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)

2009 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 2009 as set out below:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2009	2008
	Note	***RMB'000***	*RMB'000*
Continuing operations			
Revenue	2	**4,848,604**	4,121,801
Cost of sales	3	**(2,844,643)**	(2,459,896)
Gross profit		**2,003,961**	1,661,905
Selling and marketing expenses	3	**(123,818)**	(141,431)
Administrative expenses	3	**(379,334)**	(423,706)
Fair value gains on investment properties	1(a)	**1,147,711**	874,816
Other losses — net		**(4,615)**	(9,010)

		Year ended 31 December	
		2009	2008
	Note	***RMB'000***	*RMB'000*
Operating profit		**2,643,905**	1,962,574
Finance income	4	**43,451**	23,343
Finance costs	4	**(214,442)**	(54,587)
Finance costs — net	4	**(170,991)**	(31,244)
Share of loss of a jointly controlled entity		**(8,569)**	(10,727)
Profit before income tax		**2,464,345**	1,920,603
Income tax expenses	5	**(816,486)**	(601,546)
Profit for the year from continuing operations		**1,647,859**	1,319,057
Discontinued operations			
Loss for the year from discontinued operations		**(2,143)**	(721)
Profit for the year		**1,645,716**	1,318,336
Attributable to:			
Equity holders of the Company		**1,508,356**	1,164,781
Minority interest		**137,360**	153,555
		1,645,716	1,318,336
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	6	**44.86**	34.61
From discontinued operations	6	**(0.06)**	(0.02)
	1(a), 6	**44.80**	34.59
Dividends	7	**101,011**	101,011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Profit for the year	**1,645,716**	1,318,336
Other comprehensive income	**—**	—
Total comprehensive income for the year	**1,645,716**	1,318,336
Attributable to:		
Equity holders of the Company	**1,508,356**	1,164,781
Minority interest	**137,360**	153,555
	1,645,716	1,318,336

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2009	2008
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		**1,139**	1,171
Investment properties		**9,259,500**	4,382,600
Property, plant and equipment		**2,057,769**	4,393,911
Interest in a jointly controlled entity		**26,106**	21,066
Deferred income tax assets		**34,249**	20,329
		11,378,763	8,819,077
Current assets			
Properties under development		**12,347,453**	10,881,626
Completed properties held for sale		**1,218,728**	2,797,453
Inventories		**91,445**	111,495
Trade and other receivables	8	**438,383**	489,719
Restricted bank deposits		**72,921**	83,085
Cash and cash equivalents		**4,567,456**	4,898,455
		18,736,386	19,261,833
Assets of disposal group classified as held for sale		**—**	55,888
		18,736,386	19,317,721
Total assets		**30,115,149**	28,136,798

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	**3,367,020**	3,367,020
Other reserves	**4,043,168**	4,001,217
Retained earnings		
— Proposed final dividend	**101,011**	101,011
— Others	**4,277,848**	2,915,036
	11,789,047	10,384,284
Minority interest in equity	**278,287**	227,104
Total equity	**12,067,334**	10,611,388
LIABILITIES		
Non-current liabilities		
Long term borrowings	**8,486,510**	7,592,812
Long term payables	**11,710**	—
Deferred income tax liabilities	**1,023,333**	712,915
Deferred income	**2,550**	2,550
	9,524,103	8,308,277

	Note	As at 31 December 2009 RMB'000	2008 RMB'000
Current liabilities			
Trade and other payables	9	**6,347,465**	6,898,506
Current income tax liabilities		**332,247**	417,984
Current portion of long term borrowings		**1,144,000**	1,200,000
Short term borrowings		**700,000**	650,000
		8,523,712	9,166,490
Liabilities of disposal group classified as held for sale		**—**	50,643
		8,523,712	9,217,133
Total liabilities		**18,047,815**	17,525,410
Total equity and liabilities		**30,115,149**	28,136,798
Net current assets		**10,212,674**	10,100,588
Total assets less current liabilities		**21,591,437**	18,919,665

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 through profit or loss.

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended HKFRSs as of 1 January 2009:

- HKAS 1 (Revised), 'Presentation of financial statements'
- HKAS 23 (Revised), 'Borrowing costs'
- HKFRS 7 (Amendment), 'Financial Instruments — Disclosures'
- HKFRS 8, 'Operating segments'
- HK(IFRIC) - Int 15, 'Agreements for construction of real estates'
- HKAS 40 (Amendment), 'Investment property'

  As a result of the 2008 Improvements to HKFRSs, HKAS 40, 'Investment property', has been amended to include within its scope property that is being constructed or developed for future use as investment property. Prior to the amendment such property under construction or development was within the scope of HKAS 16 'Property, plant and equipment' until the construction or development was complete.

  Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The amendment to HKAS 40 has been applied prospectively for annual periods beginning 1 January 2009 in accordance with the effective date and transitional provisions of the amendment. As at 1 January 2009 all properties those were being constructed or developed for future use as investment property were transferred from property, plant and equipment and revalued to fair value on that date determined by an external valuer.

The table below details the effect on the current period.

Group	**31 December 2009**	**Increase/ (Decrease)**	**31 December 2009**
	RMB'000	*RMB'000*	*RMB'000*
Balance sheet (extract)			
Property, plant and equipment			
(property under construction)	3,249,656	(1,191,887)	2,057,769
Investment property	7,053,500	2,206,000	9,259,500
Deferred income tax liabilities	769,805	253,528	1,023,333
Net assets	11,306,749	760,585	12,067,334
Retained earnings	3,618,274	760,585	4,378,859
Total equity	11,306,749	760,585	12,067,334

Profit for 2009 changed as follows:

Group	2009	Profit Increase/ (Decrease)	2009
	RMB'000	*RMB'000*	*RMB'000*
Income statement (extract)			
Fair value gains on investment properties	133,598	1,014,113	1,147,711
Profit before income tax	1,450,232	1,014,113	2,464,345
Income tax expenses	(562,958)	(253,528)	(816,486)
Loss for the year from discontinued operations	(2,143)	—	(2,143)
Profit for the year	885,131	760,585	1,645,716
Attributable to:			
Equity holders of the Company	747,771	760,585	1,508,356
Minority interest	137,360	—	137,360
	885,131	760,585	1,645,716

Basic and diluted earnings per share increased by RMB cents 22.59 from RMB cents 22.21 to RMB cents 44.80.

