**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)

# 2010 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 2010 as set out below:

# CONSOLIDATED INCOME STATEMENT

| | | Year ended 31 December | |
|---|---|---|---|
| | *Note* | **2010** | 2009 |
| | | ***RMB'000*** | *RMB'000* |
| **Continuing operations:** | | | |
| Revenue | 2 | **5,564,129** | 4,848,604 |
| Cost of sales | 3 | **(3,795,754)** | (2,844,643) |
| Gross profit | | **1,768,375** | 2,003,961 |
| Selling and marketing expenses | 3 | **(158,579)** | (123,818) |
| Administrative expenses | 3 | **(494,306)** | (379,334) |
| Fair value gains on investment properties | | **1,022,034** | 1,147,711 |
| Other losses – net | | **(4,440)** | (4,615) |
| **Operating profit** | | **2,133,084** | 2,643,905 |
| Finance income | 4 | **35,893** | 43,451 |
| Finance costs | 4 | **(359,550)** | (214,442) |
| Finance costs – net | 4 | **(323,657)** | (170,991) |
| Share of loss of a jointly controlled entity | | **(19,514)** | (8,569) |
| Profit before income tax | | **1,789,913** | 2,464,345 |
| Income tax expenses | 5 | **(588,668)** | (816,486) |
| Profit for the year from continuing operations | | **1,201,245** | 1,647,859 |
| Discontinued operations | | | |
| Loss for the year from discontinued operations | | **—** | (2,143) |
| Profit for the year | | **1,201,245** | 1,645,716 |

| | *Note* | **Year ended 31 December** **2010** *RMB'000* | 2009 *RMB'000* |
|---|---|---|---|
| **Profit attributable to:** | | | |
| Equity holders of the Company | | **1,099,787** | 1,508,356 |
| Non-controlling interests | | **101,458** | 137,360 |
| | | **1,201,245** | 1,645,716 |
| Earnings per share attributable to the equity holders of the Company during the year (basic and diluted) (expressed in RMB cents per share) | | | |
| From continuing operations | 6 | **32.66** | 44.86 |
| From discontinued operations | 6 | **—** | (0.06) |
| | | **32.66** | 44.80 |
| Dividends | 7 | **67,340** | 101,011 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| Profit for the year | **1,201,245** | 1,645,716 |
| Other comprehensive income | **—** | — |
| Total comprehensive income for the year | **1,201,245** | 1,645,716 |
| **Attributable to:** | | |
| Equity holders of the Company | **1,099,787** | 1,508,356 |
| Non-controlling interests | **101,458** | 137,360 |
| | **1,201,245** | 1,645,716 |

## CONSOLIDATED BALANCE SHEET

| | Note | As at 31 December **2010** *RMB'000* | 2009 *RMB'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land use rights | | **1,107** | 1,139 |
| Investment properties | | **10,375,600** | 9,259,500 |
| Property, plant and equipment | | **1,959,067** | 2,057,769 |
| Interest in a jointly controlled entity | | **6,592** | 26,106 |
| Deferred income tax assets | | **48,481** | 34,249 |
| | | **12,390,847** | 11,378,763 |
| **Current assets** | | | |
| Properties under development | | **10,865,895** | 12,347,453 |
| Completed properties held for sale | | **4,163,588** | 1,218,728 |
| Inventories | | **119,302** | 91,445 |
| Trade and other receivables | 8 | **475,887** | 438,383 |
| Restricted bank deposits | | **38,988** | 72,921 |
| Cash and cash equivalents | | **2,520,146** | 4,567,456 |
| | | **18,183,806** | 18,736,386 |
| **Total assets** | | **30,574,653** | 30,115,149 |

| | Note | As at 31 December 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Share capital | | **3,367,020** | 3,367,020 |
| Other reserves | | **4,069,943** | 4,043,168 |
| Retained earnings | | | |
| – Proposed final dividend | | **67,340** | 101,011 |
| – Others | | **5,297,338** | 4,277,848 |
| | | **12,801,641** | 11,789,047 |
| **Non-controlling interests in equity** | | **173,511** | 278,287 |
| **Total equity** | | **12,975,152** | 12,067,334 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Long term borrowings | | **7,402,702** | 8,486,510 |
| Long term payables | | **9,636** | 11,710 |
| Deferred income tax liabilities | | **1,208,661** | 1,023,333 |
| Deferred income | | **2,550** | 2,550 |
| | | **8,623,549** | 9,524,103 |

| | Note | As at 31 December 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade and other payables | 9 | **5,763,010** | 6,347,465 |
| Current income tax liabilities | | **363,796** | 332,247 |
| Current portion of long term borrowings | | **1,969,146** | 1,144,000 |
| Short term borrowings | | **880,000** | 700,000 |
| | | **8,975,952** | 8,523,712 |
| **Total liabilities** | | **17,599,501** | 18,047,815 |
| **Total equity and liabilities** | | **30,574,653** | 30,115,149 |
| **Net current assets** | | **9,207,854** | 10,212,674 |
| **Total assets less current liabilities** | | **21,598,701** | 21,591,437 |

*Notes:*

## 1. SUMMARY OF SIGNIFICANT 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 following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- HKFRS 3 (revised), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28 'Investments in associates' and HKAS 31 'Interests in joint ventures'

- HKAS 17 (amendment), 'Leases'

- Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan

### (b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the group (although they may affect the accounting for future transactions and events)

- HK(IFRIC) 17, 'Distribution of non-cash assets to owners'

- HK(IFRIC) 18, 'Transfers of assets from customers'

- HK(IFRIC) 9, 'Reassessment of embedded derivatives and HKAS 39, Financial instruments: Recognition and measurement'

- HK(IFRIC) 16, Hedges of a net investment in a foreign operation'

- HKAS 38 (amendment), ‘Intangible assets’
- HKAS 1 (amendment), ‘Presentation of financial statements’
- HKAS 36 (amendment), ‘Impairment of assets’
- HKFRS 2 (amendments), ‘Group cash-settled share-based payment transactions’
- HKFRS 5 (amendment), ‘Non-current assets held for sale and discontinued operations’

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

Revised HKAS 24 (revised), ‘Related party disclosures’

**(d) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted**

- HKFRS 9, ‘Financial instruments’
- ‘Classification of rights issues’ (amendment to HKAS 32)
- HK (IFRIC) - Int 19, ‘Extinguishing financial liabilities with equity instruments’
- Prepayments of a minimum funding requirement’ (amendments to HK (IFRIC) - Int 14)
- HKAS 12 (amendment), ‘Deferred tax - Recovery of underlying assets’

- The minor amendments to HKFRS 1 ‘First-time adoption of International Financing Reporting Standards’, HKFRS 3 ‘Business combinations’, HKFRS 7 ‘Financial instruments’: Disclosure, HKAS 1 ‘Presentation of Financial Statements’, HKAS 27 ‘Consolidated and Separate Financial Statements’, HKAS 34 ‘Interim Financial Reporting’, and HK(IFRIC) 13 ‘Customer Loyalty Programmes’, which are part of the HKICPA’s annual improvements project published in May 2010.

