net profit attributable to the minority interests	**14,468**	10,039
Increase in earnings per share from continuing operations (basic and diluted)	**RMB2.42 cents**	RMB1.60 cents

	As at 31 December 2008	As at 31 December 2007	As at 1 January 2007
	RMB'000	*RMB'000*	*RMB'000*
Increase in completed properties held for sale	**2,451**	7,253	2,584
Increase in properties under development	**249,756**	116,947	45,845
Decrease in deferred income tax assets	**(59,388)**	(27,386)	(15,611)
Increase in net asset value	**192,819**	96,814	32,818
Increase in retained earnings	**167,400**	85,862	31,905
Increase in minority interest	**25,419**	10,952	913
	192,819	96,814	32,818

(a) Standards, amendments and interpretations effective in 2008 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the Group's operations:

- HKAS 39 — 'Financial instruments: Recognition and measurement'
- HK(IFRIC) — Int 11, 'HKFRS 2 — Group and treasury share transactions'
- HK(IFRIC) — Int 12 , 'Service concession arrangements'
- HK(IFRIC) — Int 14, 'HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction'

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009)
- HKAS 23 (Revised), 'Borrowing costs' (effective from 1 January 2009)
- HKAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009)
- HKAS 32 (Amendment), 'Financial instruments: Presentation', and HKAS 1 (Amendment), 'Presentation of financial statements' 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009)
- HKFRS 1 (Amendment), 'First time adoption of HKFRS' and HKAS 27 'Consolidated and separate financial statements' (effective from 1 July 2009)
- HKFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009)

- HKFRS 8, ‘Operating segment’ (effective from 1 January 2009)
- HKAS 1 (Amendment), ‘Presentation of financial statements’ (effective from 1 January 2009)
- HKAS 19 (Amendment), ‘Employee benefits’ (effective from 1 January 2009)
- HKAS 23 (Amendment), ‘Borrowing costs’ (effective from 1 January 2009)
- HKAS 36 (Amendment), ‘Impairment of assets’ (effective from 1 January 2009)
- HKAS 38 (Amendment), ‘Intangible assets’ (effective from 1 January 2009)
- HKAS 39 (Amendment), ‘Financial instruments: Recognition and measurement’ (effective from 1 January 2009)
- HKFRS 5 (Amendment), ‘Non-current assets held for sale and discontinued operations’ (and consequential amendment to HKFRS 1, ‘First-time adoption’) (effective from 1 July 2009)
- HKAS 31 (Amendment) , ‘Interests in joint ventures’ (and consequential amendments to HKAS 32 and HKFRS 7) (effective from 1 January 2009)
- HKAS 40 (Amendment), ‘Investment property’ (and consequential amendments to HKAS 16) (effective from 1 January 2009)
- HK(IFRIC) — Int 13, ‘Customer loyalty programmes’ (effective from 1 July 2008)

2. Revenue and segment information

(a) Primary reporting format — business segments

At 31 December 2008, the Group is organised into four main business segments:

(1) Sale of properties;

(2) Retail operations;

(3) Rental from investment properties; and

(4) Operation of hotels

Turnover consists of sales of properties, sales of goods, rental income and hotel operating income. Revenue recognised during the years ended 31 December 2008 and 31 December 2007 are as follows:

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Turnover		
Sales of properties	**2,838,583**	2,794,978
Sales of goods	**338,225**	386,763
Rental income	**339,502**	312,242
Hotel operating income	**493,810**	378,851
	4,010,120	3,872,834
Others	**111,681**	83,451
Total revenue	**4,121,801**	3,956,285

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 2008 are as follows:

	Sales of properties *RMB'000*	Retail operations *RMB'000*	Investment properties *RMB'000*	Hotel operations *RMB'000*	Other operations *RMB'000*	Group *RMB'000*
Total segment revenue	2,838,583	338,225	341,251	495,416	131,235	4,144,710
Inter-segment revenue	—	—	(1,749)	(1,606)	(19,554)	(22,909)
Revenue from external customers	2,838,583	338,225	339,502	493,810	111,681	4,121,801
Segment results	984,459	17,662	1,007,652	105,086	(76,129)	2,038,730
Unallocated costs						(76,156)
Operating profit						1,962,574
Finance income						23,343
Finance costs						(54,587)
Finance costs — net						(31,244)
Share of loss of a jointly controlled entity	—	—	—	—	(10,727)	(10,727)
Profit before income tax						1,920,603
Income tax expenses						(601,546)
Profit from continuing operation						1,319,057
Loss from discontinued operation	—	—	—	—	(721)	(721)
Profit for the year						1,318,336