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

- HKAS 24 (Amendment), 'Related party disclosure'

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

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- HK(IFRIC) 17, 'Distribution of non-cash assets to owners'
- HKAS 27 (Revised), 'Consolidated and separate financial statements'
- HKFRS 3 (Revised), 'Business combinations'
- HKAS 38 (Amendment), 'Intangible Assets'
- HKFRS 5 (Amendment), 'Measurement of non-current assets (or disposal groups) classified as held for sale'
- HKAS 1 (Amendment), 'Presentation of financial statements'
- HKFRS 2 (Amendments), 'Group cash-settled share-based payment transactions'

2. Segment information

The chief operating decision-maker has been identified as the board of directors. The board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The board considers the business from a product/service perspective. From a product/service perspective, management assesses the performance of development properties, commercial properties and investment properties and hotels.

Other operations of the Group mainly comprise property management, restaurant and recreation operations, these sales have not been included within the reportable operating segments, as they are not included within the reports provided to the board of the directors.

The board of directors assesses the performance of the operating segments based on a measure of adjusted profit before income tax based on assumptions that investment properties are measured at cost and certain assets injected by the state-owned shareholder are measured at the revaluated costs. This measurement basis mainly excludes the fair value gains on investment properties and includes land appreciation taxes and the depreciation of investing properties. Other information provided, except as noted below, to the board of directors is measured in a manner consistent with that in the financial statements.

Total assets mainly exclude deferred tax assets and corporate cash, both of which are managed on a central basis; the investment properties are measured at cost; certain assets injected by the state-owned shareholder are measured at the revaluated cost. These are part of the reconciliation to total balance sheet assets.

Total liabilities mainly exclude deferred tax liabilities, corporate borrowings and other corporate liabilities, all of which are managed on a central basis. These are part of the reconciliation to total balance sheet liabilities.

Turnover consists of sales from development properties, commercial properties and investment properties and hotels segments. Revenues recognised during the years ended 31 December 2009 and 31 December 2008 are as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Revenue		
Development properties	**3,578,303**	2,838,583
Commercial properties	**359,048**	338,225
Investment properties and hotels	**818,918**	833,312
	4,756,269	4,010,120
All other segments	**92,335**	111,681
	4,848,604	4,121,801

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

The segment information provided to the board of directors for the reportable segments for the year ended 31 December 2009 is as follows:

Business segment	Development properties	Commercial properties	Investment properties and hotels	All other segments	Total continuing operations	Total discontinued operations	Total Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total revenues	3,578,303	359,048	823,661	126,568	4,887,580	52,359	4,939,939
Inter-segment revenues	—	—	(4,743)	(34,233)	(38,976)	—	(38,976)
Revenues (from external customers)	3,578,303	359,048	818,918	92,335	4,848,604	52,359	4,900,963
Profit before income tax	1,158,185	7,668	63,647	(19,195)	1,210,305	(2,143)	1,208,162
Depreciation and amortisation	2,418	21,885	156,512	6,374	187,189	448	187,637
Finance income	2,311	162	69	144	2,686	16	2,702
Finance costs	—	—	—	—	—	—	—
Share of loss of a jointly controlled entity	—	8,569	—	—	8,569	—	8,569

The segment information for the year ended 31 December 2008 is as follows:

Business segment	**Development properties**	**Commercial properties**	**Investment properties and hotels**	**All other segments**	**Total continuing operations**	**Total discontinued operations**	**Total Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total revenues	2,838,583	338,225	836,667	131,235	4,144,710	131,344	4,276,054
Inter-segment revenues	—	—	(3,355)	(19,554)	(22,909)	(71,874)	(94,783)
Revenues (from external customers)	2,838,583	338,225	833,312	111,681	4,121,801	59,470	4,181,271
Profit before income tax	782,511	20,990	164,508	(62,021)	905,988	(721)	905,267
Depreciation and amortisation	1,393	11,208	129,870	7,045	149,516	266	149,782
Finance income	4,070	98	160	24	4,352	—	4,352
Finance costs	—	—	—	—	—	—	—
Share of loss of a jointly controlled entity	—	10,727	—	—	10,727	—	10,727

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the board of directors is measured in a manner consistent with that in the consolidated income statement.

The segment information as at 31 December 2009 and 31 December 2008 is as follows:

Business segment	**Development properties**	**Commercial properties**	**Investment properties and hotels**	**All other segments**	**Total continuing operations**	**Total discontinued operations**	**Total Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2009							
Total assets	14,882,322	609,650	7,255,024	146,914	22,893,910	—	22,893,910
Total assets include:							
Interest in a jointly controlled entity	—	26,106	—	—	26,106	—	26,106
Additions to non-current assets (other than deferred tax assets)	7,878	17,772	1,476,067	2,968	1,504,685	—	1,504,685
Total liabilities	10,223,996	165,196	4,595,272	139,963	15,124,427	—	15,124,427
As at 31 December 2008							
Total assets	15,108,040	606,648	6,031,586	41,865	21,788,139	55,888	21,844,027
Total assets include:							
Interest in a jointly controlled entity	—	21,066	—	—	21,066	—	21,066
Additions to non-current assets (other than deferred tax assets)	8,328	42,758	1,186,428	98,915	1,336,429	543	1,336,972
Total liabilities	11,179,217	161,767	3,863,528	147,154	15,351,666	50,643	15,402,309

The amounts provided to the board of directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Reportable segments' profit before income tax is reconciled to total profit before income tax and discontinued operations as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Profit before income tax for reportable segments	**1,210,305**	905,988
Corporate overheads	**(71,157)**	(68,832)
Corporate finance costs	**(214,442)**	(54,587)
Corporate finance income	**40,765**	18,991
Fair value gains on investment properties	**1,147,711**	874,816
Reversal of depreciation of investment properties	**90,380**	76,072
Land appreciation tax	**257,203**	164,575
Others	**3,580**	3,580
Profit before income tax and discontinued operations	**2,464,345**	1,920,603

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Total segments' assets	**22,893,910**	21,844,027
Deferred income tax assets	**34,249**	20,329
Corporate cash	**3,427,812**	3,754,939
Aggregated fair value gains on investment properties	**3,019,040**	1,871,329
Reversal of accumulated depreciation of investment properties	**645,961**	555,581
Others	**94,177**	90,593
Total assets per balance sheet	**30,115,149**	28,136,798

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Total segments' liabilities	**15,124,427**	15,402,309
Deferred income tax liabilities	**1,023,333**	712,915
Corporate borrowings	**1,696,903**	1,185,524
Other corporate liabilities	**203,152**	224,662
Total liabilities per balance sheet	**18,047,815**	17,525,410

The reconciliation of the Group's depreciation and amortisation for reportable segments and corresponding amount per disclosure for property, plant and equipment and land use rights are mainly reversal of depreciation of investment properties and other related adjustments amounting to RMB93,928,000 (2008: RMB72,256,000).