## 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 2010 and 2009 are as follows:

| | **Year ended 31 December** | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| Revenue | | |
| Development properties | **3,696,432** | 3,578,303 |
| Commercial properties | **352,360** | 359,048 |
| Investment properties and hotels | **1,414,298** | 818,918 |
| | **5,463,090** | 4,756,269 |
| All other segments | **101,039** | 92,335 |
| | **5,564,129** | 4,848,604 |

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 2010 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 | 3,696,432 | 352,360 | 1,435,069 | 159,555 | 5,643,416 | — | 5,643,416 |
| Inter-segment revenues | — | — | (20,771) | (58,516) | (79,287) | — | (79,287) |
| Revenues (from external customers) | 3,696,432 | 352,360 | 1,414,298 | 101,039 | 5,564,129 | — | 5,564,129 |
| Profit before income tax | 567,980 | 24,249 | 227,237 | (478) | 818,988 | — | 818,988 |
| Depreciation and amortisation | 3,135 | 22,432 | 271,836 | 7,905 | 305,308 | — | 305,308 |
| Finance income | 2,171 | 59 | 88 | 63 | 2,381 | — | 2,381 |
| Finance costs | — | — | — | — | — | — | — |
| Share of loss from a jointly controlled entity | — | 19,514 | — | — | 19,514 | — | 19,514 |
| Income tax expenses | 317,477 | 11,238 | 56,809 | (103) | 385,421 | — | 385,421 |

The segment information 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 |
| Income tax expenses | 550,249 | 1,917 | 15,912 | (801) | 567,277 | — | 567,277 |

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 2010 and 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* |
| As at 31 December 2010 | | | | | | | |
| Total assets | 16,085,555 | 631,620 | 7,119,116 | 84,693 | 23,920,984 | — | 23,920,984 |
| Total assets include: | | | | | | | |
| Interest in a jointly controlled entity | — | 6,592 | — | — | 6,592 | — | 6,592 |
| Additions to non-current assets (other than deferred tax assets) | 1,948 | 15,908 | 105,366 | 5,879 | 129,101 | — | 129,101 |
| Total liabilities | 9,505,614 | 227,982 | 4,505,412 | 241,410 | 14,480,418 | — | 14,480,418 |
| 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 |

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 | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| **Profit before income tax for reportable segments** | **818,988** | 1,210,305 |
| Corporate overheads | **(56,605)** | (71,157) |
| Corporate finance costs | **(359,550)** | (214,442) |
| Corporate finance income | **33,512** | 40,765 |
| Fair value gains on investment properties | **1,022,034** | 1,147,711 |
| Reversal of depreciation of investment properties | **170,023** | 90,380 |
| Land appreciation tax | **157,931** | 257,203 |
| Others | **3,580** | 3,580 |
| **Profit before income tax and discontinued operations** | **1,789,913** | 2,464,345 |

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

| | As at 31 December | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| **Total segments' assets** | **23,920,984** | 22,893,910 |
| Deferred income tax assets | **48,481** | 34,249 |
| Corporate cash | **1,770,544** | 3,427,812 |
| Aggregated fair value gains on investment properties | **4,041,073** | 3,019,040 |
| Reversal of accumulated depreciation of investment properties | **815,984** | 645,961 |
| Others | **(22,413)** | 94,177 |
| **Total assets per balance sheet** | **30,574,653** | 30,115,149 |
| **Total segments' liabilities** | **14,480,418** | 15,124,427 |
| Deferred income tax liabilities | **1,208,661** | 1,023,333 |
| Corporate borrowings | **1,725,146** | 1,696,903 |
| Other corporate liabilities | **185,276** | 203,152 |
| **Total liabilities per balance sheet** | **17,599,501** | 18,047,815 |

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 RMB 172,896,000 (2009: RMB 93,928,000).

The reconciliation of reportable segments' income tax expenses and total income tax expenses is maily the income tax expenses amounting to RMB 203,247,000 (2009: 249,209,000), impacted by aforementioned reconciliation items including corporate overheads, corporate financial costs, corporate financial income, fair value gains on investment properties, reversal of depreciation of investment properties and others.

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 2010 and 2009.

At 31 December 2010 and 2009, 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 2010 and 2009.

## 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 | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| Depreciation | **132,380** | 93,229 |
| Amortisation | **32** | 32 |
| Reveral of provion for receivables | **(4,011)** | (3,159) |
| Employee benefit expense | **380,781** | 366,196 |
| Advertising costs | **28,186** | 24,249 |
| Cost of properties sold | | |
| – Land use rights | **523,558** | 99,421 |
| – Finance cost capitalised in cost of properties | **55,727** | 45,324 |
| – Development costs | **2,097,305** | 1,760,842 |
| Cost of goods for resale | **207,181** | 231,605 |
| Cost of consumables used | **153,840** | 138,433 |
| Business tax | **267,911** | 226,997 |
| Other taxation | **92,945** | 51,894 |
| Office and consumption expenses | **170,202** | 112,109 |
| Energy expenses | **99,227** | 71,941 |
| Consulting and service expenses | **86,592** | 53,142 |
| Repair and maintenance expenses | **70,336** | 40,678 |
| Operating leases | **31,693** | 18,168 |
| Auditor's remuneration | **6,470** | 6,390 |
| Others | **48,284** | 10,304 |
| Total cost of sales, selling and marketing expenses and administrative expenses | **4,448,639** | 3,347,795 |

## 4. FINANCE INCOME AND COSTS

| | Year ended 31 December | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| Interest expense: | | |
| – bank borrowings wholly repayable within five years | **(174,858)** | (264,522) |
| – bank borrowings wholly repayable over five years | **(250,316)** | (181,642) |
| – bond wholly repayable within five years | **(63,509)** | (63,426) |
| – bond wholly repayable over five years | **(145,569)** | (145,076) |
| | **(634,252)** | (654,666) |
| Others | **(9,371)** | — |
| Less: amount capitalised in investment property, property, plant and equipment and properties under development at a capitalisation rate of 5.91% (2009: 5.73%) per annum | **284,073** | 440,224 |
| Finance costs | **(359,550)** | (214,442) |
| Finance income-Interest income on short-term bank deposits | **35,893** | 43,451 |
| Net finance costs | **(323,657)** | (170,991) |