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

	Sales of properties *RMB'000* *(Restated)*	Retail operations *RMB'000*	Investment properties *RMB'000*	Hotel operations *RMB'000*	Other operations *RMB'000* *(Restated)*	Group *RMB'000* *(Restated)*
Total segment revenue	2,794,978	386,763	313,694	379,244	101,466	3,976,145
Inter-segment revenue	—	—	(1,452)	(393)	(18,015)	(19,860)
Revenue from external customers	2,794,978	386,763	312,242	378,851	83,451	3,956,285
Segment results	753,517	57,417	144,627	104,473	(3,436)	1,056,598
Unallocated costs						(49,607)
Operating profit						1,006,991
Finance income						42,936
Finance costs						(72,447)
Finance costs — net						(29,511)
Profit before income tax						977,480
Income tax expenses						(321,207)
Profit from continuing operation						656,273
Profit from discontinued operation	—	—	—	—	124	124
Profit for the year						656,397

The segment assets and liabilities as at 31 December 2008 and capital expenditure for the year then ended are as follows:

	Sales of properties *RMB'000*	Retail operations *RMB'000*	Investment properties *RMB'000*	Hotel operations *RMB'000*	Other operations *RMB'000*	Group *RMB'000*
Assets	**15,261,999**	**286,802**	**7,689,018**	**1,202,827**	**98,749**	**24,539,395**
Jointly controlled entity	**—**	**—**	**—**	**—**	**21,066**	**21,066**
Unallocated assets						**3,576,337**
Total assets						**28,136,798**
Liabilities	**12,435,300**	**161,767**	**3,725,984**	**77,390**	**187,628**	**16,588,069**
Unallocated liabilities						**937,341**
Total liabilities						**17,525,410**
Capital expenditure	**2,909,397**	**42,758**	**970,436**	**183,750**	**10,078**	**4,116,419**

Capital expenditure comprises additions to land use rights, investment properties, property, plant and equipment and properties under development.

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

	Sales of properties	Retail operations	Investment properties	Hotel operations	Other operations	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Restated)					*(Restated)*
Assets	17,567,107	173,208	2,247,168	666,997	51,276	20,705,756
Jointly controlled entity	—	—	—	—	—	—
Unallocated assets						1,267,403
Total assets						21,973,159
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

(b) Secondary reporting format — geographical segments

Since all the Group's turnover and operating profit are derived from activities in the PRC and all the Group's assets are located in the PRC, no geographical segment information is presented.

3. Other gains — net

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Fair value gains on investment properties	**874,816**	17,000
Loss on disposal of property, plant and equipment	**(8,399)**	(996)
Others	**(611)**	(6,897)
	865,806	9,107

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	
	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Depreciation	**77,228**	68,489
Amortisation	**32**	32
Provision for/(reversal of impairment of) receivables	**1,288**	(654)
Reversal of impairment of inventories	**—**	(28)
Employee benefit expense	**346,037**	241,065
Advertising costs	**40,344**	29,689
Cost of properties sold		
— Land use rights	**103,210**	124,457
— Finance cost capitalised in cost of properties	**39,456**	33,861
— Development costs	**1,448,585**	1,659,024
Cost of goods for resale	**206,808**	234,300
Cost of consumables used	**107,365**	94,867
Business tax	**192,553**	179,914
Other taxation	**35,479**	36,425
Office and consumption expenses	**128,470**	85,390
Energy expenses	**95,410**	57,814
Consulting and service expenses	**73,696**	52,371
Repair and maintenance expenses	**61,277**	29,867
Donation	**17,589**	—
Operating leases	**18,860**	17,115
Auditor's remuneration	**6,590**	6,500
Others	**24,756**	7,903
Total cost of sales, selling and marketing expenses and administrative expenses	**3,025,033**	2,958,401

5. Finance income and costs

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Interest expense:		
— bank borrowings wholly repayable within five years	**(360,684)**	(201,115)
— bank borrowings wholly repayable over five years	**(84,672)**	(1,796)
— bond wholly repayable within five years	**(65,188)**	—
— bond wholly repayable over five years	**(63,347)**	(64,026)
— other borrowing wholly repayable within five years	**—**	(3,520)
	(573,891)	(270,457)
Less: amount capitalised in property, plant and equipment and properties under development at a capitalisation rate of 6.06% (2007: 6.99%) per annum	**519,304**	198,010
Finance costs	**(54,587)**	(72,447)
Finance income — Interest income on short-term bank deposits	**23,343**	42,936
Net finance costs	**(31,244)**	(29,511)

6. Income tax expenses

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 2008 (2007: Nil). The PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate is 25% (2007: 33%).