The Company and its subsidiaries are domiciled in the PRC and all the revenue from external customers of the Group are derived in the PRC for the year ended 31 December 2009 and 2008.

At 31 December 2009 and 31 December 2008, all the Group's non-current assets other than deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in the PRC.

The Group has a large number of customers, and there is no significant revenue derived from specific external customers for the year ended 31 December 2009 and 2008.

3. Expenses by nature

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

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Depreciation	**93,229**	77,228
Amortisation	**32**	32
(Reversal of)/provision for receivables	**(3,159)**	1,288
Employee benefit expense	**366,196**	346,037
Advertising costs	**24,249**	40,344
Cost of properties sold		
— Land use rights	**99,421**	103,210
— Finance cost capitalised in cost of properties	**45,324**	39,456
— Development costs	**1,760,842**	1,448,585
Cost of goods for resale	**231,605**	206,808
Cost of consumables used	**138,433**	107,365
Business tax	**226,997**	192,553
Other taxation	**51,894**	35,479
Office and consumption expenses	**112,109**	128,470
Energy expenses	**71,941**	95,410
Consulting and service expenses	**53,142**	73,696
Repair and maintenance expenses	**40,678**	61,277
Donation	**—**	17,589
Operating leases	**18,168**	18,860
Auditor's remuneration	**6,390**	6,590
Others	**10,304**	24,756
Total cost of sales, selling and marketing expenses and administrative expenses	**3,347,795**	3,025,033

4. Finance income and costs

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Interest expense:		
— bank borrowings wholly repayable within five years	**(264,522)**	(360,684)
— bank borrowings wholly repayable over five years	**(181,642)**	(84,672)
— bond wholly repayable within five years	**(63,426)**	(65,188)
— bond wholly repayable over five years	**(145,076)**	(63,347)
	(654,666)	(573,891)
Less: amount capitalised in investment property, property, plant and equipment and properties under development at a capitalisation rate of 5.73% (2008: 6.06%) per annum	**440,224**	519,304
Finance costs	**(214,442)**	(54,587)
Finance income — Interest income on short-term bank deposits	**43,451**	23,343
Net finance costs	**(170,991)**	(31,244)

5. Income tax expenses

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

The Company and certain PRC subsidiaries are also subject to the PRC LAT which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Current income tax		
— PRC enterprise income tax	**262,785**	208,073
— PRC land appreciation tax	**257,203**	164,575
Deferred income tax	**296,498**	228,898
	816,486	601,546

6. 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	
	2009	2008
Profit attributable to equity holders of the Company *(RMB'000)*	**1,508,356**	1,164,781
Number of ordinary shares in issue *(thousands)*	**3,367,020**	3,367,020
Earnings per share (basic and diluted) *(RMB cents per share)*	**44.80 cents**	34.59 cents
From continuing operations	**44.86 cents**	34.61 cents
From discontinued operations	**(0.06) cents**	(0.02) cents
	44.80 cents	34.59 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 2009 and 2008.

7. Dividends

The dividends paid in 2009 and 2008 were RMB101,011,000 and RMB101,011,000 respectively.

At a meeting of the Board held on 7 April 2010, 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 2010.

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
2009 proposed final dividend of RMB0.03 per share (2008: RMB0.03 per share)	101,011	101,011

8. Trade and other receivables

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

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
0-30 days	**17,568**	14,787
31-120 days	**5,024**	17,719
Over 120 days	**15,076**	17,658
	37,668	50,164

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.

9. Trade and other payables

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

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
0-180 days	**244,393**	302,669
181-365 days	**82,375**	140,295
Over 365 days	**109,369**	8,195
	436,137	451,159

RECONCILIATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group has prepared a separate set of consolidated financial statements for the year ended 31 December 2009 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**	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
As stated in accordance with CAS	**577,102**	448,929	**9,059,789**	8,586,279
Impact of HKFRS adjustments:				
1. Reversal of depreciation of investment properties under CAS	**67,785**	57,054	**484,471**	416,686
2. Fair value adjustment of investment properties under HKFRS	**860,783**	656,112	**2,264,280**	1,403,497
3. Difference on revaluation of certain assets upon the reorganisation in 1997	**2,686**	2,686	**(19,493)**	(22,178)
As stated in accordance with HKFRS	**1,508,356**	1,164,781	**11,789,047**	10,384,284

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2009 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 results announcement.

RESULTS AND DIVIDEND

The Group's revenue increased by 17.6% to RMB4,848,604,000. The Group's profit attributable to equity holders for the year ended 31 December 2009 increased by 29.5% from the same period last year to RMB1,508,356,000.

The Board has recommended the payment of a final dividend of RMB0.03 per share (2008: RMB0.03 per share) for the year ended 31 December 2009, totalling RMB101,011,000 to those shareholders whose names appear on the register of shareholders on Wednesday, 9 June 2010. 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, 4 August 2010.

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 shareholders of the Company. Any shares registered in the name of non-individual registered shareholders, including HKSCC Nominees Limited, other nominees or 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 2009, the register of shareholders of the Company will be closed from Monday, 10 May 2010 to Wednesday, 9 June 2010 (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, 7 May 2010 for registration.

MANAGEMENT DISCUSSION AND ANALYSIS

I. OPERATING ENVIRONMENT

In 2009, on top of another broad thrust of economic stimulus package and firm spending incentive measures, the State adopted proactive fiscal measures and a relatively easy monetary policy, thus managed to shore up investments, bolster domestic demand and offset the adverse impact from overseas demand downturn on the domestic economy. GDP growth rate headed for a rebound after bottoming out in the second quarter, posting a year-round growth of 8.7%. The domestic economy continued to keep up its growing momentum at a steady pace.

1. Development Properties

In 2009, consumer confidence was regaining strength quickly as encouraged by policies beneficial to the healthy development of the real estate industry implemented by relevant government departments and local authorities, including incentives for self-use residence purchase and lower deed tax, thus rapidly unleashed consumption demand. With the stimulus of abundant capital inflow and lower interest rate, the real estate market pessimism left by 2008 was cleared, spawning a buoyant market with "hiking price and volume, robust demand and supply". Average trading price of commodity residential units in China's real estate market in 2009 was RMB4,474 per m^2, up 22.4% over 2008. Area sold and contracted sales reached 852,940,000 m^2 and RMB3,815.7 billion, surging by 52.6% and 86.8% over 2008 respectively. Trading volume hit new records once again.