## 5. INCOME TAX EXPENSES

The PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate is 25% (2009: 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** | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| **Current income tax** | | |
| – PRC enterprise income tax | **259,641** | 262,785 |
| – PRC land appreciation tax | **157,931** | 257,203 |
| **Deferred income tax** | **171,096** | 296,498 |
| | **588,668** | 816,486 |

Taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Company as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| Profit before income tax | **1,789,913** | 2,464,345 |
| Add: share of loss of a jointly controlled entity | **19,514** | 8,569 |
| | **1,809,427** | 2,472,914 |
| Tax calculated at a tax rate of 25% (2009: 25%) | **452,357** | 618,229 |
| Expenses not deductible for tax purposes | **298** | 1,854 |
| Tax losses not recognized | **22** | 21 |
| Utilisation of previous unrecognised tax losses | **(5)** | (20) |
| Effect of higher tax rate for the appreciation of land in the PRC | **118,445** | 192,902 |
| Others | **17,551** | 3,500 |
| Income tax expenses | **588,668** | 816,486 |

## 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 | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| Profit attributable to equity holders of the Company *(RMB'000)* | **1,099,787** | 1,508,356 |
| Number of ordinary shares in issue *(thousands)* | **3,367,020** | 3,367,020 |
| Earnings per share (basic and diluted) *(RMB cents per share)* | **32.66 cents** | 44.80 cents |
| From continuing operations | **32.66 cents** | 44.86 cents |
| From discontinued operations | **—** | (0.06) cents |
| | **32.66 cents** | 44.80 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 2010 and 2009.

## 7. DIVIDEND

The dividends paid in 31 December 2010 and 2009 were RMB101,011,000 and RMB 101,011,000 respectively.

| | Year ended 31 December | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| 2010 proposed final dividend of RMB 0.02 per share (2009: RMB 0.03 per share) | **67,340** | 101,011 |

## 8. TRADE AND OTHER RECEIVABLES

| | Group | |
|---|---|---|
| | As at 31 December | |
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **97,880** | 37,668 |
| Less: provision for impairment of receivables | **(3,873)** | (6,494) |
| Trade receivables - net | **94,007** | 31,174 |
| Other receivables | **81,570** | 88,254 |
| Less: provision for impairment of receivables | **(15,609)** | (16,999) |
| Other receivables - net | **65,961** | 71,255 |
| Prepaid tax | **235,964** | 246,494 |
| Other prepayments | **79,955** | 89,460 |
| | **475,887** | 438,383 |

All trade and other receivables are due within one year from the end of the reporting period.

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

The majorities of the Group's and Company's sales are on cash or advance basis. The remaining amounts are with credit terms of 30 to 90 days. At 31 December 2010 and 2009, the ageing analysis of the trade receivables were as follows:

| | **Group** | |
|---|---|---|
| | **As at 31 December** | |
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| 0 - 30 days | **83,701** | 17,568 |
| 31 - 120 days | **1,665** | 5,024 |
| Over 120 days | **12,514** | 15,076 |
| | **97,880** | 37,668 |

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

| | Group | |
|---|---|---|
| | As at 31 December | |
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| Trade payables | **1,048,306** | 436,137 |
| Advance from customers | **2,151,965** | 3,626,621 |
| Dividends payable to minority shareholders of a subsidiary | **1,162** | 1,162 |
| Accrued construction costs | **774,033** | 814,890 |
| Accrued properties under development costs | **1,001,252** | 803,962 |
| Amount due to BNSIGC | **5,163** | 33,102 |
| Accrued interest | **112,179** | 111,114 |
| Other payables | **668,950** | 520,477 |
| | **5,763,010** | 6,347,465 |

Amount due to BNSIGC is unsecured, interest free, with no fixed terms of repayment.

At 31 December 2010 and 2009, the ageing analyses of the trade payables (including amounts due to related parties of trading in nature) were as follows:

| | **Group** | |
|---|---|---|
| | **As at 31 December** | |
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| 0 - 180 days | **876,666** | 244,393 |
| 181 - 365 days | **35,570** | 82,375 |
| Over 365 days | **136,070** | 109,369 |
| | **1,048,306** | 436,137 |

## RECONCILIATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group has prepared a separate set of consolidated financial statements for the year ended 31 December 2010 in accordance with the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter ("CAS"). 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** | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| As stated in accordance with CAS | **203,058** | 577,102 | **9,175,656** | 9,059,789 |
| Impact of HKFRS adjustments: | | | | |
| 1. Reversal of depreciation of investment properties under CAS | **127,517** | 67,785 | **611,988** | 484,471 |
| 2. Fair value adjustment of investment properties under HKFRS | **766,526** | 860,783 | **3,030,804** | 2,264,280 |
| 3. Difference on revaluation of certain assets upon the reorganisation in 1997 | **2,686** | 2,686 | **(16,807)** | (19,493) |
| As stated in accordance with HKFRS | **1,099,787** | 1,508,356 | **12,801,641** | 11,789,047 |

## PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2010 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 14.76% to RMB5,564,129,000. The Group's profit attributable to equity holders for the year ended 31 December 2010 decreased by 27.09% from the same period last year to RMB1,099,787,000.

The Board has recommended the payment of a final dividend of RMB0.02 per share (2009: RMB0.03 per share) for the year ended 31 December 2010, totalling RMB67,340,000 to those shareholders whose names appear on the register of shareholders on Wednesday, 1 June 2011. Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the final dividend is expected to be payable on or before Friday, 29 July 2011.

## 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 2010, the register of shareholders of the Company will be closed from Friday, 29 April 2011 to Wednesday, 1 June 2011 (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 Thursday, 28 April 2011 for registration.

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. Operating Environment

In 2010, though the world's economy has come out of recession to a better shape, the global economic recovery was far more complex than expected, which was attributable to the uneven pace of recovery in developed countries and emerging markets as well as in real economies and virtual economies. Confronted with a lackluster global demand amidst a slowly recovering world economy, China introduced fiscal initiatives and a flexible, targeted and moderately easy monetary policy around targets to "adjust the structure, expand domestic demand and boost growth". The robust investment growth in China was thereby sustained and domestic consumption has been picking up. The domestic economy maintained a stead-fast momentum with 10.3% GDP growth for the whole year.