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Current income tax		
— PRC enterprise income tax	**208,073**	225,556
— PRC land appreciation tax	**164,575**	213,478
Deferred income tax	**228,898**	(117,827)
	601,546	321,207

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 number of shares in issue during the year.

	Year ended 31 December	
	2008	2007
		(Restated)
Profit attributable to equity holders of the Company *(RMB'000)*	**1,164,781**	517,110
Number of ordinary shares in issue *(thousands)*	**3,367,020**	3,367,020
Earnings per share (basic and diluted) *(RMB cents per share)*	**34.59 cents**	15.36 cents
From continuing operations	**34.61 cents**	15.36 cents
From discontinued operations	**(0.02) cents**	—
	34.59 cents	15.36 cents

Diluted earnings per share is equal to the basic earnings per share since the Company has no potential dilutive ordinary shares during the years ended 31 December 2008 and 2007.

8. Dividend

The dividends paid in 2008 and 2007 were RMB101,011,000 and RMB134,681,000 respectively.

At a meeting of the Board held on 18 March 2009, the directors proposed a final dividend of RMB0.03 per share totaling RMB101,011,000. Such dividend is to be approved at the Annual General Meeting and 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 2009.

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
2008 proposed final dividend of RMB0.03 per share (2007: RMB0.03 per share)	**101,011**	101,011

9. Trade and other receivables

Included in trade and other receivables are trade receivables and their ageing analysis is as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
0 - 30 days	**14,787**	12,688
31 - 120 days	**17,719**	2,394
Over 120 days	**17,658**	23,334
	50,164	38,416

The credit terms in connection with sales of properties 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 and the Company have a large number of customers.

10. Trade and other payables

Included in trade and other payables are trade payables and their ageing analysis is as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
0 - 180 days	**302,669**	229,818
181 - 365 days	**140,295**	140,000
Over 365 days	**8,195**	81,344
	451,159	451,162

11. Reconciliation of consolidated financial statements

The Group has prepared a separate set of consolidated financial statements for the year ended 31 December 2008 in accordance with China Accounting Standards for Business Enterprises ("CAS"), which was issued by the Ministry of Finance of the PRC in February 2006. The differences between the financial statements prepared under CAS 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 equity holders of the Company as at 31 December**	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		*(Restated)*
As stated in accordance with CAS	**448,929**	328,131	**8,586,279**	8,231,594
Impact of HKFRS adjustments:				
1. Reversal of depreciation of investment properties under CAS	**53,727**	91,718	**661,482**	607,755
2. Fair value adjustment of investment properties under HKFRS	**656,112**	91,111	**1,403,497**	747,385
3. Difference on revaluation of certain assets	**6,013**	11,122	**(266,974)**	(272,987)
4. Impact on deferred tax arising from investment difference due to adoption of CAS	**—**	(1,608)	**—**	—
5. Reversal of negative goodwill recognised as other income under CAS	**—**	(3,364)	**—**	—
As stated in accordance with HKFRS	**1,164,781**	517,110	**10,384,284**	9,313,747

Effect of change in tax rate on deferred income tax under HKFRS was allocated to relevant items shown above and comparative figures has been restated accordingly.

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2008 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 this preliminary announcement.

RESULTS AND DIVIDEND

The Group's revenue increased by 4.2% to RMB4,121,801,000. The Group's profit attributable to equity holders of the Company for the year ended 31 December 2008 increased by 125.2% to RMB1,164,781,000.

The Board has recommended the payment of a final dividend of RMB0.03 per share (2007: RMB0.03 per share) for the year ended 31 December 2008, totalling RMB101,011,000 to those shareholders whose names appear on the register of shareholders of the Company on Tuesday, 19 May 2009. Subject to the approval of the shareholders at the annual general meeting of the Company for the year of 2009 ("AGM"), the final dividend is expected to be payable on or before Wednesday, 3 June 2009.

CLOSURE OF REGISTER OF SHAREHOLDERS

According to the Law on Corporate Income Tax of the People's Republic of China and the relevant implementing rules which came into effect on 1 January 2008, the Company is required to withhold corporate income tax at the rate of 10% before distributing the final dividend to non-resident enterprise shareholders as appearing on the H share register of members of the Company. Any shares registered in the name of non-individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the corporate income tax.

In order to determine the list of holders of H Shares who are entitled to receive the final dividend for the year ended 31 December 2008, the register of shareholders of the Company will be closed from Saturday, 18 April 2009 to Tuesday, 19 May 2009 (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 Friday, 17 April 2009 for registration.