Beijing's real estate market was driven by the strong market demand, the continuously rising prices, increasingly active trading and gradually shrinking vacant area, the market was brought back to "short supply". Average trading price of commodity residential units in Beijing increased by 13.5% over 2008 to RMB13,224 per m^2 in 2009. Area sold leaped by 82.4%, reaching 18,800,000 m^2, including new area approved for pre-sale of 11,110,000 m^2 and area of commodity residential units sold of 14,700,000 m^2. As rising imbalance between supply and demand as well as intensified competition in the land market gave a further stimulation to the release of demand, vacant area of commodity residential units also showed signs of reduction. As at the end of 2009, vacant area of commodity residential units in Beijing dropped significantly by 18.4% over the same period last year to 4,270,000 m^2.

In 2009, sales of commodity units in Changsha real estate market skyrocketed given a cluster of favourable factors, including a lower tax rate, mortgage incentives, redevelopment and resettlement of shanty areas and monetary subsidies. In 2009, the new commodity residential area approved for pre-sale in five districts in Changsha city decreased by 13.6% over the same period last year to 7,720,000 m^2 whereas area sold increased dramatically by 119.7% over the same period last year to 10,180,000 m^2, with supply to sales ratio as low as 0.76:1. As relative stock in the market continued to drop, inventory level in the real estate market underwent a precipitous fall. On monthly basis, as sales turned positive in the first half of the year, the sales volume of new commodity residential units in five districts in Changsha city lingered high and hit record monthly sales thrice in the second half, driving the already recovering market to continuously boom. At the same time, the average trading price of new commodity residential units in five districts in Changsha city started to pick up rapidly in the second half of the year after experiencing a relatively steady momentum in the first half of the year, which reached RMB4,367 per m^2 in December, posting a remarkable growth of 16.0% over the same period in 2008. In addition, 18,175 actual property purchases were made under the subsidy certificates for affordable housing in Changsha city as at the end of 2009, with subsidies of RMB1.2 billion being granted. Such a strong property purchase policy served as one of the key driving forces of the heavy trading in the Changsha real estate market.

2. Investment Properties (including hotels)

Aggravated by the international financial crisis and Influenza A epidemic, the investment property market in Beijing continued to slump in the first half of 2009 upon a dramatic drop in demand in the fourth quarter of 2008. The macro economy recovery turned the market around in the second half of 2009. However, as new supply of certain businesses grew too fast and previous stockpile remained packed, the widening gap between supply and demand further intensified market competition. In particular, the supply of high-grade hotel market has grown significantly as compared with 2007, featuring the most significant imbalance between supply and demand. Though the average room rent and occupancy rate stabilised in the second half of 2009 as the economy turned the corner and business activities accelerated, the figures were still less than satisfactory as compared with 2007. Office buildings suffered more from the international financial crisis in the first half of the year and overall vacancy surged dramatically. As the macro economy picked up in the second half of the year, the net take-up in the market slightly increased. During the year, reduction in rent gradually narrowed quarter by quarter in spite of the constant fall in overall rent of the market. New supply in apartment market slowed down relatively but a large amount of stockpile remained. The imbalance between supply and demand was still prominent and rent and occupancy rate continued to slide as the market saw a decline in effective demand in the wake of the international financial crisis. On convention and exhibition market, demand was relatively stable and smoother than other businesses.

3. Commercial Properties

With the impact from the global financial crisis on Beijing's commercial market in 2009, consumption saw a steep slump and remained sluggish in the first half of the year, while in the second half, consumption surged month by month as stimulated by the preferential policy on domestic demand of the State, showing an upsurge following a dip in general. The accumulated retail sales of consumer goods amounted to RMB530.99 billion for the year, representing a growth of 15.7% as compared with the same period last year. Per capita disposable household income of urban residents in Beijing in 2009 was RMB26,738, representing an increase of 8.1% as compared with last year. With the per capita disposable income being on stable climb and the ongoing provision of spending incentives, consumer confidence gradually regained strength and the commercial market was on a steady upturn. However, given intensifying market competitions since the new commercial area supply in Beijing peaked in 2008, along with the impact from the financial crisis, business promotion experienced greater setback, rent level tumbled noticeably and vacancy in commercial properties kept increasing.

II. REVIEW OF OPERATIONS DURING THE REPORTING PERIOD

During the reporting period, in face of the grim macro-economic environment and the ever increasing competition in the micro market, the Company strode ahead by tenaciously adhering to the strategic objective of "building the Company into a top national large-scale property conglomerate". The Company conducted systematic analysis on the changes in operating environment and the supply-demand characteristics of the market, accurately anticipated and captured market opportunities and proactively adopted flexible operating, pricing and marketing tactics to effectively circumvent the adverse impact from the global financial crisis and Influenza A outbreak. The three major businesses were operating on even keel. Development projects were under sound and steady progress and additional projects were on a smooth start with remarkably improved operating results, which delivered the best performance since the incorporation of the Company. During the reporting period, the Company recorded operating income of RMB4,848,604,000, posting a year-on-year growth of 17.6%. With wider profit margin of settled property products and higher gains from changes in fair value of investment properties, profit before taxation of the Company surged by 28.3% over the same period in 2008 to RMB2,464,345,000 in 2009. During the reporting period, the Company's profit attributable to equity holders increased by 29.5% to RMB1,508,356,000 as compared with 2008. Among the total, results of the core operation of the Company's principal businesses increased by 27.3% year-on-year to RMB647,573,000; gain from fair value change increased by 31.2% year-on-year to RMB860,783,000; and earnings per share increased by 29.5% over 2008 to RMB0.45. Moreover, thanks to strict expenses saving and stringent cost control policies, the Company achieved the target set in the beginning of the year aiming at a 10% controllable expense cut over the year.

1. Development Properties

In 2009, based on a market oriented and customer-foremost strategy for development properties, the Company capitalised on the geographical advantages of projects, product positioning and high performance-to-price ratio, as well as well-targeted marketing tactics and flexible pricing policy to scale performance heights in the comprehensive operation of projects and maintained impressive sales in its projects with significantly improved segment operating results. During the reporting period, the Company's development properties segment recorded income from principal business of RMB3,578,303,000, representing a year-on-year increase of 26.1%. As settled projects were mostly comprised of Beichen Green Garden later-phase projects and high-end villas with relatively higher gross profit margin, the profit before taxation of development properties increased significantly by 48% to RMB1,158,185,000 as compared with 2008.

In 2009, the development properties segment recorded total area commenced construction and under construction of 340,000 m^2 and 1,200,000 m^2 respectively. Due to the decline in area ready for sale, contracted sales and area sold of development properties were RMB2,716,720,000 and 249,000 m^2, respectively. Contracted sales and area sold respectively accounted for 1.1% and 1.3% of commodity residence sales and area sold in Beijing in 2009, representing a year-on-year drop in market share.

