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北京北辰實業股份有限公司
BEIJING NORTH STAR COMPANY LIMITED

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

(Stock Code: 588)

2011 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 2011 as set out below:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Revenue	2	**3,968,933**	5,564,129
Cost of sales	3	**(2,007,383)**	(3,795,754)
Gross profit		**1,961,550**	1,768,375
Selling and marketing expenses	3	**(180,424)**	(158,579)
Administrative expenses	3	**(525,481)**	(494,306)
Fair value gains on investment properties		**767,499**	1,022,034
Other losses - net		**(694)**	(4,440)
Operating profit		**2,022,450**	2,133,084
Finance income	4	**28,400**	35,893
Finance costs	4	**(340,382)**	(359,550)
Finance costs - net	4	**(311,982)**	(323,657)
Share of loss of a jointly controlled entity		**(6,592)**	(19,514)
Profit before income tax		**1,703,876**	1,789,913
Income tax expenses	5	**(509,229)**	(588,668)
Profit for the year		**1,194,647**	1,201,245

		Year ended 31 December	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Profit attributable to:			
Equity holders of the Company		**1,172,525**	1,099,787
Non-controlling interests		**22,122**	101,458
		1,194,647	1,201,245
Earnings per share attributable to the equity holders of the Company during the year (basic and diluted) *(expressed in RMB cents per share)*	6	**34.82**	32.66

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Profit for the year	**1,194,647**	1,201,245
Other comprehensive income	**—**	—
Total comprehensive income for the year	**1,194,647**	1,201,245
Attributable to:		
Equity holders of the Company	**1,172,525**	1,099,787
Non-controlling interests	**22,122**	101,458
	1,194,647	1,201,245

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2011	2010
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		**1,075**	1,107
Investment properties		**11,142,400**	10,375,600
Property, plant and equipment		**1,848,726**	1,959,067
Interest in a jointly controlled entity		**—**	6,592
Deferred income tax assets		**49,623**	48,481
		13,041,824	12,390,847
Current assets			
Properties under development		**14,461,894**	10,865,895
Completed properties held for sale		**3,297,804**	4,163,588
Inventories		**122,560**	119,302
Trade and other receivables	8	**531,575**	475,887
Restricted bank deposits		**79,285**	38,988
Cash and cash equivalents		**2,808,106**	2,520,146
		21,301,224	18,183,806
Total assets		**34,343,048**	30,574,653

		As at 31 December	
		2011	2010
	Note	***RMB'000***	*RMB'000*
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		**3,367,020**	3,367,020
Other reserves		**4,160,622**	4,069,943
Retained earnings			
— Proposed final dividend		**101,011**	67,340
— Others		**6,320,824**	5,297,338
		13,949,477	12,801,641
Non-controlling interests in equity		**110,478**	173,511
Total equity		**14,059,955**	12,975,152
LIABILITIES			
Non-current liabilities			
Long term borrowings		**9,033,793**	7,402,702
Long term payables		**8,666**	9,636
Deferred income tax liabilities		**1,457,452**	1,208,661
Deferred income		**2,550**	2,550
		10,502,461	8,623,549

		As at 31 December	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Current liabilities			
Trade and other payables	9	**7,218,885**	5,763,010
Current income tax liabilities		**282,747**	363,796
Current portion of long term borrowings		**1,579,000**	1,969,146
Short term borrowings		**700,000**	880,000
		9,780,632	8,975,952
Total liabilities		**20,283,093**	17,599,501
Total equity and liabilities		**34,343,048**	30,574,653
Net current assets		**11,520,592**	9,207,854
Total assets less current liabilities		**24,562,416**	21,598,701

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 investment properties which are carried at fair value.

(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 on or after 1 January 2011, and management does not expect any significant impact on the consolidated financial statement:

- HKAS 32(Amendment) 'Classification of rights issues'

- HK(IFRIC) – Int 19 'Extinguishing financial liabilities with equity instruments'

- Amendment to HKFRS 1 'Limited exemption from comparative HKFRS 7 disclosures for first-time adopters'

- HK(IFRIC) Int – 14 'Prepayments of a minimum funding requirement'

- Third annual improvements project (2010) published in May 2010 by the HKICPA

(b) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted .

- HKFRS 7 (Amendment) 'Disclosure – Transfer of financial asset'

- HKFRS 1 (Amendment) 'Severe hyperinflation and removal of fixed dates for first-time adopters'

- HKFRS 9, 'Financial instruments'

- HKFRS 10 'Consolidated financial statements'

- HKFRS 12 'Disclosures of interests in other entities'

- HKFRS 13 'Fair value measurement'

- HKAS 1 (Amendment) 'Presentation of financial statements'

- HKAS 27 (revised 2011) 'Separate financial statements'

- HKFRS 11 'Joint arrangements'

- HKAS 19 (Amendment) 'Employee benefits'

- HKAS 32 (Amendment) 'Financial instruments: Presentation - Offsetting financial assets and financial liabilities and HKFRS 7 (Amendment) 'Financial instruments: Disclosures - Offsetting financial assets and financial liabilities'

- HKAS 28 (revised 2011) "Associates and joint ventures"

  HKAS 12 (Amendment), 'Deferred tax: Recovery of underlying assets'

2. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions.

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. Development properties are the segment which involves in sales of developed properties; commercial properties are the segment which involves in operation of retailing business in supermarkets and shopping centers; and investment properties and hotels are the segment which involves in operation of rental department, office building, conference center, 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 2011 and 31 December 2010 are as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Revenue		
Development properties	**1,684,242**	3,696,432
Commercial properties	**404,834**	352,360
Investment properties and hotels	**1,760,228**	1,414,298
	3,849,304	5,463,090
All other segments	**119,629**	101,039
	3,968,933	5,564,129

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 2011 is as follows:

Business segment	**Development properties**	**Commercial properties**	**Investment properties and hotels**	**All other segments**	**Total Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total revenues	1,689,423	404,834	1,774,420	162,123	4,030,800
Inter-segment revenues	(5,181)	—	(14,192)	(42,494)	(61,867)
Revenues (from external customers)	1,684,242	404,834	1,760,228	119,629	3,968,933
Profit before income tax	529,635	37,029	466,962	(4,145)	1,029,481
Depreciation and amortization	3,332	24,541	273,926	6,225	308,024
Finance income	6,011	991	3,106	2,013	12,121
Finance costs	—	—	—	—	—
Share of loss from a jointly controlled entity	—	6,592	—	—	6,592
Adjusted income tax expenses	238,077	10,935	116,799	(793)	365,018