REVIEW OF OPERATIONS DURING THE REPORTING PERIOD

Facing grim macro economy and ever increasing competition in micro market, under the strategic objective of "building the Company into a top national large-scale property conglomerate", the Company conducted systematic analysis on the changes in the operating environment and the supply-demand characteristics of the market. Leveraging the opportunities from the Olympic Games with active steps to adapt to the changing market environment, the Company effectively offset adverse impact from credit constriction and high interest rate in the first three quarters by utilising multiple financing channels and strengthening cash flow analysis, pushing new projects forward and maintaining performance growth. During the reporting period, the Company recorded revenue of RMB4,121,801,000, a moderate increase of 4.2% over 2007. With wider profit margin of settled property products and appreciation in appraised value of investment properties, profit before taxation was RMB1,920,603,000, representing a significant increase of 96.5% over 2007. Net profit attributable to shareholders amounted to RMB1,164,781,000, a sharp increase of 125.2% over 2007.

1. Development Properties

For development properties operation, the Company has carried out a market-oriented and customer-foremost strategy, with active steps to adapt to changing market. By improving comprehensive operation and capitalising on geographical advantages, accurate positioning, high cost performance and flexible sales strategy, projects continued to witness impressive sales with significantly improved operating results. During the reporting period, development properties segment, being the major operating business, recorded revenue RMB2,838,583,000, a moderate increase of 1.6%. However, settled projects are mostly comprised of Beichen Green Garden later-phase projects and high-end villas, thus wider gross profit margin and remarkable increase of profit before taxation over 2007 are recorded.

In 2008, the development properties segment recorded area commencing construction of 688,500 m^2, and total area under construction of 1,671,500 m^2. During the year, by virtue of the successful promotion and sales of Olympic Media Village and Fragrant Hill Qingqin Villas, the development properties segment realised contracted sales revenue of RMB4,305,700,000 and aggregated cash collections of RMB4,282,670,000, increasing significantly by 38.42% and 22.29% respectively. Sales area was 375,300 m^2, surging by 80.48%. Among the total, contracted sales revenue and sales area accounted for 3.58% and 3.64% respectively of commodity residential units sold in Beijing city in 2008, up 1.9 percentage points and 2.4 percentage points year-on-year. Market share was greatly improved.

As for ordinary residential housing, capitalising on the high cost performance of products, Olympic Media Village seized the market opportunity from Olympics Games and consequently achieved impressive project sales during the reporting period. The second phase of the Olympic Media Village achieved exceptional sales of RMB700 million in four days. First and second phases of the Olympic Media Village recorded sold area of 214,500 m^2 (2,071 units) and contracted sales revenue of RMB2,626,010,000 for the year, being awarded as No. 1 in Beijing for 2008 in terms of contracted sales. By the end of the year, Olympics Media Village had an aggregate sales ratio of 80.36%. Bei Chen • Xiang Lu and Beichen • Fudi (Dual Restriction Project) have started all-around construction and marketing, where Beichen • Fudi initiated pre-sale in October, and recorded sales area of 127,500 m^2 (1,563 units) and contracted sales revenue of RMB754,360,000.

Regarding high-end villas, during the reporting period, Fragrant Hill Qingqin Villas capitalised on their scarcity nature and excellent geographical location and brought contracted sales revenue of RMB749,470,000 with sales area of 19,300 m^2 (58 units), with selling prices hitting record high again. During the year, later-phase projects at Bihai Fangzhou Garden Villas and Changhe Yushu Garden Villas were still suspended, but optimisation and adjustment according to the market condition were made in respect of planning and designing. The projects may commence construction immediately once the approvals are obtained.

During the reporting period, the Company accelerated preliminary work for Changsha Delta project. Overall project role is set to be an "urban leisure commercial district with culture and leisure as engine, commerce as pioneer, and ecological residence as main body, combining culture, leisure, commerce, residence and tourism to present future way of life in Changsha". The development strategy had been determined as "Prioritising on municipal roads and riverside scenery; relying on riverside business and commerce as driving force; proceeding on development of residential housing in an orderly manner; building infrastructure facilities in a relatively concentrated manner". The overall planning, phase I project initiation, temporary greening for 3 km dam, and ground levelling in the construction area had been completed. At the end of October, Xiangjiang River Avenue Delta section commenced construction. Moreover, through long-term diligent analysis and systematic study on property market in Changsha with macro environment considerations, the Company completed site selection, scaling and market positioning of the initial block. Accelerating preliminary work such as planning, design and submission for approval, Changsha Delta project held its foundation ceremony on 23 November.