During the reporting period, the Company accelerated the construction of the municipal concession project, starting from the initial block, of Changsha Xinhe Delta Project and managed to overcome the adversities of flooding season and complex geological conditions in the riverside in Linjiang, offering a guarantee to the timely completion and smooth opening of the main road of Xiangjiang River bank and fulfilling our progress target by engaging in construction of the platform stage at the initial residential block. These achievements had set the stage for topping out the main structure by the end of 2010. In the mean time, leveraging on the in-depth study on the Changsha real estate market embedded with the project's own features, the Company timely optimised and adjusted the design of the initial residential block, allowing high quality achievement in the invitation of international tender for the program planning on concentrated infrastructure facilities and commercial and residential facilities in the riverside. Furthermore, after active communications with related parties, the Company adjusted the route and the station location of Changsha subway line No. 1, and step up its efforts in diverting prominent education resources from Hunan Province to give a further boost to the comprehensive competitive strengths of the project. During the reporting period, the Company successfully completed the RMB400 million capital increase in Changsha North Star Real Estate Development Company Limited, thereby increasing the registered capital of Changsha North Star Real Estate Development Company Limited to RMB500 million, and the Company's shareholding percentage has been increased from 80% to 96%.

Settled sales performance of real estate projects during the reporting period

Project name	2009				Accumulated			
	Area sold *('000 m^2)*	**Contracted sales** *(RMB million)*	**Settled area** *('000 m^2)*	**Revenue** *(RMB million)*	**Area sold** *('000 m^2)*	**Sales ratio** *(%)*	**Settled area** *('000 m^2)*	**Interest of the Company** *(%)*
Olympic Media Village (residential units)	54.5	657	236.1	2,855	382.4	94%	369.3	100%
Beichen Green Garden commercial and infrastructure facilities	38.7	488	—	—	59.9	41%	9.9	100%
Beichen • Xiang Lu (Phase I)	21.7	273	—	—	22.3	37%	—	100%
Beichen • Fudi (Dual Restriction Project)	119.1	701	—	—	246.6	86%	—	100%
Fragrant Hill Qingqin Villas	13.9	587	24.8	716	135.6	94%	108.8	49.50%

Note: During the reporting period, phase II of two low-density projects, namely Changhe Yushu Garden Villas and Bihai Fangzhou Garden Villas, were still suspended, corresponding gross floor area aggregated to 162,500 m^2 and 22,900 m^2 respectively. The Company made optimization and adjustment to original plans according to present supply and demand of high-end projects. The preliminary preparation for construction was in smooth progress. The projects may commence construction immediately once relevant approvals are obtained.

2. Investment Properties (including hotels)

With the smooth opening of the China National Convention Centre in November 2009 went according to schedule after a large scale interior renovation and modification and a thorough preparation for commencement during the post-Olympic Games period, the integrated properties in the Company's China National Convention Centre and its ancillary projects[①] enter the stage of market operation and investment promotion. As at the end of 2009, the total area of investment properties of the Company reached 1,040,000 m^2. The property portfolio included 2 convention centres (total gross floor area of 326,000 m^2), 4 high-end hotels (5-star hotel with 809 rooms and 4-star hotel with 958 rooms), 5 A-class office buildings (total gross floor area of 321,000 m^2) and 13 hotel apartments (a total of 1,444 rooms).

In 2009, the income from principal business of the Company's investment properties (including hotels) was RMB818,918,000, representing a slight decrease of 1.7% year-on-year. Due to the relatively higher additional start up expenses and fixed operating expenses for new projects, profit before taxation of investment properties (including hotels) recorded RMB63,647,000 during the reporting period, which decreased from the same period in 2008. In addition, gains from changes in fair value of investment properties of the Company amounted to RMB1,147,711,000 (before taxation) in 2009, which increased by 31.2% over the same period in 2008, among the total, gains from change in fair value of North Star Times Tower and the China National Convention Centre, and its ancillary projects amounted to RMB52,800,000 and RMB1,056,810,000 (before taxation), respectively.

① The integrated properties in the China National Convention Centre and its ancillary projects were located at the Olympic Games central area with a gross floor area of 530,000 m^2, comprising the main structure and ancillary structures. The main structure was the China National Convention Centre, aggregating a gross floor area of 270,000 m^2 which comprised of conference rooms, exhibition halls and offices; the ancillary structures aggregated to 260,000 m^2, comprising of 2 high-end hotels and 2 A-class office buildings, i.e. InterContinental Beijing Beichen (5-star), China National Convention Center Grand Hotel (4-star) and North Star Century Center Block A and B.

In 2009, in response to dwindling demand caused by the international financial crisis and Influenza A outbreak, the Company made the best of the strategic location of its integrated properties in Asian Games Village at the Olympic core district, effectively overcame the adverse factors by turning adversities into opportunities, going full steam ahead with sales and marketing and market shifts through market division, sophisticated management, professional operation and brand building, and adhering to the business mode of "tapping on convention business, pressing ahead co-sale of convention and exhibition". While maintaining stable operating results, the operating performance of projects were highlighted in various area. In particular, North Star Times Tower reached a contract rate (時點簽約率) of 62% in the end of 2009 and managed to reap profits in its first full year of operation while striving to keep its price in line with CBD. Six blocks in the apartment's West Zone maintained an occupancy rate of over 85% in the second half of the year through endeavoring in stretching its reach to convention and exhibition clients and exploring long-term occupancy customers though it started from zero after the suspension for renovation.

After a year's post-Olympic Games renovation and modification, the integrated properties of the Company in the China National Convention Centre and its ancillary projects commenced operation in the end of 2009, which further expanded the scale of the Company's investment properties, sharpened its edges and enhanced asset quality. Particularly, InterContinental Beijing Beichen was committed to developing sales channels on one hand, while actively gaining a foothold in high-end convention and exhibition market and diversifying the clientele on the other alongside the completion of modification work for the ballroom and the commencement of operation of the China National Convention Centre, driving both rentals and occupancy rate up steadily. Apart from bringing the renovation work to an end with superb quality and gave a smooth opening to the China National Convention Centre as scheduled, riding on our long-planned and meticulously prepared opening and by vigorously extending its market footprint, the Company successfully delivered reception for 79 convention projects and 12 exhibition projects, including the 24th FISM World Championships of Magic Beijing 2009. Such efforts received recognition at home and abroad, thus strengthened its presence in the industry and boosted its brand recognition rapidly. As projects of North Star Century Center were at their promotion stage in the market, by integrating promotions with other office building projects under a differentiated marketing strategy, the Company speedily built up its market image, integrated resources with complementary sales and took steps to make contracts.