The segment information for the year ended 31 December 2010 is as follows:

Business segment	**Development properties**	**Commercial properties**	**Investment properties and hotels**	**All other segments**	**Total Group**
	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
Inter-segment revenues	—	—	(20,771)	(58,516)	(79,287)
Revenues (from external customers)	3,696,432	352,360	1,414,298	101,039	5,564,129
Profit before income tax	567,980	24,249	227,237	(478)	818,988
Depreciation and amortisation	3,135	22,432	271,836	7,905	305,308
Finance income	2,171	59	88	63	2,381
Finance costs	—	—	—	—	—
Share of loss of a jointly controlled entity	—	19,514	—	—	19,514
Adjusted income tax expenses	317,477	11,238	56,809	(103)	385,421

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 2011 and 31 December 2010 is as follows:

Business segment	Development properties *RMB'000*	Commercial properties *RMB'000*	Investment properties and hotels *RMB'000*	All other segments *RMB'000*	Total Group *RMB'000*
As at 31 December 2011					
Total assets	19,026,758	602,766	6,882,555	70,499	26,582,578
Total assets include:					
Interest in a jointly controlled entity	—	—	—	—	—
Additions to non-current assets (other than deferred tax assets)	5,121	1,976	33,942	1,667	42,706
Total liabilities	11,932,698	275,751	4,563,624	207,421	16,979,494
As at 31 December 2010					
Total assets	16,085,555	631,620	7,119,116	84,693	23,920,984
Total assets include:					
Interest in a jointly controlled entity	—	6,592	—	—	6,592
Additions to non-current assets (other than deferred tax assets)	1,948	15,908	105,366	5,879	129,101
Total liabilities	9,505,614	227,982	4,505,412	241,410	14,480,418

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 as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Profit before income tax for reportable segments	**1,029,481**	818,988
Corporate overheads	**(55,480)**	(56,605)
Corporate finance costs	**(325,136)**	(359,550)
Corporate finance income	**16,279**	33,512
Fair value gains on investment properties	**767,499**	1,022,034
Reversal of depreciation of investment properties	**167,248**	170,023
Land appreciation tax	**100,405**	157,931
Others	**3,580**	3,580
Profit before income tax	**1,703,876**	1,789,913

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

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Total segments' assets	**26,582,578**	23,920,984
Deferred income tax assets	**49,623**	48,481
Corporate cash	**1,881,040**	1,770,544
Aggregated fair value gains on investment properties	**4,865,408**	4,041,073
Reversal of accumulated depreciation of investment properties	**983,232**	815,984
Others	**(18,833)**	(22,413)
Total assets per balance sheet	**34,343,048**	30,574,653
Total segments' liabilities	**16,979,494**	14,480,418
Deferred income tax liabilities	**1,457,452**	1,208,661
Corporate borrowings	**1,673,851**	1,725,146
Other corporate liabilities	**172,296**	185,276
Total liabilities per balance sheet	**20,283,093**	17,599,501

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 167,216,000 (2010: RMB 172,896,000). The Company and its subsidiaries were incorporated in the PRC and all the revenue from external customers of the Group are derived in the PRC for the year ended 31 December 2011 and 2010.

The reconciliation of reportable segments' income tax expenses and total income tax expenses is mainly the income tax expenses amounting to RMB144,211,000 (2010: RMB 203,247,000), 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.

At 31 December 2011 and 31 December 2010, all the Group's non-current assets other than deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) are 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 2011 and 2010.

3. EXPENSES BY NATURE

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

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Depreciation	**140,776**	132,380
Amortisation	**32**	32
Provision/(Reversal) of provision for receivables	**136**	(4,011)
Employee benefit expense	**434,964**	380,781
Advertising costs	**35,986**	28,186
Cost of properties sold		
— Land use rights	**53,262**	523,558
— Finance cost capitalised in cost of properties	**29,859**	55,727
— Development costs	**781,904**	2,097,305
Cost of goods for resale	**237,596**	207,181
Cost of consumables used	**166,470**	153,840
Business tax	**187,827**	267,911
Other taxation	**102,993**	92,945
Office and consumption expenses	**175,246**	170,202
Energy expenses	**110,068**	99,227
Consulting and service expenses	**94,602**	86,592
Repair and maintenance expenses	**67,665**	70,336
Operating leases	**27,726**	31,693
Auditor's remuneration	**9,470**	6,470
Others	**56,706**	48,284
Total cost of sales, selling and marketing expenses and administrative expenses	**2,713,288**	4,448,639

4. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Interest expense:		
— bank borrowings wholly repayable within five years	**(277,828)**	(174,858)
— bank borrowings wholly repayable over five years	**(190,088)**	(250,316)
— bond wholly repayable within five years	**(209,700)**	(63,509)
— bond wholly repayable over five years	**—**	(145,569)
	(677,616)	(634,252)
Bank charges and others	**(15,246)**	(9,371)
	(692,862)	(643,623)
Less: amounts capitalised in properties under development at a capitalisation rate of 6.40% (2010: of 5.91%)per annum	**352,480**	284,073
Finance costs	**(340,382)**	(359,550)
Finance income – Interest income on short-term bank deposits	**28,400**	35,893
Net finance costs	**(311,982)**	(323,657)

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% (2010: 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	
	2011	2010
	RMB'000	*RMB'000*
Current income tax		
— PRC enterprise income tax	**175,384**	259,641
— PRC land appreciation tax	**100,405**	157,931
Deferred income tax	**233,440**	171,096
	509,229	588,668

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

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Profit before income tax	**1,703,876**	1,789,913
Add: share of loss of a jointly controlled entity	**6,592**	19,514
	1,710,468	1,809,427
Tax calculated at the statutory tax rate of 25% (2010: 25%)	**427,617**	452,357
Expenses not deductible for tax purposes	**2,550**	298
Tax losses not recognized	**121**	22
Utilisation of previous unrecognised tax losses	**—**	(5)
Effect of higher tax rate for the appreciation of land in the PRC	**75,304**	118,445
Reversal of deferred tax which could not be realised	**3,637**	—
Deemed revenue subject to income tax	**—**	17,551
Income tax expenses	**509,229**	588,668

6. EARNINGS PER SHARE

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.