## 1. Development Properties

The year 2010 witnessed in-depth regulation and control over the real estate market. Since April, the State and relevant authorities have carried out a raft of control policies which increased the supply of social security housing, strengthened land appreciation tax settlement, lifted down-payment ratio, tightened the “second home” threshold, suspended “third home” loan supply and restricted the number of properties a single household could purchase to adjust the housing supply structure and clamp down on housing demand arising from investments and speculations, which further prompted the real estate market to return to the sideline. Despite the slight rebound of transaction volume driven by the strong underlying demand, the substantial fall of growth rate put pressure on sales. Average trading price of commodity residential units in China’s real estate market was RMB4,723 per $m^2$ in 2010, a modest increase of 5.9% year-on-year. Though area sold and contracted sales surged by 8.0% and 14.4% to 930,510,000$m^2$ and RMB4,395.3 billion respectively, the growth nonetheless lagged behind the first-quarter levels by 26.2 percentage points and 40.8 percentage points, respectively.

Under the influence of austere macro-control policies promulgated by the State and relevant authorities and local government regulations, the real estate market in Beijing continued to see a decline in both transaction volume and price as the transaction volume continued to fall while sales price went down after hitting the peak in April. However, owing to the weakened policy impact and a sustainably strong underlying demand, the market registered a rebound in both transaction volume and price at the end of the year. Average trading price of commodity residential units in Beijing surged by 29.7% over the same period last year to RMB17,151 per $m^2$ for the year, 11.8% lower than the highest average price from January to April. In addition, area sold and contracted sales dropped by 36.1% and 17.1% to 12,010,000$m^2$ and RMB206 billion in 2010 respectively, including area approved for pre-sale of commodity residential units of 11,910,000$m^2$. The supply to sales ratio increased significantly from 0.59 times in the same period last year to 0.99 times, the imbalance between supply and demand started to exuberate.

As opposed to Beijing which underwent a sharp decrease in transaction volume, Changsha real estate market still maintained a rapid growth. Driven by the strong underlying demand and the crowding out effect in first-tier cities, the sales price rose on a monthly basis as transaction volume of Changsha's commodity units climbed up. Area of commodity residential units sold in Changsha reached 16,240,000m$^2$ in 2010, representing an increase of 19.7% over the same period last year, while area approved for pre-sale of only registered 13,310,000m$^2$. Such supply/demand imbalance stated the fact that Changsha real estate market was still at a fast developing stage. As various national well-known real estate developers expanded into Changsha and riverside and prime products came on the market, the consumption of Changsha real estate market was greatly stimulated, which further pushed sales price to new highs. Average trading price of commodity residential units was RMB4,322 per m$^2$ for the year, representing an increase of 22.3% over the same period last year. In particular, average trading price in December jumped from RMB3,751 per m$^2$ to RMB4,960 per m$^2$, representing a dramatic increase of 32.2% over the same period last year.

## 2. Investment Properties (including hotels)

Owing to rapid macro-economic growth and a more sanguine international outlook in 2010, Beijing's investment property market gradually picked up with a steady increase in demand. In particular, as Beijing is vigorously adjusting its city function to build a world-class city, the convention and exhibition market reaped benefit from rapid economic growth and greater demand for training and exhibition and grew in scale, thus playing a more prominent role in stimulating other industries' development. Furthermore, as the supply of high-grade hotel market slowed down, the number of overseas immigrants or visitors increased significantly and high-end business travelers resumed their activities quickly, the average room rent and occupancy rate was gradually driven up. Active block transactions and a robust domestic demand underpinned the hike in the net take-up of office buildings, with vacancy moving down and the overall rent of the market steadily going up. Driven by factors such as the pick up of business activities of multi-national companies and rent budgets, business conditions in the apartment market stabilized and improved whilst the anticipation of a decrease in narrowed the gap between supply and demand.

## 3. Commercial Properties

Driven by stimulus to boost domestic demand, Beijing's commercial market achieved accumulated retail sales of consumer goods of RMB622.93 billion, representing an increase of 17.3% over the same period last year, the per capita disposable income of urban households reached RMB29,073, representing an increase of 8.7% over the same period last year. Attributable to the steady increase in per capita disposable income and the continuous implementation of favorable consumption policies, retail business has become the most important driving force of Beijing's economic development, evidenced by the remarkable growth in consumption. Strengthened by a buoyant market, the opening of Beijing's commercial market peaked as 16 commercial property projects with an area of approximately 1,130,000m$^2$ entered the market. The multi-functional business pattern which integrates "shopping mall, retail sales, supermarket, cinema and X" has gradually become a popular trend. After struggling in the financial crisis for 2 years, though retailers from home and abroad have expanded their scales through newly opened or additional franchised stores, the excess supply in the market remained unchanged, so did the outstanding imbalance between the supply and demand.

## II. REVIEW OF OPERATIONS DURING THE REPORTING PERIOD

In face of deep macro control and ever-increasing market competition in 2010, the Company stepped up efforts in studying and tapping into the real estate market under such new scenario, seeking chances to snap up quality land reserve for projects in Beijing whilst making solid progress of existing projects. Meanwhile, by fostering the spillover effect from its convention and exhibition operation to other business segments as an ongoing commitment to the marketing tactic of "co-sale of convention and exhibition", the Company remarkably bolstered its sustainable development capability as evidenced by the steady improvement in the operations of inventory assets and the steep hike of additional assets. In 2010, driven by the considerable increase in the operating area of investment properties, the Company recorded an operating revenue of RMB5,564,129,000, representing an increase of 14.76% as compared with the same period last year. However, under the adverse impact of the development and settlement cycle of commodity units, the comparatively low profit margin of the sales of Beichen·Fudi (Dual Restriction Projects), the large quantity of additional investment properties held under the initial struggling period and no longer capitalized interest expenses, the Company recorded profit before tax of RMB1,789,913,000, representing a decrease of 27.37% as compared with the same period of 2009. Profit attributable to equity holders amounted to RMB1,099,787,000, representing a year-on-year decrease of 27.09%. Among them, the core operating results of the Company's principal operations amounted to RMB333,261,000, representing a year-on-year decrease of 48.54%. The gain on changes in fair value of investment properties (after income taxation) amounted to RMB766,526,000, posting a year-on-year decrease of 10.95%. Earnings per share were RMB0.33, representing a decrease of 27.09% as compared with the same period last year. In addition, during the reporting period, the Company achieved the target set by constraining controllable expenses.

## 1. Development Properties

In response to strict macro control on the real estate market, the Company adhered to a market-oriented and customer-foremost approach and completed sales targets with project-oriented marketing strategies and limited saleable property resources under. Meanwhile, by conducting in-depth studies on the trend of Beijing's real estate market and keeping a close track of the market supply of land, the Company acquired another piece of quality land reserve with an area of 210,000m$^2$ in Mapo Town, Shunyi District of Beijing City during the year, further increasing the Company's project pipeline and capability of sustainable development.