3. Commercial properties

On stock assets of commercial properties, Beichen Shopping Centre referred to the customer demand in the vicinity, exerted itself in promotion campaigns and its hallmark marketing approach to sharpen its edges across segments and tap new consumption growth. This, together with an active adjustment of its brand portfolio and an optimum commodity mix, gradually improved sales performance. As for additional assets, we timely repositioned our portfolio and delivered opportune strategies to counter increasing market competitions and difficult investment promotions. By the end of 2009, The Legend Shopping Centre (時代名門百貨) and North Star Shopping Center Food City (北辰購物中心美食城) were opened consecutively.

During the reporting period, as stock assets sales surged and additional assets started to contribute, the revenue from principal business of commercial properties increased by 6.2% from 2008 to RMB359,048,000. However, as the strengthening of sales promotion had driven down gross profit margin from sales and increased expenses for new projects, the profit before tax amounted to RMB7,668,000, a decline as compared with that of 2008.

4. Financing

In 2009, the Company reported to the Central Bank and CBRC on its centralised financing model through Bank of China and became the fourth (and the first in Beijing) company to adopt centralised financing model which, upon implementation, will allow the headquarters of the Company to centralise project financing activities including lending and repayment. Such framework favours the Company's financing exercise as a whole and enhances its capital planning, security and efficiency.

5. Overall Prowess

In 2009, the Company laid down the Brand Planning Guideline and stepped up efforts in bringing it into effect, which enhanced its brand equity and industry influence. According to the research results published by China Property Top 10 Research Group composed of Development Research Centre of the State Council, Tsinghua University and China Index Research Institute, the Company topped the league among Top 100 China Property Enterprises and was honoured as Leading Professional Brand of Integrated Business Mode in China Property Industry (全國房地產複合運營模式和企業領先品牌) for three years straight. 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.

6. Investor Relations

As a company with simultaneous listings of A shares and H shares, the Company emphasises on the cultivation and development of investor relations, with reference to the listing characteristics of the two locations. In 2009, the Company held results presentations, investor meetings and field research and project site visits. Frequent reception of individuals from the domestic/ foreign funds and institutional investors on research study has not only facilitated investors' understanding of the Company's development but enhanced its profile and influence in the capital market.

7. Environmental Protection Efforts

To align with the trend of eco-friendly and low carbon economy, the Company strictly sourced environmental-friendly and energy-saving building materials for all of its development projects in 2009, and optimised project planning and designs for energy-saving and lower-emission purpose. Besides, the Company strengthened the overall external insulation of its residence projects by a disciplined selection of materials used for external wall, doors and windows. Taking advantage of the national preferential tariff policy imposing a time-based levy on heat generation by clean energy, each household is given a floor heating system supported by heating cables which allow users to adjust room temperature as necessary, thus prevented air pollution caused by conventional central heating, saved energy and cut heating expenses. Besides, the Company embedded the brand new concept of "Pedestrian-Vehicle Stream and Vertical Development" in the development of Changsha Xinhe Delta Project. This was not only in line with the conservation and intensive use of land, but also increased a great deal of green areas, and in turn cushioned the heat island effect brought by surrounding buildings.

For those completed properties held, with an ever commitment to energy saving and consumption reduction, the Company adopted energy saving and environmental protection indicator as an important criteria for selection of equipment to be upgraded. Meanwhile, it established awards to promote energy saving awareness and sense of innovation throughout the workplace. In 2009, the Company's energy saving and emission reduction initiatives proved successful as the consumption of water, electricity and gas of its integrated properties in Asian Games Village amounted to 694,500 tons, 33,772,000 watts and 264,400 cubic metres respectively, representing a decrease of 12.7%, 4.4% and 19.0% as compared to 2008.

III. OUTLOOK OF BUSINESS ENVIRONMENT IN 2010 AND ITS POTENTIAL IMPACT

Looking ahead into 2010, the world economy has regained its footing on the back of a strong injection of liquidity. However, western developed countries led by the United States and European countries saw slack economic growth as a consequence of spending contraction arising from record unemployment rates and rapid rise in savings rate. The global economy recovery, then, is not assured. With a string of sovereign debt crisis at play worldwide, the impact of the international financial crisis on the global economy is far reaching. To China, the macro economy has bottomed out but sharp structural anomalies are yet to be resolved. Heavy investment may prove effective in stimulating economic growth in the short term but the marginal increase in demand is set to slow down over the longer horizon. Internal growth that falls short of economic growth may derail the economy from recovery to much uncertainties and disorientation. Given the rugged macro situation, the State enters the year 2010 with core target for "restructuring, domestic demand expansion and growth preservation''. The State will make flexible and targeted move to continue a moderately easy monetary policy and stay vigilant to inflation. Along with a vast array of initiatives to boost domestic consumption, quicken economic transformation and economic correction, the national economy will sustain steadfast momentum.

For development properties, despite China's ongoing implementation of a moderately easy monetary policy that is both flexible and well-targeted in 2010, the continuous enhancement of the central bank's open market operations along with the two hikes in deposit reserve ratio within a short period are doomed to squeeze liquidity further when compared to 2009. As such, the property sector is likely to face once again the pressure brought by increased difficulty in financing and the surge in costs. In 2009, the property market was affected by the quick appreciation in property prices, with ratio of house price to income of certain regions nearing or even surpassing the level in 2007. This rendered the imbalance between property prices and actual purchasing power to exacerbate, and thus giving rise to the need for a market correction. Moreover, the central government and relevant authorities have, since the end of 2009, successively launched a series of macro control policies on the industry with a view to expediting the construction of social security housing, curbing investments and speculative demand, tightening payment in respect of public land auctions and so on. This also exposes the property market to potential volatility. With the impacts of all these factors, the property market's mid- to short-term trends are subject to more uncertainties. Worse still, since a property project involves a longer operation cycle, in case material fluctuations take place in the market, there will be greater risks brought to the Company's sales.

As for investment and commercial properties, from the long term perspective, under the macro environment where efforts have been put on accelerating the economic structural adjustment and boosting domestic demand, together with the continuously expanding tertiary industry, the constantly improving social security system, the expedited reform in the income allocation system and the active promotion in urbanization, the service market and the consumer market still boast huge growth potential. In addition, the Beijing government will put great efforts to develop a headquarter economy and a convention economy in the future, so as to allure domestic and overseas giants to set foot in the country whilst making the convention industry one of its pillar industries, and leveraging on the sector's strong spillover effect to drive the development of the tertiary industry, thus providing long term development opportunity and room for investment properties. However, from the short term perspective, in 2010 the aftermath of the international financial crisis will continue to linger and product supply will increase quickly, which will in turn worsen the overall supply and demand imbalance of both investment properties and commercial properties, and intensify market competition as well. Since the Company holds and operates a great deal of investment properties and commercial properties, its income and profit margin will be affected if effective market demand recover relatively slowly in 2010. Moreover, a large number of the Company's additional properties commenced operations by the end of 2009. If effective market demand continues to drop, the initial operation of our additional projects will encounter difficulties with extended "initial struggling period".