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 2011 and 2010.

	Year ended 31 December	
	2011	2010
Profit attributable to equity holders of the Company *(RMB'000)*	**1,172,525**	1,099,787
Number of ordinary shares in issue *(thousands)*	**3,367,020**	3,367,020
Earnings per share (basic and diluted) *(RMB cents per share)*	**34.82cents**	32.66cents

7. DIVIDEND

The dividends paid in 2011 is RMB 67,340,000 (2010: RMB 101,011,000). Proposed dividends of 2011 and 2010 were as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
2011 proposed 0.03 per share final dividend *(2010: RMB 0.02 per share)*	**101,011**	67,340

8. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**36,241**	97,880
Less: provision for impairment of receivables	**(628)**	(3,873)
Trade receivables – net	**35,613**	94,007
Other receivables	**69,097**	81,570
Less: provision for impairment of receivables	**(12,876)**	(15,609)
Other receivables – net	**56,221**	65,961
Prepaid tax	**351,125**	235,964
Other prepayments	**88,616**	79,955
	531,575	475,887

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.

Trade receivables

The majorities of the Group's sales are on cash or advance basis. The remaining amounts are with credit terms of 30 to 90 days. At 31 December 2011 and 2010, the ageing analysis of the trade receivables were as follows:

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
0 – 30 days	**23,021**	83,701
31 – 90 days	**5,803**	1,665
Over 90 days	**7,417**	12,514
	36,241	97,880

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.

Other receivables

The Group does not have formal contractual credit terms agreed with the counterparties but the other receivables are usually settled within 12 months. As a result, the Group regards any receivable balance within a 12-month credit period as not overdue. At 31 December 2011 and 2010, the ageing analysis of the other receivables were as follows:

	Group	
	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
0 – 12 months	**30,581**	36,092
12 – 24 months	**11,632**	7,095
Over 24 months	**26,884**	38,383
	69,097	81,570

9. TRADE AND OTHER PAYABLES

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Trade payables	**909,524**	1,048,306
Advances from customers *(Note a)*	**3,664,701**	2,151,965
Dividends payable to minority shareholders of a subsidiary	**1,162**	1,162
Accrued construction costs	**829,523**	774,033
Accrued properties under development costs	**1,019,613**	1,001,252
Amount due to Beijing North Star Industrial Group Company ("BNSIGC") *(Note b)*	**5,163**	5,163
Accrued interest	**115,295**	112,179
Other payables	**673,904**	668,950
	7,218,885	5,763,010

(a) The balance mainly represents advances received from purchasers of the Group's properties to be delivered in future. The advances are unsecured and free of interest.

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

At 31 December 2011 and 31 December 2010, the ageing analyses of the trade payables (including amounts due to related parties of trading in nature) were as follows:

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
0 – 180 days	**374,233**	876,666
181 – 365 days	**118,635**	35,570
Over 365 days	**416,656**	136,070
	909,524	1,048,306

Reconciliation of consolidated financial statements

The Group has prepared a separate set of consolidated financial statements for the year ended 31 December 2011 in accordance with the Basic Standard and 38 specific Standard of the China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC 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	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
As stated in accordance with CAS	**468,780**	203,058	**9,577,120**	9,175,656
Impact of HKFRS adjustments				
1. Reversal of depreciation of investment properties under CAS	**125,436**	127,517	**737,424**	611,988
2. Fair value adjustment of investment properties under HKFRS	**575,623**	766,526	**3,649,054**	3,030,804
3. Difference on revaluation of certain assets upon the reorganisation in 1997	**2,686**	2,686	**(14,121)**	(16,807)
As stated in accordance with HKFRS	**1,172,525**	1,099,787	**13,949,477**	12,801,641

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2011 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 decreased by 28.67% to RMB3,968,933,000. The Group's profit attributable to equity holders for the year ended 31 December 2011 increased by 6.61% from the same period last year to RMB1,172,525,000.

The Board has recommended the payment of a final dividend of RMB0.03 per share (2010: RMB0.02 per share) for the year ended 31 December 2011, totalling RMB101,011,000 to those shareholders whose names appear on the register of shareholders on Tuesday, 12 June 2012. 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, 27 July 2012.

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 the dividend payable therein will be subject to the withholding of the corporate income tax.

The register of shareholders of the Company will be closed from Monday, 30 April 2012 to Wednesday, 30 May 2012 (both days inclusive), during which no transfer of the Company's shares will be registered for the purpose of ascertaining the shareholders' entitlement to attend and vote at the 2011 annual general meeting. In order to be eligible to attend and vote at the 2011 annual general meeting, all completed transfer documents relating to H Shares, accompanied by the relevant share certificates, must be lodged with the H share registrar of the Company, Hong Kong Registrars Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 27 April 2012.

Subject to the approval of the shareholders at the 2011 annual general meeting, the proposed final dividend will be payable to the shareholders whose names appear on the register of shareholders of the Company on Tuesday, 12 June 2012. The register of shareholders of the Company will be closed from Tuesday, 5 June 2012 to Tuesday, 12 June 2012 (both days inclusive), during which no transfer of the Company's shares will be registered for the purpose of ascertaining the shareholders' entitlement to the proposed final dividend. In order to be qualified for the proposed final dividend, all completed transfer documents relating to H Shares, accompanied by the relevant share certificates, must be lodged with the H share registrar of the Company in Hong Kong at Hong Kong Registrars Limited of Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 4 June 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Operating Environment

The world's economy, under the impact of the sluggish growth in developed countries, the intensified turbulence in the international financial market and increased risk exposures, was still groping for a way through a slow and uneven recovery in 2011. Though challenged with the weakened growth in the world's economy and the international trade, the Chinese government pressed ahead the implementation of a proactive fiscal policy and stable currency policy in line with adjustments to the main objectives of economic growth structure and the inflation expectation management, thus effectively curbing the rising commodity price and maintaining a rapid growth of macro economy with an annual GDP growth rate of 9.2%.