2. Investment Properties (including hotels)

For investment properties segment, while accomplishing the Olympic Games reception tasks in 2008, the Company seized the opportunity from the Olympics Games to elaborately establish professional operation capacity and specialized brand, and sales and marketing were strengthened. In spite of lower average rental and occupancy rate of hotels in the fourth quarter due to financial crisis and a slump in demand, the Company made full use of geographical advantage of being in the vicinity of the Olympic Games central area and secured market opportunities. Revenue for the year amounted to RMB833,312,000, a remarkable increase of 20.6% over 2007. Among the total, rental income amounted to RMB339,502,000, up 8.7% year-on-year; and hotel income amounted to RMB493,810,000, representing a significant increase of 30.3% compared to last year.

To overcome the difficulty of prohibiting exhibition during the Olympic Games season, Beijing Continental Grand Hotel and Beijing International Convention Centre timely adjusted exhibition schedule by actively exploring new customer sources and increasing utilisation rate during other session, both achieving best results since their integrated operations in 2004.

Capitalising on brand advantage and seizing opportunities from the Olympic Games, Crowne Plaza Park View Wuzhou Beijing maintained rapid growth during the year, ranking No. 1 among the 117 hotels of the InterContinental Hotel Group in China for its consolidated operating results. InterContinental Beijing Beichen efficiently completed preparation for commencement and accomplished hospitality services to Olympic Games media officials and high-end customers. Market image being fully displayed, the hotel ranked high amongst the newly opened high-end hotels of the InterContinental Hotel Group in Beijing for its average rentals and occupancy rate.

Exerting their geographical advantages, Hui Xin Building and Hui Bin Building implemented differentiated pricing strategies according to floor, room layout and orientation to obtain average price level of counterparts of commercial area in the vicinity. With the introduction of market operation mode, contract price of North Star Times Tower was close to the average level of CBD commercial area, fulfilling the goal of commencing operation at high starting points.

The apartment operation strove to exploit the potential of both the long-term tenancy and casual residence segments. Through differentiated operation and seizing mid or short-term tenancy demand from the Olympic Games, it successfully offsets the impact from suspension for renovation of the six blocks of West zone, thus maintaining stable growths in operating income and results.

As the Company's new investment properties of 2009, National Convention Centre and its ancillary projects started renovation and decoration soon after the Olympic Games. Preparation for opening and initial work including promotion, sales and marketing and forward reservation had been orderly commenced. National Convention Centre actively explored domestic and overseas high-end convention and exhibition market while undertaking the Olympic Games reception work. Through cooperation with world and local renowned consultant companies, more than 100 reservations or intentions for convention and exhibition activities around 2010 were signed.

3. Commercial Properties

The commercial properties segment secured operation results by optimising shopping environment, accelerating adjustment to brands and commodity portfolio to capture opportunities from the Olympic Games. Efforts were also taken in promoting new project preparation, thus laying a cornerstone for prudent expansion strategy of commercial properties.

During the reporting period, due to the impact from suspension before the Olympic Games for renovation of supermarket at the first floor, Beichen Shopping Centre and intense competition in the vicinity, commercial properties of the Company recorded revenue from principal operation of RMB338,225,000, down by 12.5% year-on-year.

4. Olympic Games Construction and Reception Tasks Accomplished

In the first half of 2008, the Company smoothly completed the National Convention Centre and its ancillary projects, Beichen Green Garden Media Village and Hui Yuan Apartment Media Village renovation and other Olympic Games constructions. Aiming at "providing human-oriented facilities and humanistic services", the Company accomplished high-standard Olympic Games hospitality services and supporting tasks for "four hotels, two villages, two centres and one stadium"[#] during the Olympic Games. In particular, two media villages hosted nearly 7,000 reporters while two centres hosted 28,000 reporters. The smoothly and effectively running reception was highly appreciated by the domestic and international communities for its "zero complaint on reception services, zero accident in safe operation and zero error in workflows".

The "four hotels" refers to Crowne Plaza Park View Wuzhou Beijing, Beijing Continental Grand Hotel, InterContinental Beijing Beichen and the National 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 Convention Centre which will be used as the Main Press Centre (MPC) and the International Broadcasting Centre (IBC) during the Olympic Games. The "one stadium" refers to the use of the National Convention Centre as the Fencing Stadium during the Olympic Games. Among which, InterContinental Beijing Beichen and the National Convention Centre Hotel are ancillary projects of the National Convention Centre.