In September 2010, Beichen·Fudi (Dual Restriction Projects) recognized a large number of deliveries as scheduled. Given that such policy-based housing has a great bearing on people's livelihood, the Company endeavored to fulfill its mission to ensure smooth completion, acceptance and delivery of projects through arduous work within a demanding schedule. By the end of the year, a total of 3,087 deliveries had been recognized, fulfilling the dream of "affordable homes" for those medium and low-income households. As a state-controlled listed company, the Company not merely gained positive social feedback by fulfilling its social responsibility, but also greatly promoted the construction of social security housing projects in Beijing.

Apart from the smooth operation of projects in Beijing, the Company expedited the construction of municipal road network and projects of "Beichen Delta" in Changsha. The commissioned construction of a road network comprising "Four Verticals, Seven Horizontals and One Cycle" in the region had been carried out in full swing. As phase I of the initial block residence (D3 Area) topped out ahead of schedule, completed construction of the main structure of phase II of the initial block residence (E5 Area) was 10 storeys above the ground in average. While the proposed design of commercial and infrastructural facilities along the riverside with an area of 800,000m$^2$ was still under optimisation, full-scale underground construction had been launched correspondingly. In order to reinforce the comprehensive strength and competitive edge of such projects, the Company, bearing in mind its development concept featuring "culture and leisure, business and commerce and eco-living", continuously optimized the residential, commercial, transportation and scenery planning in joint cooperation with the world's top seven planning and design organisations. Furthermore, the Company vigorously pressed ahead with business promotion and investment in education, including the appointment of InterContinental Hotel Group as the operating party of Riverside Hotel (濱江酒店), the construction of a flagship IMAX theatre in central-southern China in collaboration with Huayi Brothers (華誼兄弟) and the settlement of prestigious schools such as Yali High Secondary School (雅禮中學) and Qingshuitang Primary School (清水塘小學), which boded well for the Company's development in commercial and education properties. In October 2010, phase I of initial block residence (D3 Area) of "Beichen Delta" project in Changsha was promoted to the market after 3 years' industrious preparation. As an urban complex with the best location, the best view and the best ancillary facilities in Changsha and even in the metropolitan area comprising Changsha, Zhuzhou and Xiangtan, the project became a huge success as soon as it hit the market with a sales rate of up to 90% on debut. The contracted area sold reached 142,000m$^2$ with contracted sales of RMB 1,049,260,000. With an average sales price of RMB7,400 per m$^2$, the project soon became the brightest spot in Changsha's real estate market.

In 2010, the operating revenue of the Company's development properties recorded RMB3,696,432,000, representing a modest year-on-year increase of 3.30%. However, due to the development and settlement cycle of commodity units and a relatively low profit margin of Beichen·Fudi (Dual Restriction Projects), the profit before tax was RMB567,980,000, representing a year-on-year decrease of 50.96%. During the reporting period, the development properties segment of the Company achieved area commenced construction of 1,120,000m$^2$, area under construction of 2,170,000m$^2$ and area completed construction of 640,000m$^2$, respectively. Due to the decline in area ready for sale, contracted sales and area sold of development properties were RMB2,457,420,000 and 246,000m$^2$, respectively, representing a year-on-year drop in market share.

**Sales and settlement performance of projects available for sale of the Company for 2010**

| Project name | Total saleable area | Accumulated | | Outstanding saleable area | For 2010 | | | | Interest of the Company |
|---|---|---|---|---|---|---|---|---|---|
| | | Area sold | Settled area | | Area sold | Contracted Sales | Settled area | Revenue | |
| | *('000m$^2$)* | *('000m$^2$)* | *('000m$^2$)* | *('000 m$^2$)* | *('000m$^2$)* | *(RMB million)* | *('000m$^2$)* | *(RMB million)* | *(%)* |
| Green Garden residential units | 950.3 | 925.1 | 920.2 | 25.2 | 4.1 | 50.95 | 17.9 | 213.07 | 100% |
| Green Garden (綠色家園) commercial and office buildings | 139.1 | 90.2 | 80.4 | 48.9 | 30.3 | 364.89 | 70.4 | 880.78 | 100% |
| Phase I of Beichen • Xiang Lu (B Area) | 60.9 | 38.1 | 25.3 | 22.8 | 15.8 | 217.21 | 25.3 | 331.41 | 100% |
| Phase II of Beichen • Xiang Lu (D Area) | 68.6 | 37.4 | – | 31.2 | 37.4 | 606.51 | – | – | 100% |
| Beichen • Fudi (Dual Restriction Project) | 287.7 | 255.5 | ·252.3 | 32.2 | 8.8 | 51.96 | 252.3 | 1,486.66 | 100% |
| Fragrant Hill Qingqin Villas | 143.7 | 143.7 | 133.3 | 0 | 8.2 | 116.65 | 15.1 | 784.52 | 50.2% |
| Beichen Delta (D3 Area) | 217.9 | 141.8 | – | 76.1 | 141.8 | 1,049.26 | – | – | 100% |

*Note:* ① during the reporting period, Phase II of the two low-density projects of the Company, namely Changhe Yushu Garden Villas and Bihai Fangzhou Garden Villas had not yet commenced operation due to policy regulations. They had two pieces of land of 166,200m$^2$ and 24,000m$^2$ which were available for development in which the Company was interested as to 98.5% and 50.2%, respectively. At present, the abovementioned projects had made substantial progress in obtaining project approvals. Changhe Yushu Garden Villas had completed the public announcement on its planning proposals while Bihai Fangzhou Garden Villas had obtained the approval regarding project proposal from the competent authority. The preliminary preparation for construction of the above two projects have been in smooth progress. The construction of the projects may commence immediately once relevant approvals are obtained, which will contribute to the Company's sales results; ② the table above does not take into account the statistics of parking places available for sale of each project.

## 2. Investment Properties (including hotels)

As the China National Convention Centre, office of North Star Century Center, InterContinental Beijing Beichen and National Convention Centre Hotel, with a total area of 530,000m$^2$, commenced full operation in 2010, the operation area of investment properties (including hotels) of the Company quickly increased from 510,000m$^2$ to 1,040,000m$^2$[①]. The Company's investment properties (including hotels) set themselves apart in terms of operation scale and asset quality in the industry or among real estate listed companies.