1. Development Properties

In 2011, the state and relevant departments have exerted more austere macro control on the real estate market the effects of which began to emerge. The introduction of policies restricting purchase and loan led to a gradual pullback in the sales and cooled down the market in the second half of the year, as evidenced by a steep drop in the growth of area sold and loosening trading price. According to the following comparative figures from the Statistics Bureau in 2011, though area sold of commodity residential units in the state increased by 3.9% over the same period last year to 970,300,000 m^2, the sales volume for the three consecutive months commencing from last October recorded a year-on-year decrease on a month-to-month basis. Average trading price of commodity residential units for the year decreased by 3.4% from RMB5,190 per m^2 for the first half of the year to RMB5,011 per m^2, indicating signs of loosening property price.

Imposed with the most stringent policy restricting purchase in the state, Beijing's real estate market saw a strengthened downward expectation with transaction volume maintaining at a low level and transaction price obviously heading downwards. In 2011, area sold, contracted sales amount and average trading price of commodity residential units in Beijing fell by 13.9%, 22.1% and 9.5% to 10,350,000 m^2, RMB160,600 million and RMB15,518 per m^2, respectively. The statistics from China Index Research Institute showed a change in the composition of property buyers that based on household register sorting, people other than registered residents of Beijing only purchased 15% of the total units sold, representing a drastic slump of 21 percentage points as compared with that for 2010. Besides, the demand arising from investments and speculations was marginalized in Beijing's real estate market.

Driven by the strong underlying demand and the crowding out effect in first-tier cities, Changsha's real estate market still maintained a rapid growth in the first half of the year. However, the enhanced effects of macro control in the second half of the year prompted both consumers and developers to wait on the sideline, which led to the decrease in both supply and demand. Accumulated contracted sales recorded a year-on-year decrease since last September as the monthly drop became larger month by month. Trading price maintained a rapid growth as a whole but saw the growth rate on a gradual decline in the second half of the year. In 2011, area sold of commodity residential units in Changsha's real estate market dropped by 14.7% over the same period last year to 13,860,000 m^2. Trading price for the year was RMB5,484 per m^2, representing a substantial increase of 26.9% over that for 2010 but a moderate increase of 3.1% over RMB5,317 per m^2 for the first half of the year due to the drop in sales volume.

2. Investment Properties (including hotels)

Owing to the rapid macro-economic growth and a more sanguine operating environment, Beijing's investment properties market (including hotels) gathered pace in growth with a stable increase in demand. Attributable to the stable hike in take-up of a limited number of additional properties, the rents of office buildings were driven up to new highs by the imbalance between supply and demands with vacancy rate near record lows. Under the influence of the quick rebound of the demand and the sharp slowdown in the supply of additional hotels, average room rent and occupancy rate of the high-grade hotel market was driven up continuously, thus narrowing the gap between supply and demand. In addition, greatly stimulated by the surging demand from high-end business activities held by multi-national companies, the apartment market remained vibrant given the remarkable increase in room rent and occupancy rate. The convention and exhibition market, benefited from favorable policies such as fashioning Beijing into a "world-class city with Chinese characteristics" and "one of the five best cities in the world for international conventions (全球國際會議五強舉辦地之一)", further improved the conditions for development, maintained a steady growth of market demand and gave prominence to the economic functions and social benefits of the exhibition and convention industry.

3. Commercial Properties

Year 2011 was supposed to mark another opening peak in commercial properties market in Beijing, but a large number of new projects, originally scheduled to hit the market by the end of the year, postponed their opening to 2012, due to over 160 commercial properties newly established since 2006 currently being concentrated within the release period. In addition, to cope with the intensifying market competition and obvious consumer division, various stock projects have to undergo re-positioning and lessee adjustments, thus increasing the potential of supply which leads to excessive supply in Beijing's commercial property market within a short period and poses formidable challenges for additional projects during the period of investment invitation and initial operation.

II. Review of Operation during the Reporting Period

In face of austere macro control and ever-increasing market competition, the Company, dedicated to the marketing tactic of "co-sale of convention and exhibition", proactively adjusted the sales policy and forged ahead with project development through strengthening sales of residential units and block sales of properties. Leveraging the synergy among projects of properties held and its businesses, the Company made the best of the potential business growth of its stock assets and brought the ramp-up stage of its additional assets to an end in advance, thereby greatly boosting its overall profitability and giving full play to the Company's integrated strength of "property development" and "operation of properties held" as well as its risk resistant capability. In 2011, the Company recorded a revenue of RMB3,968,933,000, representing a decrease of 28.67% over the same period last year. Due to the decrease in the gain on changes in fair value of investment properties from last year (RMB767,499,000 before taxation for 2011, compared to RMB1,022,034,000 for 2010), the Company recorded a profit before tax of RMB1,703,876,000, representing a decrease of 4.81% over the same period last year. However, during the reporting period, under the influence of the early completion of the initial struggling period of additional projects of investment properties, an enlarged proportion of ordinary commodity units to all real estate settlement projects and a higher percentage of the settlement income attributable to the parent's projects, the Company recorded profit attributable to equity holders for 2011 of RMB1,172,525,000, representing an increase of 6.61% over the same period last year. In particular, the core operating results of the Company's principal operations amounted to RMB596,901,000 (after tax), representing a significant increase of 79.11% over the same period last year. The gain on changes in fair value of investment properties amounted to RMB575,623,000 (after tax), posting a decrease of 24.90% over the same period last year (In particular, the gross gain on change in fair value of North Star Times Tower and China National Convention Centre and ancillary facilities amounted to RMB116,532,000 and RMB389,250,000 respectively). Earnings per share were RMB0.35, representing an increase of 6.61% over that for 2010. In addition, during the reporting period, the Company completed the commissioning targets in budget control for expenses as planned early in the year, in line with the principle of improving cost efficiency and tightening cost control.

1. Development Properties

Confronted with strict macro control on the real estate market, the Company still achieved satisfactory operating results in spite of the bleak outlook on the market, which was credited to the adoption of marketing strategies in line with policy adjustment and market trend as well as enhanced efforts in targeted promotion for major clients and sales of commercial properties. During the reporting period, the Company conducted the block sales of the existing units of House 7 in the northern area of Olympic Media Village, commercial properties with an area of 21,000 m^2 in the southern area of Olympic Media Village, with contracted sales of RMB541,760,000 and RMB331,740,000 respectively, which ensured the steady increase in the operating results of development properties. Furthermore, the Company expedited the application procedures for approval for the preliminary construction of projects. In particular, Phase II of Bihai Fangzhou Garden Villas has commenced construction upon the receipt of construction certificate and the structure of some blocks have been topped out; and Phase II of Changhe Yushu Garden Villas also obtained the approval letter on the planning proposal whilst conducting preliminary preparation work in an orderly manner. Such project may commence construction immediately upon the receipt of relevant permission and make contributions to the Company's sales results.