5. Financing

Facing the tightened monetary policies and full-fledged macro-economic control measures in the first half of 2008, the Company capitalised on the advantage of its dual listings in the Mainland and Hong Kong and its unique business mix, and strove to explore diversified multi-channel financing modes based on the traditional financing methods. A relatively substantial progress was made in this regard. On 4 June 2008, the application of the Company for issuing corporate debentures of not exceeding RMB1.7 billion was conditionally approved by the Issuance Review Committee of the China Securities Regulatory Commission. On 11 July 2008, the Company obtained the approval by the China Securities Regulatory Commission. On 18 July 2008, the Company successfully issued corporate debentures of RMB1.7 billion. The successful issue of corporate debentures adjusted the debt structure of the Company while enhancing the stability of its financing.

6. Overall Prowess

In 2008, the Company proactively implemented its Brand Planning Guideline. Leveraging the opportunities from the Olympic Games, the Company greatly enhanced its brand value and influence in the industry. According to the research results published by China Property Top 10 Research Group comprised of Development Research Centre of the State Council, Tsinghua University and China Index Research Institute, the Company was honoured as Leading Professional Brand of Business Mode in China Property Industry. Other honours include Top 10 in Risk Resistance among Top 100 China Property Enterprises and Top 10 in Overall Strength, Operation Scale and Investment Value among Shanghai and Shenzhen Listed Property Companies. This demonstrates that the Company's corporate image as a composite property developer integrating development properties, investment properties and commercial properties was acknowledged by the consumers and the society to a certain extent.

7. 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 2008, the Company held non-trading roadshow and regular large-scale investment presentations, as well as participating in investor meetings, so as to enhance the Company's publicity and influence in the capital market. Moreover, in 2008, the Company received over 300 individuals from the domestic/foreign funds and institutional investors on field research and project site visits, thereby facilitating their understanding of the Company's development.

8. Environmental Protection Efforts

All of the Company's development projects have strictly adopted the State's relevant energy-saving standards for construction, with considerable results achieved. For instance, in response to the call of "Green Olympics", as to National Convention Centre and its ancillary projects, the Company introduced a roof rainwater recycling system covering 60,000 m^2 to directly irrigate external green land. By setting up roof windows to improve indoor lighting, natural ventilation was enhanced by the temperature differences generated, thus use of air conditioning can be reduced considerably.

For those completed holding properties, while promoting energy saving and consumption reduction, the Company adopted energy saving and environmental protection indicator as one of the criterions for selection of equipment to be upgraded, aiming to contribute to environmental protection through energy savings and reduction of emission.

OUTLOOK IN 2009 AND MANAGEMENT'S MEASURES

Looking ahead into 2009, despite the initiatives taken by the world to boost world economies, the impact of global financial turmoil triggered by the American sub-prime mortgage crisis is to last long. As to China, in 2009, the government will continue to implement proactive monetary policies, fiscal policies and industry stimulus to secure stable and sustainable growth in consumption, investment and international trade, aiming to reach the goal of a 8% GDP growth. Especially, the vast expenditure budget earmarked for this year and next year to boost investment has laid a solid ground for smooth running of economy. As a capital-intensive enterprise, the Company is expected to benefit from the state's proactive monetary policy to effectively cut down financial costs. Also, the significant cut of deposits interest rate and the programmes to boost domestic demand and consumption will positively contribute to stable operation of the Company's commercial properties. Besides, the adjustments to loan policy, especially the revoking of total credit control as well as the permission to commercial banks in granting loans for merger and acquisition by domestic and overseas enterprises, will add weight to the traditional financing channel, and provide the Company a capital basis for consolidation in the correction cycle of real estate industry to expand development property scale and improve its ability for sustainable development.

In 2009, China property industry is expected to remain in the correction cycle. Notwithstanding, given its investment position only next to manufacturing industry and being an important pillar in national economy and a powerful driver to other sectors, the real estate industry is expected to see more stimulus packages issued by the state and local governments. Aiming to stabilize the property market and gradually release effective demand, the policies will ensure the sustainable, steady and healthy development of the industry, and play an active and important role in boosting various industries such as iron and steel, construction materials, electrical home appliance and home furniture as well as consolidating the financial industry. Meanwhile, a state policy to foster a healthy property market development will be brought into full play in Beijing in 2009 as planned by the Beijing government. Whilst ensuring construction of housings, the government will adjust the supply structure of housings to such end as to stimulate consumption of owner-occupied (自住型) and improvement-oriented housings (改善型住房). By stepping up the development of the secondary housing market (存量房) and residential leasing market whilst reinforcing market surveillance, analysis and information disclosure, the Beijing real estate industry will be able to develop in a healthy and steady pace. Addressing the demand in China property market curbed by the prevalent wait-and-see sentiment and consumers' shaky confidence, the state and relevant authorities are to introduce more aggressive stimulus packages in 2009 such as lowering consumers' purchase cost, which is beneficial for quick unleashing of rigid demand in property market and thus the Company's sale of property products. Furthermore, the state and relevant authorities are likely to release policy restriction and speed up project approval process, in order to reverse the current adverse situation that growth in fixed assets investment slowed down in conjunction with real estate investment and to spur property developer to increase investment by enlarging area commencing construction. The Company's projects of Changhe Yushu Garden Villas and Bihai Fangzhou Garden Villas are still suspended pending for the administrative approval. Once the ban on low-density project is uplifted, the two projects are more likely to obtain the approval.