IV. MANAGEMENT'S MEASURES FOR 2010

In 2010, on the basis of making solid progress in the operation of existing projects, the Company will focus on sharpening its forward-looking edge on macro control measures and its capability to tap market opportunities under the new landscape, strive to enhance the quality of its comprehensive operation, step up the analysis and utilization of cash flow and seek chances to increase land reserve. Meanwhile, the Company will adhere to the "co-sale of convention and exhibition" and "joint venture" marketing strategies, foster the spillover effect brought by its convention operation to other business segments, and further boost the Company's competitive edges and sustainable development capability, so as to minimise the impacts of adverse factors on the Company's core operating results (excluding changes in fair value of investment properties). These factors include the impacts brought by the development and settlement cycle of projects and the fact that additional properties are still in the initial struggling period. In 2010, the Company will strengthen its confidence, embrace new challenges and strive to work harder. Apart from strengthening its professional business management practices, it will introduce proactive expense-saving initiatives and stringent cost control to constrain controllable expenses, so as to achieve targets set, maximise shareholders' value and ensure sustainable and healthy development of the Company.

1. Development Properties

In 2010, the Company will push forward project sales as well as project development and construction through sharpening product research and development capability and cost control capability and adopting well-targeted marketing tactics to link the Company's development properties with market changes. While striving to enhance fund utilization efficiency and the comprehensive operation of its projects, the Company will actively tap market opportunities and seek chances to increase land reserve, aiming to boost the core competitiveness of its development properties and enhance its sustainable development capability continuously. For the construction of Phase II of the two low-density projects, namely Bihai Fangzhou Garden Villas and Changhe Yushu Garden Villas, the Company will speed up the optimisation and adjustment of planning based on its study on policy updates and customer demand and actively accelerate application procedures for approval, aiming to commence construction as soon as possible and contribute to the results of the Company. In 2010, the development properties segment of the Company is expected to achieve an area under construction of 1,440,000 m^2, commence construction of an area of 380,000 m^2 and complete construction of an area of 720,000 m^2. Due to the decline in area ready for sale in 2010, area sold is estimated to be 210,000 m^2 and contracted sales is estimated to be RMB2.07 billion.

In 2010, for Changsha Xinhe Delta Project, the Company will adopt a market-oriented and customer-foremost approach in respect of its Changsha Xinhe Delta Project to actively perfect and promote the market positioning of projects and planning and design of products. With the advantages of its projects in respect of scale, ancillary facilities, environment and location, the Company will further explore its brand value and enhance the quality of its projects, in order to turn the project into a model riverside boutique construction in Hunan Province and the rest of the nation. The Company will push forward the construction of the initial block of Changsha Xinhe Delta Project in 2010 and top out the main structure by the end of the year. Besides, the Company will actively prepare for the sales of the initial block, strengthen promotion and marketing efforts, attract potential customers and ensure precisely timed sales according to market conditions.

2. Investment Properties

In 2010, for investment properties, the Company will capitalise on the advantage of stock and additional assets in the geographically preferred Olympic core district and adhere to the "co-sale of convention and exhibition" and "joint venture" marketing strategies, and actively draw upon the synergy among different business segments. While further exploring the operation potentials of stock assets, the Company will fully exploit the economy of scale of assets and the spillover effect of the convention industry, thereby creating a new landscape for the Company's investment properties operation, which "taps on the convention industry to facilitate the joint development of hotel, apartment and office businesses". Moreover, in light of the relatively higher fixed costs of additional projects, the Company will endeavour to find new sources of income, reduce consumption, increase revenue and lower costs in 2010, strive to shorten the initial struggling period of additional projects through stepping up market exploration and implementing stringent cost control, with a view to minimising the impact of fixed costs on the core operating results (excluding changes in fair value of investment properties).

3. Commercial Properties

For commercial properties, the Company will conduct in-depth study on industry development trends and the needs of target customer groups, capitalise on the geographical advantages and brand advantages of our commercial segment, step up marketing, promotion and brand advertising efforts, accelerate commodity portfolio adjustment, actively perfect internal operation system and establish chain operation management system, steadily resume operation of stock projects, gradually commence operation of new projects, push forward preparation for opening of new projects, so as to minimise the impact of the initial struggling period of additional projects on operating results, whilst ensuring the scheduled opening of Green Garden of Beichen Shopping Centre and improving the Company's commercial properties layout in the Asian-Olympic commercial area.

4. Financing and Capital Expenditure

The Company will make the enhancement of its own operation capability a key task, accelerate project development, strengthen marketing efforts, speed up turnover rate, enhance financial management and implement stringent cost control. Moreover, we will strengthen the analysis and utilization of cash flows and fund utilization efficiency, actively implement the "headquarter financing" model, facilitate centralised capital management and ensure appropriate use of funds. Moreover, the Company will actively study policy updates and capital market changes, capitalise on the advantages of its dual listing and unique business structure, and strive to explore diversified multi-channel financing modes, aiming to make strides in the area and maintain a sound financial condition in the ongoing expansion of the Company's scale of operation.

In 2010, the Company's investment in investment property and property, plant and equipment is estimated to be RMB520 million, subject to payment in accordance with the progress of its construction. 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.

V. ANALYSIS ON THE COMPANY'S ADVANTAGES, SHORTCOMINGS, PROBLEMS AND RISKS

1. Brief Analysis on the Company's Development Advantages

In view of the complicated and changing macro environment and the intensifying competition in the micro markets, the Company's advantages mainly lie on its excellent strategies execution capability, its capability to accurately capitalise on opportunities, its risk resistant capability due to its unique business structure, and its comprehensive operation capability. Firstly, guided by the strategic objectives of "creating an enterprise value chain around the investment properties business chain and building the Company into a top national large-scale property conglomerate", the Company will firmly implement the business strategy of "speeding up development properties, operating investment properties continuingly, expanding commercial properties steadily", and the capital allocation principle of "5:3:2" among development properties, investment properties and commercial properties to achieve fruitful results. Secondly, with strong foreseeing and mastering of market changes and trends, the Company effectively reduces the impact of adverse factors. Thirdly, with its unique business mode of "property development + property investment", not only can the Company enjoy rapid profit growth from property development, but also obtain long term and stable profits from property leasing and operation, thus providing stronger risk resistance than property developers with a single operation. Lastly, the Company's operation capability integrating the operations of development properties, investment properties and commercial properties facilitates mutual development and integration of strengths of the three major businesses, and allows itself to enjoy an apparent advantage in development involving large projects and comprehensive projects.