Apart from the smooth operation of projects in Beijing, the Company expedited the engineering construction and the municipal road construction of Beichen Delta project in Changsha, among which, D3 Area has basically completed the construction, E5 Area has topped out in July earlier than scheduled, A1 and D1 Areas (commercial and infrastructural facilities along the riverside with an area of 830,000 m^2 have completed the construction of 13 storeys of the hotel structure, 10 storeys of the office building and an average of 22 storeys of the riverside high-end apartments, and D2 Area had an area of 260,000 m^2 which has commenced construction. As at the end of the reporting period, Beichen Delta in Changsha had a total area of 1,650,000 m^2 under construction, with the project under full-scale development and construction. For the construction of municipal facilities, all the 10 municipal roads within the region were completed. As the supporting facilities continue to improve, the value of the project within the region will further appreciate.

As an urban complex with the best location, the best view, the best ancillary facilities and the best price to cost performance in Changsha and even in the metropolitan area comprising Changsha, Zhuzhou and Xiangtan, the Beichen Delta project has been the biggest hit in Changsha's real estate market. Under the adverse impact of austere macro control on Changsha's real estate market, the Company doubled its efforts in attracting clients from third-or-fourth tier cities. Meanwhile, based on the launch of commercial and infrastructure facilities and the invitation of high-quality education resources, it has been craving for a high-end business image to boost the project's appeal to high-end clients, so as to maintain both the price and sales volume at a high level. As such, the project further consolidated its position as a benchmark in Changsha's real estate market and was listed as one of the "top 3 developers in terms of area sold in Changsha's real estate market for 2011 (二零一一年度長沙樓市銷售面積前三甲)" and the "best seller in Kaifu District for 2011 (二零一一年度開福區銷售冠軍)." During the reporting period, the contracted area of Beichen Delta in Changsha reached 169,000 m^2 with contracted sales of RMB1,605,890,000. To be more specific, the D3 area of residential and commercial properties sold recorded 50,000 m^2 and 4,000 m^2, with contracted sales of RMB454,560,000 and RMB124,600,000, respectively. E5 Area of residential and commercial properties sold reached 113,000 m^2 and 2,000 m^2 with contracted sales of RMB907,130,000 and RMB59,210,000, respectively.

In 2011, the operating revenue of the development properties segment recorded RMB1,684,242,000, representing a year-on-year decrease of 54.44%. However, due to an enlarged proportion of ordinary commodity units to real estate settlement projects, the profit before tax was RMB529,635,000, down just 6.75% as compared to the same period last year. During the reporting period, the development properties segment achieved area commenced construction of 363,000 m^2, area under construction of 1,869,000 m^2 and area completed construction of 110,000 m^2, respectively; in order to cope with macro control of the real estate, the development properties adjusted the structure of product sales. The area sold and contracted sales in 2011 were 242,000 m^2 and RMB2,859,610,000, respectively, representing a sustained share in regional markets.

2. Investment Properties (including hotels)

With a firm grip on the external opportunities in Beijing's promising investment properties (including hotels) market, the Company fully capitalised on the advantages of its properties in the geographically preferred Asian Games core district and the comprehensive competitiveness of its two pillar products - venues for convention and exhibition as well as office buildings, tapped into the full growth potential in the operation of its stock assets and completed the initial struggling period for additional assets in advance. Thanks to the enhanced brand recognition of venues for convention and exhibition and office buildings, as well as the strengthened presence in the industry, the investment properties segment of the Company saw a robust growth in operating results, which greatly supported the Company in market risk prevention and profit recovery. In 2011, the revenue from principal businesses of the investment properties segment (including hotels) recorded RMB1,760,228,000, representing a year-on-year increase of 24.46%. Without taking into account the amortisation of interest expenses, profit before tax amounted to RMB466,962,000, posting a remarkable growth of 105.50% over the same period last year. In particular, new projects including North Star Times Tower, North Star Century Centre as well as the China National Convention Centre, as the main engines driving up the operating profits, not only recorded a year-on-year increase of RMB212,119,000. in profit before tax, 88.48% of the increase in the total profit for the investment properties segment (including hotels), but also outperformed in their operations.

Guided by the core principle of "earning wide recognition and boosting its industry presence", the China National Convention Centre, leveraging its cutting-edge in professional sales, market-oriented promotion, high-quality services and brand building, has continuously increased its market share and reinforced its industry presence. The number of large-scale conventions held by it accounted for more than two thirds of the total number of large-scale conventions in Beijing and the schedule for forthcoming conventions has been extended to 2020. Following the year 2010 when the China National Convention Centre was first put into operation and recorded no operating losses, the year 2011 witnessed a remarkable increase in its operating results, which was a miracle for the operation of venues for convention and exhibition. Beijing International Convention Centre learnt from China National Convention Centre, adopted differentiated operations and put great efforts in developing and expanding new markets, through the implementation of a series of measures such as differentiated pricing, market classification and innovative marketing, thus shifting the focus to middle and small convention and exhibition market. By adopting the "co-sale of convention and exhibition" marketing strategy, the Company maximised the demand for its investment properties (including hotels) out of increasing customer traffic in terms of number and scale, which in turn pushed up the room rent and occupancy rate of hotels and apartments to certain extent.

During the reporting period, the Company adopted differentiated marketing strategies for each office building project in accordance with their market positioning and operation cycle. Besides, it fully commenced the "co-sale of several projects" in a bid to achieving resource sharing and complementary sales between additional and stock assets. With the rents of North Star Times Tower and North Star Century Centre drawn closer to the average rent of CBD high-end office buildings, all the projects have been rented out and seen a substantial increase in their operating results, thus becoming the most significant profit source in the investment properties segment.

3. Commercial Properties

2011 marked the first year when all the additional commercial property projects of the Company commenced operation. Confronted with the intensifying market competition and consumer division, the commercial properties segment has vigorously adjusted its product structure and enhanced business promotion in full swing. In addition, it further consolidated the market presence of Beichen Business (北辰商業) in Asian Games core district by optimising and improving the brand and portfolio of its commodities and putting forward the joint promotion and advertising for several projects, among which, the stock project - Asian Games Village Store of Beichen Shopping Centre saw an on-going improvement in operation, ranking among the top ten shopping malls in Beijing as a single store.