During the reporting period, owing to the increase of operation area, the operating revenue of the Company's investment properties (including hotels) increased significantly by 72.70% year-on-year to RMB1,414,298,000. Without taking into account the amortisation of interest expenses for the China National Convention Centre and its ancillary projects, profit before tax of investment properties (including hotels) amounted to RMB227,237,000, posting a remarkable growth of 257.03% over the same period in 2009. In addition, gains from changes in fair value of investment properties of the Company amounted to RMB1,022,034,000 (before taxation) in 2010, which decreased by 10.95% over the same period last year, among the total, gains from change in fair value of North Star Times Tower as well as the China National Convention Centre and its ancillary projects amounted to RMB122,000,000 and RMB781,680,000 (before taxation), respectively.

① The property portfolio included 2 convention centres (total gross floor area of 326,000m$^2$), 4 high-end hotels (5-star hotel with 814 rooms and 4-star hotel with 958 rooms), 5 A-class office buildings (total gross floor area of 321,000m$^2$) and 13 hotel apartments (a total of 1,486 rooms).

Most of the additional projects being constrained within the initial struggling period posed a challenge to the Company's operation. However, by improving abilities of market prediction, marketing and promotion as well as professional operation, the Company adhered to the business mode of "tapping on convention and business, pressing ahead co-sale of convention and exhibition" in the development of the investment properties. Though the occupancy rate of additional assets such as the China National Convention Centre and office of North Star Century Center did not live up to expectation, the Company outperformed in the sector, with operation area and revenue doubled and targets of "a rapid growth of additional assets and a steady increase in stock assets" completed.

Guided by the core principle of "earning wide recognition and boosting its industry presence", the China National Convention Centre, leveraging on the meticulously prepared opening, proactive promotion campaigns and vigorous market expansion, delivered reception for 625 convention projects and 62 exhibition projects during 2010, 84 of which were conferences attended by over 1,000 people. The project not only strengthened the Company's industry presence and enhanced its public profile, but was also the first Olympic site to incur profit one year after the Olympic Games, heralding a promising start for the Company to lead the convention and exhibition business. As more and more medium and large conferences were held in the China National Convention Centre, Beijing International Convention Centre responded by sticking to its market differentiation strategy and tapping project potential. Through differentiated marketing and flexible pricing strategies, it focused on the development and marketing of medium-sized markets, training markets and markets outside Beijing and thus maintained stable income and results. By adopting the "co-sale of convention and exhibition" marketing strategy, the Company maximised the demand for its investment properties out of increasing customer traffic, which in turn pushed up the occupancy rate of hotels and apartments.

As a landmark in the Asian Games core district, the office building of North Star Times Tower, which is comparable to other office buildings in CBD in terms of quality and price, had an outstanding contract rate (時點簽約率) of 82% as at the end of the year, presenting a major profit growth point in the investment properties. Office of North Star Century Center, as the major additional asset of the Company, regarded influential multinational companies as its major PR targets and carried out corresponding marketing strategies. As at the end of 2010, its contract rate reached 52%, realising the commissioning target of shortening the initial struggling period.

### 3. Commercial Properties

On commercial properties, the Company further adjusted the product mix and improved product diversity in line with target consumer patterns. Besides, the Company saw a steady increase of operation profit by strengthening its efforts in promotion and organisation of special marketing activities as well as tapping the consumption potential in the business circle. As to the additional projects, confronted with the fierce competitions among the numerous commercial properties entering the market after the financial crisis, the Company spared no efforts in marketing and business promotion to increase the diversity of brands and products. After thorough preparation, Beiyuan branch of Beichen Shopping Centre (北辰購物中心北苑店) opened on 21 September 2010, with over 95% of its shops ready for business. Its operation results also exceeded the average of newly opened projects in the industry since its opening.

During the reporting period, the operating revenue from business of commercial properties of the Company decreased slightly by 1.86% over the same period in 2009 to RMB352,360,000. Driven by the rally in gross profit margin and rental income, profit before tax of commercial properties for 2010 reached RMB24,249,000, representing a considerable growth of 216.24% over 2009.

## 4. Overall Strength

The Company further boosted its industry presence and brand equity through strengthened efforts in bringing the Brand Planning Guideline into effect and overall deployment of media publication and brand promotion strategies. During the year, the Company vigorously promoted its projects and brand by making the best of the launch and hot selling of Beichen Delta Project in Changsha, the deliveries of Beichen Fudi (Dual Restriction Project) and the full-scale launch of additional projects of investment properties and commercial properties, which not only bolstered the Company's reputation and influence but also created a favorable media environment for the Company's daily operation. In addition, according to the research results published by China Property Top 10 Research Group comprising Development Research Centre of the State Council, Tsinghua University and China Index Research Institute, the Company was once again acclaimed as one of the 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) in a row. This demonstrates that the Company's corporate image as a composite property developer integrating property development and property investment was acknowledged by the consumers and the society.

## 5. Investor Relations

As the only real estate company in China with simultaneous listings of A shares and H shares, the Company emphasizes on the cultivation and development of investor relations, with reference to the listing characteristics of the two locations. The Company received individuals from the domestic and foreign funds and institutional investors on research study through results presentations, investor meetings and field research as well as project site visits. In December, the Company also organized the first reversed road show in Changsha, Hunan since the A share listing of the Company, which not only facilitated investors' understanding of the Company's development but also showcased its tremendous improvement in investor relations.

## 6. Environmental Protection Efforts

In response to the State's call for an eco-friendly and low carbon economy and energy saving and emission reduction, the Company strictly sourced environmental-friendly and energy-saving building materials for all of its development property projects, and optimised project planning and designs for energy-saving and lower-emission purpose. For instance, during the development of all its commodity units, the Company took advantage of the national preferential tariff policy imposing a time-based levy on heat generation by clean energy, whereby each property owner 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, in developing its Changsha Beichen Delta Project - a pilot project approved by the Ministry of Land and Resources for conservation and intensive land use - the Company adopted the brand new concept of "Three-Dimensional Development and Pedestrian-Vehicle Stream" and greatly increased green areas in the community, so as to cushion the heat island effect brought by surrounding buildings. With reference to the multi-phase development characteristics of Beichen Delta Project in Changsha, the Company raised plants in nursery bases built on undeveloped land. Those plants could not only create a pleasant environment, but also be transplanted according to specific demands for landscaping, which helped trim relevant expenses in this regard.