In 2009, given the potentially increasing impact from the financial crisis on the national economy and relevant industries, the demand for investment properties may inevitably decline in a short term. However, stimulated by the state's initiatives to boost domestic demand, secure growth and encourage industry upgrade and transformation, the huge scale and solid foundation of the national economy have promised the unchanged fundamentals and secular trend of investment properties. Meanwhile, Beijing is fully enjoying the boost brought by the Olympic Games as planned by the Beijing government. Improvement on the policy to develop headquarter economy will allure domestic and overseas giants to set foot in Beijing, thus providing further opportunities and room for property investments. If the market continuously appears demand shrinkage in 2009, it may have a negative impact on turnover, profit and profitability of the Company's investment properties.

Amid the still grim economic environment and the correction cycle of property market in 2009, the Company will enhance cost control, risk prevention and management to further improve its comprehensive competitiveness based on smooth operation and counter measures to the changing macro-economy and policies. We are striving to achieve an annual operating revenue of RMB4.1 billion. In response to the economic crisis, the Company adopted proactive countermeasures by means of stringent cost-saving and cost control plans, aspiring to maximize shareholders' interests by constraining 10% of its controllable expenses.

1. Development Properties

For development properties, while pushing ahead analysis and study on national economic situation, macro policy and market changes, the Company will strive to improve products' cost performance, reasonably pace development and construction progress, and strengthen cost control over investment and construction. Innovative marketing modes will be introduced to improve profitability, and land reserve will be increased timely to enhance sustainable development capability.

In 2009, the development properties segment is expected to achieve a total area under construction of 1,330,000 m^2, area commencing construction of 470,000 m^2 and completed area of 300,000 m^2, with aims for contracted sales area of 300,000 m^2 and contracted sales revenue of RMB2.9 billion. In particular, Olympic Media Village will make full use of the influence of the Olympic Games to speed up the sales of the unsold part and ensure smooth occupation of customers. For Beichen Epoch office plaza located in B5 section of Green Garden, the Company will carry out targeted marketing while strengthening promotion. For Beichen • Xiang Lu, the Company will work out, according to market conditions and aiming to secure construction progress, a marketing plan and sales strategy suitable for the project and accelerate the pre-sale work. For Beichen • Fudi, the Company will strengthen the promotion to target customers to enter into more contracts with qualified potential buyers as reviewed by relevant authorities. The Company will continue to increase the profitability of the Fragrant Hill Qingqin Villas project by capitalising on its natural environment, geographical advantage and scarcity nature. For the not-yet-commenced portions of Bihai Fangzhou Garden Villas and Changhe Yushu Garden Villas, the Company will strengthen the study on policy updates and customer demand based on the completed preliminary preparation work, aiming to accelerate the preparation for application procedures for approval.

For Changsha Delta project, based on accurate positioning and market conditions to develop a reasonable construction plan, the Company will push forward construction of main structure of the initial block and work out the planning and design for commercial and public facilities along the river. Meanwhile, marketing plans will be prepared in advance according to the market trends.

2. Investment Properties (including hotels)

On investment properties, adhering to the "integrated operation" principle, the Company will tap on convention business to bring into full play the complementary advantages of multi-businesses. Under the "co-sale of convention and exhibition" business mode, the Company expects to obtain a win-win situation for multi-businesses of investment properties and maintain growth in the results.

To fight against the financial crisis, the Company will speed up its market shifting and take the initiative to actively develop new markets, striving to "seek opportunities in adversity." Beijing Continental Grand Hotel and Beijing International Convention Centre will focus on training market and strengthen the sales to government departments, enterprises and public sector. Crowne Plaza Park View Wuzhou Beijing will strengthen customer development targeting the surrounding commercial properties, and establish long-term cooperation with large enterprises to maintain a stable occupancy rate. InterContinental Beijing Beichen will overcome difficulties as a newly opened hotel to fully expand market with its brand influence, aiming to build itself into high-end business hotel in Beijing. For offices, while maintaining stable income from existing projects, the Company will draw upon the differentiated positioning between North Star Times Tower and existing projects and carry out marketing targeting new customers from other business area of Beijing who intend to change office premise, where more efforts will be put on sales to further increase the middle-and-high-end market share. For apartments, with accurate product positioning and differentiated marketing strategy, the Company will endeavour to exploit the potential of long-term tenancy and increase occupancy rates while actively developing the market of casual residence, conferences, tourism and high-end commercial business.