During the reporting period, the operating revenue from business of commercial properties increased by 14.89% over the same period last year to RMB404,834,000. Although new projects were still at their infant stage, given the sustained growth in the operation of stock projects, the profit before tax from commercial properties increased by 52.70% year on year to RMB37,029,000 in 2011.

4. Overall Strength and Brand Building

In 2011, the Company further boosted its brand equity and industry presence through strengthened efforts in bringing the Brand Planning Guideline into effect. 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 honoured as "Leading Brand of Professional Business Mode and Enterprise in China's Integrated Property Industry (中國複合地產專業運營模式和企業領先品牌)". This demonstrates that the Company's corporate image as a composite property developer integrating the operations of property development and property investment was acknowledged by the consumers and the society.

During the election for the 7th Award of Office of the Year in Beijing (第七屆北京寫字樓年度風雲榜), North Star Century Centre and North Star Times Tower were honored as the "Office Building of the Spirit of Times (最具時代形象寫字樓)" and the "Landmark Office Building in the Asian Games Core District (亞奧核心地標寫字樓)", respectively, and their brand value was further improved. After two years of devotion in operation, China National Convention Centre not only substantially raised its market share, but also fashioned itself into a high-end convention and exhibition brand and an economic communication platform between home and abroad, as well as a venue for various significant political activities attended by leaders of the Party and the State and leaders of Beijing Municipal Government. The fast-growing brand prominence and industry presence of China National Convention Centre have provided favorable conditions for achieving an innovative profit-making mode and low-cost expansion for the Company through publication of the convention and exhibition management brand.

5. Investor Relations

As a real estate company with simultaneous listings of A shares and H shares, the Company has emphasized the maintenance 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 and maintained close contact with investors through channels such as results presentations, investor meetings, field research, project site visits and telephone meetings. In the election for the 2011 China Securities Golden Bauhinia Awards (2011中國證券金紫荊獎) organized by Ta Kung Pao (《大公報》) in Hong Kong and co-sponsored by the Hong Kong Chinese Enterprises Association, Hong Kong Securities Association, Securities Association of China and China Enterprise Confederation, the Company was honored as the "Most Welcomed Listed Company in Both Mainland China and Hong Kong (最受兩地投資者歡迎的上市公司)".

6. Environmental Protection Efforts

Persistent in upholding the philosophy of green environmental protection, the Company promoted cost-effective development by putting efforts in energy saving and emission reduction. The Company optimised project planning and designs and sourced environmental-friendly and energy-saving building materials for its development property projects, with a view to reduce energy consumption of buildings. During the construction of projects, the Company attached great importance to the application of new technologies. For instance, the Company introduced "fully-integrated lifting catch platform (全集成升降防護平台)", a new type of scaffold equipped with advanced technology in the world and first applied in Hunan Province, to the construction site in D1 Area of Beichen Delta in Changsha. Its intelligent operation and the main body's direction-shifting and folding functions not only better protect the safety of the construction workers engaged in dangerous overhead operation, but also effectively improved the construction efficiency by shortening the lifting time.

For properties held, the Company eagerly capitalised on the potential in energy saving and emission reduction by adopting various measures in relation to management and technologies, so as to contribute to the construction of a "green Beijing". In particular, Crowne Plaza Hotel Beijing (五洲皇冠假日酒店) is actively engaging in the preliminary technology assessment of the heat recovery system. When the conditions of the system mature and can be used, it will help enterprises to reduce their economic costs in future while achieving energy saving and emission reduction. The office building companies, actively promoting the eco-friendly philosophy, invited clients to participate in the Earth Hour activities and implemented dynamic monitoring and management over energy consumption in office buildings through installation of sub-metering devises. In addition, the branch of the infrastructure management company under the Company (mainly responsible for the management and maintenance of the facilities and systems as well as energy management and statistics of the major properties held by the Company) actively took part in the activity of "building water-saving enterprises" and carried out professional water balance test for such properties. Owing to systematic management and a complete range of facilities, such company had its relevant water-saving indicators in compliance with evaluation standards and was accordingly titled by Beijing Water Authority as a "Water-saving (Enterprise) Entity (節水型(企業)單位)".

III. Outlook of Business Environment in 2012 and its Potential Impact

This is an important year when it is a transitional period under the "Twelve Five-Year Plan" of China. Although there has been phrasal achievement under the macro economy control, China is still exposed to the potential risks arisen from the combination of pressures on slower economic growth and price inflation. Under the principle of "proceeding while maintaining stability", China will continue to implement positive fiscal policies and stable currency policies, maintain the continuity and stability of the macro economy policy, increase the concentration, flexibility and foresight of the control and accelerate the change in development and adjustment in structure, so as to ensure faster and steady development of the national economy and the necessary stability of general prices.

Regarding property development, the Central Economy Association (中央經濟工作會) insists on an unchanged control policy on real estates to facilitate the return of property prices to a reasonable level. It means that before an obvious ease on property prices is observed, the macro economy control focusing on the real estate market will not only continue, but also be tightened. Along with incessant tightening on purchase and loan limitation policies, more consumers think twice before purchase, causing the turnover rate to drop drastically and hence the pressure on inventory to rise. Subject to the capital environment which has difficulties in achieving recognisable improvement, developers have to cut their expenditures on land reserve and their investment scale. The market will enter the stages of over supply and hence the return to balance, while the real estate industry will generally retrieve with lower property prices as an obvious trend. With the impacts of all these factors, the property market trend is subject to larger uncertainty. Since a property project may involve a longer operation cycle, in case material fluctuation takes place in the market, the Company's operation stability and sales of real estates will be subject to risks to certain extent.