2. Brief Analysis on the Company's Development Shortcomings

With the expansion of the Company's operation scale and the commencement of use of a large quantity of holding properties, demand in human resources increases rapidly and the Company's current human resources shortage needed to be further resolved.

3. Analysis on the Company's Development Problems and Risks

The Company's development problems and risks are mainly derived from market risks and short-term operating risks of its projects:

① Market risks. On development properties, the recurrence of the "rising volume and price, strong supply and demand" pattern in the real estate market in 2009 resulted in the emerging imbalance between home prices and actual purchasing power in certain regions. Moreover, a series of new macro control policies designed for the industry were successively launched by the end of 2009, thus exposing the real estate market to fluctuation in its development. As such, the property market's mid to short-term trends are subject to more uncertainties. In addition, since a property project involves a longer operation cycle, in case material fluctuations take place in the market, there will be greater risks brought to the Company's sales. On the other hand, land markets in certain regions were "overheated" as a result of the booming real estate market in 2009, leading to a significant difference between costs of land and selling price of related projects and greater difficulties for the Company to acquire quality land reserves. On investment properties and commercial properties, the excessive growth of market supply and the piled up stock from previous developments, together with the ongoing global financial crisis and decline in effective market demand, resulted in emerging imbalance between supply and demand, thereby intensifying competitions.

② Short-term operational risks of projects. On development properties, restricted by a series of macro control policies, the development of Phase II of the two low-density projects, namely Bihai Fangzhou Garden Villas and Changhe Yushu Garden Villas of the Company were suspended, which will result in the decrease in products with a high profit margin recognizable from 2010 onwards and affect our operating results. Against the backdrop where the macro control introduced by the end of 2009 on the industry continued to intensify, if the two aforesaid low-density projects fail to obtain relevant approvals due to policy restriction, the Company's future operating results will be affected. As regards additional assets, the Company's additional projects in respect of investment properties and commercial properties in 2009 were large in scale and high in investment amount, which will therefore incur huge fixed costs each year. As a result, 2010 is not only the first full year of operation for these additional assets, but also a crucial year to focus on the initial struggling of assets. In the event of a slumping effective market demand in 2010, preliminary operation and fast initial struggling period of the Company's additional projects will be subject to more difficulties, and the results of core operations (excluding changes in fair value of investment properties) will be depressed and affected as well.

To cope with the aforesaid market risks, the Company will strive to improve the quality of marketing planning and step up market exploration, implement stringent cost control, exercise prudence in investment to further improve its competitive edges and sustainable development capability on the basis of pressing ahead with existing project operation and actively addressing the changing macro-economy, policy controls and market trends. On development properties, the Company will push forward project sales, project development and construction through strengthening the building of its professional capabilities and adopting well-targeted marketing tactics, and capitalise on market opportunities to seek chances to increase land reserves. On investment properties, the Company will capitalise on the concentration of its stock and additional assets in the geographically preferred Olympic core district and adhere to the "co-sale of convention and exhibition" and "joint venture" marketing strategies, foster the spillover effect brought by its convention operation to other business segments, and actively draw upon the synergy among different business segments. While further exploring the operation potentials of stock assets, the Company will exploit the economy of scale and the spillover effect of additional assets. On commercial properties, the Company will fully capitalise on its brand advantages in north Asia, actively perfect internal operation system and establish a chain operation management system, and push forward preparation for opening of new projects to achieve the professionalised development of the Company's commercial properties.

To cope with the aforesaid short-term operation risks, in respect of the construction of Phase II of the two low-density projects, namely Bihai Fangzhou Garden Villas and Changhe Yushu Garden Villas, the Company will speed up the optimisation and adjustment of planning based on its study on policy updates and customer demand and accelerate application procedures for approval, aiming to commence construction as soon as possible and contribute to the results of the Company. For additional assets, the Company will endeavour to find new sources of income, reduce consumption, increase revenue and lower costs, strive to shorten the initial struggling period of additional projects tapping on its existing edges on resources and brands and through stepping up its efforts on marketing and promotion, market exploration and attracting potential customers, and implementing stringent cost control, with a view to minimising the impact of fixed costs on the core operating results (excluding changes in fair value of investment properties).

4. Analysis on the Company's Sustainable Development Capability

The Company's operation principle of "emphasizing both progress and stability, while expediting development and controlling risks simultaneously" serves as the theory basis for its sustainable development. An appropriate size of land reserve which matches the current development capability of our development properties operation is a necessary condition for the Company's sustainable development. Meanwhile, the stable cash flows generated from the continued operation and gradual expansion of investment properties and commercial properties provide a strong support for the Company's sustainable development. The "three-in-one" integrated operation mode facilitates mutual development and integration of strengths of the three major businesses, enhances the Company's risk resistant capability during market fluctuations and provides the foundation for the Company's sustainable development. With the three major business operations making solid progress and the Company's scale of operation continuously expanding, the Company's sustainable development capability will be enhanced continuously.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2009, the equity attributable to equity holders of the Company increased by 13.5% compared to 31 December 2008. The increase was mainly attributable to a new profit attributable to equity holders of the Company during the reporting period of RMB1,508,356,000.

The Group's bank borrowings as at 31 December 2009 amounted to RMB7,170,000,000. The net amount for the Group's 10-year corporate bonds was RMB1,485,534,000 as at the end of the year. Balances of the 5-year corporate debenture at year end amounted to RMB1,674,976,000.

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 RMB18,736,386,000, whereas the Group's current liabilities amounted to RMB8,523,712,000. As at 31 December 2009, balances of cash at bank and on hand amounted to RMB4,567,456,000 (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 2009, the Group had bank borrowings of RMB4,970,000,000 secured by certain investment properties, hotels, properties under development and completed properties held for sale. The total liabilities to total assets ratio for the Group was 59.9% (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 Company did not have any contingent liabilities for the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DESIGNATED DEPOSITS AND DUE FIXED DEPOSITS

As at 31 December 2009, 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 2009, the Company had 4,742 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 staff.

QUALIFIED ACCOUNTANT

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. LONG Tao as Chairman, Mr. GAN Pei-Zhong and Mr. WONG Yik Chung. 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 2009.

On behalf of the Board
HE Jiang-Chuan
Chairman

Beijing, the PRC, 7 April 2010

As at the date of this announcement, the Board of the Company comprises 7 directors, of which Mr. HE Jiang-Chuan, Ms. ZHAO Hui-Zhi, Mr. LIU Jian-Ping, Mr. CHEN Ji are executive directors and Mr. LONG Tao, Mr. GAN Pei-Zhong and Mr. WONG Yik Chung are independent non-executive directors.