For those 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 adding or replacing equipment. Meanwhile, it established awards to promote energy saving awareness and sense of innovation throughout the workplace. In 2010, the Company saved water up to 13,000 tonnes annually after the installation of water economizers and the frequency transformation of freezing units under way is expected to save electricity up to 360,000 kWh annually upon completion of Crowne Plaza Hotel Beijing (五洲皇冠假日酒店). Thanks to the arduous work of all the staff, the energy consumption of the Company's integrated properties in Asian Games Village was cut down to 17,600 tonnes of standard coals, 2,100 tonnes less than the commissioning cap stipulated by relevant government authorities. Leveraging its great efforts and outstanding results in energy-saving and emission reduction, the Company was titled as the "Leading Group in Energy Saving and Emission Reduction of Beijing".

## III. OUTLOOK OF BUSINESS ENVIRONMENT IN 2011 AND ITS POTENTIAL IMPACT

China has become the second largest economy in the world in the closing year of the "Eleventh Five-Year Plan". In this opening year of the "Twelfth Five-Year Plan", the State will primarily targeted at "boosting growth, stabilising price and adjusting its structure" as core targets to implement active financial policies and prudent monetary policies in light of the issues such as sharp structural anomalies existed in the economy and the lack of momentum in domestic economic growth. Through liquidity management, management of inflation expectations and accelerated pace of economic restructuring, the State is committed to strengthen the pertinence, flexibility and effectiveness of macro control policies continuously in order to ensure the sustained, stable and healthy development of domestic economy.

Regarding development properties, the trial property tax, the new "Eight National Regulations " ("國八條") and various local government regulations promulgated at the beginning of 2011 indicated that the macro control policies over the real estate market will not only be sustained but even be tightened and deepened before the asset price sees significant signs of lossening. As China's economic growth stabilised, consecutive rate hikes and increase in the reserve ratio implied that a liquidity crunch is inevitable under a prudent monetary policy, and the property sector is likely to face, once again, the sales pressure brought about by greater financing difficulties, the surge in costs of capital and deleveraging initiatives. Furthermore, as construction of social security housing strengthened, anticipation of changes had prompted more consumers to wait on the sideline. Pent-up demand may expose 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, the Company's operation stability and sales of real estates will be negatively affected.

As for investment properties and commercial properties, though demand-supply imbalances remain in certain industries, the market shows signs of upturn as the national economy registered stable and healthy momentum and demand steadily increased. In the foreseeable future, the government's major objectives are to achieve structural adjustment and price stabilisation. Looking ahead, the government is poised to step further on its support to the tertiary industry and accelerate the development of the service market and consumption market in a bid to minimize the down-side impacts brought from the interest rate hike on the economic restructuring and the economic growth. According to the judgment of competent government departments and professional organisations, the overall demand in the Beijing convention and exhibition market will maintain an average annual growth rate of 15% to 20% in the coming few years. In addition, Beijing has already positioned the convention and exhibition industry as the pillar of the tertiary industry during the "Eleventh Five Year" period and has made clear its goal of building a "world-class city with Chinese characteristics" in the Twelfth Five - Year Plan. In particular, its effort to build "a "capital of international events" will in turn bring enormous historical opportunities for the rapid development of Beijing's service economy and convention and exhibition economy whilst maximising its spillover effect to other industries. Since the Company holds and operates a great deal of investment properties and commercial properties, the Company's operation will be affected positively if demand rallies, the market picks up and Beijing's construction of a "world-class city with Chinese characteristics" speeds up. The operations of stock properties will be improved and the initial struggling period of new properties will be shortened correspondingly.

## IV. MANAGEMENT'S MEASURES FOR 2011

To equip itself with better operating capability, the Company will continue to sharpen its edge on market prejudgment and its capability to tap market opportunities under the new landscape through in-depth studies of macro-economic and policy changes. The Company will also continue to foster the spillover effect brought by its convention operation to other business segments whilst speeding up its development of development properties, with a focus on improving profitability and building brand competitiveness. In addition, the Company will seek chances to snap up land reserve to enhance its competitiveness and improve its sustainable development. Subject to tremendous business pressure in 2010, the Company operated in instability but solid progress was made in its development property projects, with additional projects of properties held quickly ramping up. In 2011, with additional commodity units available for settlement and rapid improvement in its new property operation, the Company is set to experience a new round of growth and speedy development. The Company will continue to strengthen and consolidate its professional capabilities, whilst reinforcing its management base to lift the standard of internal management and pursue a healthy development of the Company through cost control and continuous constraints on controllable expenses.

### 1. Development properties

In respect of development properties, the Company will continue to improve its positioning capability and marketing planning of products according to market changes, in a bid to pushing ahead the high-quality development and construction of its existing projects and accelerating its product sale. Meanwhile, the Company will strive to boost sales of houses and garage of completed projects and the block sale of House 6 in the northern area of Olympic Media Village in adherence to a targeted marketing strategy, with a view to safeguarding profit growth. Application procedures for approval for the construction of Phase II of the two low-density projects, namely Bihai Fangzhou Garden Villas and Changhe Yushu Garden Villas, will be accelerated, aiming to commence construction as soon as possible and contribute to the results of the Company.

In 2011, the Company will continue to expedite the development of Beichen Delta in Changsha and spare no efforts in project marketing and sales campaign. The Company will strive to complete the construction of Phase I of initial block residence (D3) by the end of the year to ensure smooth occupation of customers in 2012. The main structure of Phase II of initial block residence (E5) will be topped out in the middle of the year. The Company will overcome the difficulties of large-scale riverside construction of its riverside commercial, public constructions and residential facilities (A1 and D1) in order to complete construction of 5 storeys of the main structure in average and to kick off sales of an area of 310,000m$^2$ in D2 during the year. In the meantime, the Company will step up promotion and speed up the take-up of potential customers by drawing upon its overall experience in overwhelming sales on debut. The Company will commence the sales of Phase II of initial block residence (E5) in due course according to market conditions. In addition, the Company will continue to optimize and perfect the planning and design of its subsequent products, push ahead the investment promotion and boost the commercial and business sentiment of commercial and infrastructure facilities in the riverside (A1 and D1) whilst improving the products' performance-to-price ratio and the project's integrated competitiveness according to the trend of Changsha's real estate market and its own project edges. Apart from sustaining its impressive project sales, the Company will not only develop Beichen Delta Project into a city landmark with the residence philosophy of "Riverside city with landscape and sea view" (一江兩岸，山水洲城), but also to position the project into the "dream land for Changsha residents, dream home for homebuyers and dream city for the government and the community".

In 2011, the development properties segment of the Company is expected to achieve an area under construction of 2,200,000m$^2$, commence construction of an area of 670,000m$^2$ and complete construction of an area of 120,000m$^2$. Due to the increase in resources ready for sale, area sold is estimated to be 294,000m$^2$ and contracted sales are estimated to be RMB3,900,000,000.