For investment properties, Beijing is being restructured as a distinctive world city under the policy of "Three Beijing (Green Beijing, People's Beijing and Hi-tech Beijing)" in China. Beijing actively develops tourism and has created a friendly environment for the development of investment properties. The "Twelve Five-Year Plan" for Developing the Convention and Exhibition Sector in Beijing (《北京市「十二五」時期會展業發展規劃》), suggests restructuring Beijing into a cosmopolitan for Asian convention and exhibition, one of the five hosting cities for international conventions and the leader of convention and exhibition sectors in China. The overall income from convention and exhibition markets will maintain a growth rate of 16% to 20% per annum, implying a tremendous opportunity for the development of the convention and exhibition sector. In addition, general supply of hotels, apartments and offices has relented while the demand has been rising again steadily. Conflicts between demand and supply are therefore alleviated, when prices have picked a growing trend again. Compared to residential properties and during the processes of the change in economic development and transformation of consumption, there is still a rapid growth for commercial properties. According to the CEBM consumption industry report, in the past decade, consumption rate of residents in China was only 38.8%, far less than those in developed countries which were ranging from 50% to 70%. Along with a lower speed of growth for international trade and investment, expansion of domestic demand, especially demand for consumption, will trigger eager development of the market for commercial properties. The Company's holding and operation of quality investment properties, including hotels, and commercial properties of 1,200,000 m^2, the enormous room for market development and the acceleration of Beijing's restructure of "distinctive world city in China" and "Three Beijing" will all engender positive effects to the Company, and thus enable operations of stock projects to improve steadily and revenue from additional projects to break the record again.

IV. Management's Measures for 2012

In 2012, based on its solid operation, the Company will deepen its study on the change of the macro economy and policies, improve its prediction incessantly on market trends under new situations and capture markets opportunities. Besides, it will also adjust its business strategies on a timely basis, accelerate turnover rate of projects, strengthen its analysis and deployment of cash flows and expand its land reserve when opportunities appear. Meanwhile, through consolidating sales, it will further reinforce its core competitiveness of "driving other operation and development in the industry by means of convention and exhibition", to continue its improvement in operation effects on stock and additional assets and to strengthen its integrated operation advantages of "property development" and "operation of properties held" with realisation of the Company's continuing development and steady growth of its operating results under risk control as its aim. In 2012, the Company will strive to promote the development of its principal businesses by improving its operation profitability and professional level. In the meantime, it will fully implement the budget management by its continuous realisation on the accountability system of costs and expenses and its enhanced control over the costs and expenses, so as to achieve a continuous robust growth of the Company.

1. Property Development

The Company will actively respond to market changes, and will adopt flexible and diversified business strategies. By shortening the turnover period of project development, it could comprehensively raise its sales speed, which will further enhance the static income rate, turnover rate and asset income level of the projects. In particular, Bihai Fangzhou Garden Villas will eagerly engage in building its brand image and expanding its market influence, while actively progressing on the sales of villa products. The commercial public construction of Beichen • Fudi A09 Area will strive to, on the premise that the structure will be topped out at the end of the year, accelerate the sales of its commercial properties along the streets. In view of the current land market being relatively depressed, the Company will also vigorously seek opportunities in the market, increase its land reserve when opportunities arrive in second and third tier cities with potential and reinforce incessantly sustainable development capability of development properties.

In 2012, the Company will also continue to accelerate the construction of the Beichen Delta in Changsha, to adopt innovations on sale and to create brands, in order to maintain the incessant growth of its development scale and sales volume. Regarding engineering and constructions, D3 Area will be completed in April, ensuring delivery of properties to residents in the first half of 2012. E5 Area is eagerly scheduled to complete verification in November and to start gradual delivery during the year. The structures of A1 Area and D1 Area will be topped out before the end of the year and will commence its renovation. The structure of D2 Area consists of 10 storeys, while residential facilities of 390,000 m^2 in E3 Area will start its construction. Along with the general commencement of project development in the Beichen Delta in Changsha, the Company's business will be closely related to the commercial product line focusing on offices in A1 Area, the product line for luxury residential properties focusing on the Binjiang apartments in D1 Area and the product line for ordinary residential properties mainly in E5 Area and D2 Area. It will continue its innovation on its marketing by emphasising the reinforcement of market expansion in regions within and outside the province and actively expanding the marketing channels for commercial offices, so that commercial promotion and product sales could be combined smoothly. While ensuring the projects being hotly welcomed, we aim not only to turn the Beichen Delta into the city landmark in Changsha with an idea of "an integral provincial city combining the two banks along the river", but also to make a famous brand with high awareness and much influence across the country.

In 2012, the Company expects to realise new construction of an area of 595,000m^2, and properties under construction of an area of 2,354,000 m^2 and complete construction of an area of 561,000 m^2. Area sold is targeted to be 255,000 m^2 and the amount of contracted sales is targeted to be RMB4.05 billion.

2. Investment properties (including hotels)

With Beijing is being restructured into a world city with constructing the "Three Beijing" as the opportunities, the Company will fully capture its comprehensive advantages on the diversity and cooperation among investment properties and its regional advantages on being located in the Asian-Olympic core districts, continue its business strategy of integrated marketing so that it could further consolidate its core competitiveness of "driving other development in the industry by means of convention and exhibition" and incessantly improve its operating revenue from stock and additional assets, which will provide strong support to the continuous growth of the investment properties sector including hotels and its overall income. Besides, capturing the important opportunity of substantial development of investment properties in Beijing during the "Twelve Five-Year" period and with a prospective vision of "entering the world and entering the future", the Company's establishing a replica of the property complex in the Asian Games Village could found a product base for planning the international development of the investment property sector including hotels. Meanwhile, it will fully turn the convention and exhibition business of the Company and the brand "Beichen Convention and Exhibition" into the flagship brand in Beijing and thus national convention and exhibition markets. Besides, leveraging its existing leading edges in the industry, it will spare no effort in expanding the convention and exhibition management market and tapping into the upstream and downstream business in the industry chain, thus boosting the brand influence and expediting low-cost expansion of the Company's brand of convention and exhibition stadiums.

3. Commercial properties

In 2012, with enhancing the professional operation and delicacy management of commercial properties as the basis, the Company is fulfilling critical commitments such as fully and accurately grasping its position in the market, realising the business promotion on brands and marketing, and by its advantages on joint promotion of multi-projects, striving to shorten the initial struggling period of new projects so as to enhance the operation capability of the commercial properties in Beichen and the market share in the Asian-Olympic zones.