Among the additional properties of 2009, National Convention Centre and its ancillary projects have started post-Olympic decoration and renovation. To ensure their operation at high starting point after commencing operation, the Company is carrying out project promotion and marketing in advance for offices at National Convention Centre and Beichen Century Centre. In particular, National Convention Centre will develop domestic high-end convention and exhibition market in cooperation with consultants. Meanwhile, it will draw upon the international recognition established in providing hospitality services for the Olympic Games and the consultants' channel strengths, focusing on development of international convention market to establish an image of high-end convention centre for larger market share.

3. Commercial Properties

For commercial properties, the Company will make accurate positioning in accordance with the trends and characteristics of consumer market, aiming to enhance income of existing projects through improving brand mix, adjusting commodity portfolio and strengthening marketing. Preparation for opening of new projects will be reasonably arranged for debuting as soon as possible.

4. Financing and Capital Expenditure

In 2009, the Company will make the enhancement of 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. Capitalising on its advantages of dual listing and unique business mix, the Company will actively explore diversified multi-channel financing modes including REITs according to policy updates and strive to make strides in the area.

In 2009, the Company's investment in property, plant and equipment is estimated to be RMB1.45 billion, subject to payment in accordance with the progress of its constructions. The funding of the Company is derived from its self-owned capital and bank loans. The cost of capital is the interest rate of bank loans for the corresponding period. The interest expense will be capitalized when the construction is ready for anticipated use.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2008, the equity of the Group increased by 11.5% compared to 31 December 2007. The increase was mainly attributable to a new profit attributable to equity holders of the Company during the reporting period of RMB1,164,781,000.

The Group's bank borrowings as at 31 December 2008 amounted to RMB6,290,000,000. The net amount for the Group's 10-year corporate bonds was RMB1,483,607,000 as at the end of the year. Balances of the 5-year corporate debenture at year end amounted to RMB1,669,205,000.

Current assets of the Group, which mainly comprised cash at bank and on hand, completed properties held for sale and properties under development, amounted to RMB19,317,721,000, whereas the Group's current liabilities amounted to RMB9,217,133,000. As at 31 December 2008, balances of cash at bank and on hand amounted to RMB4,898,455,000 (excluding restricted bank deposits), none of the debenture in issue were exposed to redemption and payment risks. During the year, the Company did not engage in any transaction on financial products or derivative instruments.

As at 31 December 2008, the Group had long-term bank borrowings of RMB2,640,000,000 secured by certain investment properties, construction in progress and properties under development. The total liabilities to total assets ratio for the Group was 62.3% (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 OR 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 2008, 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.

EMPLOYEES

As at 31 December 2008, the Company had 5,837 employees. The remuneration policy of the Company is that the total salary is paid with reference to its economic efficiency. Save from the remuneration policy 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 staffs.

QUALIFIED ACCOUNTANT

In 2008, the Company has not been able to employ a Qualified Accountant in accordance with the specified qualifications set out in the then Rule 3.24 of the Listing Rules. Since 1 January 2009, the requirements of Rule 3.24 of the Listing Rules had been removed, pursuant to which the Company is no longer required to appoint a qualified accountant. However, the Company will continue to identify and employ accountants with adequate qualifications and experience to assist the Company and the Board in fulfilling their continuing financial and accounting related obligations.

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 Code Provisions set out in Appendix 14 "Code on Corporate Governance Practices" of the Listing Rules during the year.

AUDIT COMMITTEE

The Company has established an audit committee since September 2004. The audit committee comprises three independent non-executive directors, namely 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 major policies 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 of the Group. The audit committee has also reviewed the draft financial statements of the Group for the year ended 31 December 2008.

On behalf of the Board
HE Jiang-Chuan
Chairman

Beijing, the PRC, 18 March 2009

As at the date of this announcement, the Board comprises 7 directors, of which Mr. HE Jiang-Chuan, Ms. ZHAO Hui-Zhi, Mr. LIU Jian-Ping, Mr. CHEN Ji are executive directors of the Company and Mr. MENG Yan, Mr. YU Jing-Song and Mr. FU Yiu-Man, Peter are independent non-executive directors of the Company.