## 2. Investment Properties (including hotels)

By taking advantage of Beijing's development into a world-class city, the Company will fully capitalise on the advantage of its stock and additional assets in the geographically preferred Asian Games core district, continue to intensify and revisit its "co-sale of convention and exhibition" strategy and enhance its capability of professional operation and comprehensive operation, to establish its North Star brand name and develop its core competitiveness which "taps on the convention industry to facilitate the joint development of other businesses". Furthermore, the Company will attach high importance to market exploration with reference to the "short-lived" characteristic of its investment property products. By striving to enlarge the marginal benefit of operation, the Company is set to achieve its goal of maximising the benefit of its stock assets and profit of its new assets in all fronts, thereby ensuring sustained profit growth of its investment properties.

## 3. Commercial properties

In 2011, the Company will quicken the pace of improving its multi-store operating mode and management structure of Beichen Business (北辰商業), in order to further adjust the brand and portfolio of its commodities. Through joint marketing and promotion of several projects, the Company will continuously enhance the brand image and presence of Beichen Business and steadily improve the profitability of stock projects. By shortening the initial struggling period of new projects, the Company will spare no efforts in ramping up growth for the operation results of commercial properties.

## 4. Financing and Capital Expenditure

The Company will focus on stronger operation capability by accelerating project development, strengthening marketing initiatives and speeding up turnover rate. It will also strengthen its financial management and comprehensive budget management through more frequent analysis and use of cash flows. The Company will tighten planned capital management and achieve better fund utilisation efficiency by making full use of the "central financing" model. Taking stock from previous industry experience and leveraging its dual listing status and unique business structure, the Company will also concentrate on the analysis of macro policy directions and changes in the capital market to explore diversified multi-channel financing modes and seek new opportunities through innovative financing mechanisms. It is the Company's ultimate aim to maintain a sound financial condition as it grows in scale.

In 2011, the Company's investment in fixed assets is estimated to be RMB270,000,000, 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 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

The Company's advantages mainly lie on its capability to accurately capitalise on opportunities, its risk resistant capability due to its unique business structure, and its comprehensive operation capability. Firstly, with a strong foresight and ability of mastering market changes and trends, the Company effectively reduces the impact of adverse factors. Secondly, 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 property development involving large and comprehensive projects.

### 2. Brief Analysis on the Company's Development Shortcomings

With unceasing expansion of the Company's operation scale and the commencement of use of a large quantity of properties held, demand for human resources increases rapidly and the Company's current human resources shortage needs 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 operating risks.

(1) Market risks. The trial property tax, new "Eight National Regulations"("國八條") and various local regulations promulgated in the beginning of 2011 indicated that the State would maintain its macro control over the real estate industry in a more stringent and in-depth manner. As transaction volumes in certain cities take a nosedive and consumers incline to wait and see, demand long unsatisfied may expose 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 might be greater risks brought to the Company's operation stability and its sales of real estate.

To fend off the aforesaid market risks, the Company will continue to strengthen its product positioning and marketing planning regarding development properties in line of market changes, so as to speed up product sales by promoting quality development and construction of existing projects. By adopting well-targeted marketing tactics, the Company will make additional efforts to boost sales of houses and garage of completed projects and the block sale of House 6 in the northern area of Olympic Media Village. Apart from improving profitability, the Company will also proactively seek market opportunities and continue to seek chances to increase quality land reserve, with a view to increasing the core competitiveness of its development properties and enhancing its sustainable development capability continuously.

(2) Operating risks. As for development properties, in spite of the progress made in the application for approval for Phase II of the two low-density projects, namely Bihai Fangzhou Garden Villas and Changhe Yushu Garden Villas, the projects have not yet commenced operation due to policy regulations, which reduced products with a high profit margin and are available for settlement and hence affected our operating results. As for additional assets of investment properties, projects such as the National Convention Centre and office of North Star Century Center were still undergoing the initial struggling period. As the projects were large in scale and high in investment amount, they incur uncapitalised interest expenses of approximately RMB200,000,000 each year. Hence, in the preliminary operation of the projects, such expenses may affect, to some extent, the results of operations of the Company. Furthermore, the promulgation of the Notice of Strict Control on the Organisation of International Conferences in the PRC (《關於嚴格控制在華舉辦國際會議的通知》) by relevant authorities in February 2011, which aimed at enhancing the management and control over international conferences convened in the PRC, is likely to have certain adverse effects on the operation of the two convention centers of the Company.

In face of the abovementioned operating risks, the Company will accelerate various application procedures for approval of Phase II of the two low-density projects, namely Bihai Fangzhou Garden Villas and Changhe Yushu Garden Villas, in a bid to commence construction as soon as possible and contribute to the operation results. As regards additional assets of investment properties, the Company will endeavour to find new sources of income, reduce consumption, increase revenue and lower costs. Tapping on its edges on geography and brands, it will further its "co-sale of convention and exhibition" operating mode with innovation, enhance the core competitiveness of the Company which "taps on the convention industry to facilitate the joint development of other businesses" and achieve target earnings of additional assets in all directions. As for the two convention centers, the Company will adopt targeted pricing and marketing tactics through careful analysis and conclusion of the features of the use of conference and exhibition room. At the same time, the Company is to press ahead with the market exploration and enhance the utilisation efficiency, operation efficiency and marginal benefits of projects, thus minimising the adverse impacts of relevant policies.

### 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 6,160,000m$^2$ of land reserve which matches the current development capability of our development properties is a necessary condition for the Company's sustainable development. Meanwhile, the stable cash flows generated from the ongoing operation of a 1,200,000m$^2$ property held strongly underpinned 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 2010, the equity attributable to equity holders of the Company increased by 8.59% compared to 31 December 2009. The increase was mainly attributable to a new profit attributable to equity holders of the Company during the period of RMB1,099,787,000.

The Group's bank borrowings as at 31 December 2010 amounted to RMB7,083,159,000. The net amount for the Group's 10-year corporate bonds was RMB1,487,543,000 as at the end of the year. Balances of the 5-year corporate bonds at year end amounted to RMB1,681,146,000.

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 RMB18,183,806,000, whereas the Group's current liabilities amounted to RMB8,975,952,000. As at 31 December 2010, balances of cash at bank and on hand amounted to RMB2,520,146,000 (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 2010, the Group had bank borrowings of RMB4,603,159,000 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 57.56% (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 2010, 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 2010, the Company had 4,894 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 repealed, 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 final results and financial statements of the Group for the year ended 31 December 2010.

By Order of the Board
**HE Jiang-Chuan**
*Chairman*

Beijing, the PRC, 23 March 2011

*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.*