4. Financing and Capital Expenditure

While project development, marketing and turnover are being accelerated, the Company will further reinforce its capital and planning management. It will reasonably arrange its funding operation taking its advantages on its "central financing" model, and concentrate on strengthening the reasonable allocation, re-allocation and deployment of currency capital, to lower its funding cost, raise its utilisation efficiency and ensure the safety and liquidity of capital. In addition, the Company will consolidate its study on the trend of macro economy control and the change in capital market, eagerly explore an innovative financing model with diversity and multi-channels, actively attempt the operation of a fund management company for real estates and try to run at a larger development scale by means of equity leverage, which will in turn enhance the Company's capability of continuing development.

In 2012, the Company's investment in fixed assets is estimated to be RMB340,000,000, payment of which will be made in accordance with the progress of its construction, with the fund derived from the Company's own capital.

V. Analysis on the Company's Advantages, Shortcomings, Problems and Risks Factors

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 model, and its comprehensive operation capability. Firstly, with a relatively strong foresight and ability of mastering market changes and trends, the Company, though confronted with unprecedented macro control on real estates, achieved excellent operating results by proactively adjusting its sales strategy. Meanwhile, benefited from the enhanced efforts in boosting convention and exhibition industry by the government of Beijing and a more promising outlook on the market generally, the Company completed the initial struggling period of the additional assets of its investment properties earlier, thereby contributing greatly to the remarkable rebound of the Company's results. Secondly, with its unique business structure of "property development" and "operation of properties held", the Company can not only enjoy rapid revenue growth from property development, but also obtain long term and stable revenue 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 property development, investment properties and commercial properties, together with the mutual procuring of development and integration of strengths of the three major businesses, allows the Company to enjoy apparent advantages in property development involving large and comprehensive projects.

2. Brief Analysis on the Company's Development Shortcomings

With increasing expansion of the Company's operation scale and the commencement of use of a large quantity of properties held, the discrepancies between the rapidly increasing demand for human resources and the Company's current human resources reserve need 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 property development.

(1) Market risks of property development

The Central Economy Association (中央經濟工作會) insists unchanged control policy on real estates to facilitate the return of property prices to a reasonable level. It means that before an obvious release on property prices is observed, the macro economy control focusing on the real estate market will not only continue, but also be tightened. As more consumers think twice before purchase, the turnover rate drops drastically. Subject to the capital environment which has difficulties in achieving recognisable improvement, developers have to cut their expenditures on land reserve and their investment scale. The market will enter the stages of over supply and hence the return to balance, while the real estate industry will generally retrieve with lower property prices as an inevitable trend. With the impacts of all these factors, the property market trend is subject to larger uncertainty. Since a property project may involve a longer operation cycle, in case material fluctuation takes place in the market, the Company's operation stability and sales of real estates will be subject to greater risks.

With the market risks of property development mentioned above as the focus, the Company will actively respond to market changes, and will adopt flexible and diversified business strategies. By shortening the turnover period of project development, it could comprehensively raise its sale speed, especially sales on commercial real estates and high-end projects, which will further enhance the turnover rate and revenue level of the projects. Its will also increase its land reserve when opportunities arrive in second and third tier cities with development potential to reinforce incessantly its core competitiveness on property development and sustainable development capability. In addition, subject to the changes of demand, the Company will speed up its sales for commercial and public constructions of 87,000m^2 in aggregate in Beijing, and will concurrently seek block sale for major clients to relieve the shock from the national macro economic control and local rules to the Company's realisation of its general operating target.

(2) The Company's short-term operating risks

Regarding property development, although phrase II of Bihai Fangzhou Garden Villas has started construction in July 2011 and we have currently received a reply relating to planning suggestion for phrase II of Changhe Yushu Garden Villas, more time is still needed for completion and occupation of the villas as well as for recognition of income, which will cause the Company's high profit margin products available for settlement in short term to reduce in quantity and will therefore affect its operating results.

Addressing the Company's short-term operating risks above for the phrase II of the low-density projects of both Bihai Fangzhou Garden Villas and Changhe Yushu Garden Villas, the Company would, based on the changes of the market trend, accelerate the sale preparation and processing of the pre-sale permits for Bihai Fangzhou Garden Villas, in order to realise its support to the Company's future performance as soon as possible. It will continue to speed up various approval procedures and pre-construction preparation for Changhe Yushu Garden Villas. Once the relevant permission is acquired, it will commence the construction as soon as possible and realise its support to the Company's sale performance.

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 5,900,000 m^2 of land reserve which matches the current development capability of the development properties is vital for the Company's sustainable development. Amid the sluggish real estate market environment, the stable cash flows generated from the ongoing operation of a 1,200,000 m^2 property held strongly underpinned the Company's sustainable development. The "three-in-one" integrated operation mode, which means mutual procuring of development and integration of strengths of the three major businesses, together with the Company's stronger risk resistant capability during market fluctuations provide the foundation for the Company's sustainable development. With the early completion of the initial struggling period for additional assets of the investment properties, sustaining hot sales of the Beichen Delta project in Changsha, making solid progress for the project operations of the Company's three major business sectors and expanding its scale of operation continuously, the Company's sustainable development capability will be enhanced continuously.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2011, the equity attributable to equity holders of the Company increased by 8.97% compared to 31 December 2010. The increase was mainly attributable to additional profit attributable to equity holders of the Company during the period of RMB1,172,525,000.

The Group's bank borrowings as at 31 December 2011 amounted to RMB8,135,305,000. Net value of the Group's 10-year corporate bonds was RMB1,489,637,000 as at the end of the year. Balances of the Group's 5-year corporate bonds at year end amounted to RMB1,687,851,000.

Current assets of the Group, which were mainly comprised of cash at bank and on hand, completed properties held for sale and properties under development, amounted to RMB21,301,224,000, whereas the Group's current liabilities amounted to RMB9,780,632,000. As at 31 December 2011, balances of cash at bank and on hand amounted to RMB2,808,106,000 (excluding restricted bank deposits) and none of the bonds 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 2011, the Group had secured bank borrowings of RMB4,665,305,000 with certain investment properties, hotels, properties under development and completed properties held for sale as the collaterals. The total liabilities to total assets ratio for the Group was 59.06% (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 2011, 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 2011, the Company had 4,839 employees. The employee 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 its administrative personnel trainings 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.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in force for the time being 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 the 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 2011.

By Order of the Board
BEIJING NORTH STAR COMPANY LIMITED
HE Jiang-Chuan
Chairman

Beijing, the PRC, 21 March 2012

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.