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)

2012 ANNUAL 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 2012 as set out below:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2012	2011
	Note	***RMB'000***	*RMB'000*
Revenue	2	**5,735,904**	3,968,933
Cost of sales	3	**(3,315,177)**	(2,007,383)
Gross profit		**2,420,727**	1,961,550
Selling and marketing expenses	3	**(272,220)**	(180,424)
Administrative expenses	3	**(614,000)**	(525,481)
Fair value gains on investment properties		**265,295**	767,499
Other losses - net		**(3,121)**	(694)
Operating profit		**1,796,681**	2,022,450
Finance income	4	**23,472**	28,400
Finance costs	4	**(395,783)**	(340,382)
Finance costs - net	4	**(372,311)**	(311,982)
Share of loss of an associate and a jointly controlled entity		**(1,721)**	(6,592)
Profit before income tax		**1,422,649**	1,703,876
Income tax expenses	5	**(476,465)**	(509,229)
Profit for the year		**946,184**	1,194,647
Profit attributable to:			
Equity holders of the Company		**970,008**	1,172,525
Non-controlling interests		**(23,824)**	22,122
		946,184	1,194,647

		Year ended 31 December	
		2012	2011
	Note	***RMB'000***	*RMB'000*
Earnings per share attributable to the equity holders of the Company during the year (basic and diluted) *(expressed in RMB cents per share)*	6	**28.81**	34.82

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Profit for the year	**946,184**	1,194,647
Other comprehensive income	**—**	—
Total comprehensive income for the year	**946,184**	1,194,647
Attributable to:		
Equity holders of the Company	**970,008**	1,172,525
Non-controlling interests	**(23,824)**	22,122
	946,184	1,194,647

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2012** *RMB'000*	2011 *RMB'000*
ASSETS			
Non-current assets			
Land use rights		**1,043**	1,075
Investment properties		**11,238,200**	11,142,400
Property, plant and equipment		**2,165,326**	1,848,726
Interest in an associate and a jointly controlled entity		**7,279**	—
Deferred income tax assets		**41,311**	49,623
		13,453,159	13,041,824
Current assets			
Properties under development		**15,333,378**	14,461,894
Completed properties held for sale		**3,464,188**	3,297,804
Other inventories		**99,411**	122,560
Trade and other receivables	8	**556,451**	531,575
Restricted bank deposits		**279,121**	79,285
Cash and cash equivalents		**2,576,752**	2,808,106
		22,309,301	21,301,224
Total assets		**35,762,460**	34,343,048

		As at 31 December	
		2012	2011
	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		**4,196,244**	4,160,622
Retained earnings			
— Proposed final dividend		**202,021**	101,011
— Others		**7,053,189**	6,320,824
		14,818,474	13,949,477
Non-controlling interests in equity		**86,654**	110,478
Total equity		**14,905,128**	14,059,955
LIABILITIES			
Non-current liabilities			
Long term borrowings		**7,255,409**	9,033,793
Long term payables		**7,745**	8,666
Deferred income tax liabilities		**1,569,659**	1,457,452
Deferred income		**—**	2,550
		8,832,813	10,502,461

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
Current liabilities			
Trade and other payables	9	**7,301,015**	7,218,885
Current income tax liabilities		**405,615**	282,747
Current portion of long term borrowings		**3,117,889**	1,579,000
Short term borrowings		**1,200,000**	700,000
		12,024,519	9,780,632
Total liabilities		**20,857,332**	20,283,093
Total equity and liabilities		**35,762,460**	34,343,048
Net current assets		**10,284,782**	11,520,592
Total assets less current liabilities		**23,737,941**	24,562,416

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 which are carried at fair value.

(a) New and amended standards adopted by the Group

The Hong Kong Institute of Certified Public Accountants("HKICPA") has amended HKAS 12, 'Income taxes', to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012.

The Group has adopted this amendment retrospectively for the financial year ended 31 December 2012. As investment properties of the Group are with a business model to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, the presumption is rebutted and related deferred tax is not remeasured. As a result, no adjustments were necessary to any of the amounts previously recognized in the financial statements.

Other than as disclosed below, there are no HKFRSs or HK(IFRIC) interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group.

(b) New and amended standards, and interpretations mandatory for the financial year beginning 1 January 2012 but not currently relevant to the Group

- HKFRS 1, 'First time adoption' on hyperinflation and fixed dates

- HKFRS 7, 'Financial instruments: Disclosures' on transfer of financial assets

(c) New and amended standards relevant to the Group that have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted

- HKFRS 9, 'Financial instruments'
- HKFRS 10, 'Consolidated financial statements'
- HKFRS 11, 'Joint arrangements'
- HKFRS 12, 'Disclosures of interests in other entities'
- HKFRS 13, 'Fair value measurement'
- HKAS 1, 'Financial statement presentation'

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2. SEGMENT INFORMATION

The Board is the main decision maker of the Company, which assess business performance and allocate resources bared on internal reports.

Management has determined the operating segments based on those 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. Development properties are the segment which involves in sales of developed properties; commercial properties are the segment which involves in operation of retailling 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.

The Board 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 2012 and 31 December 2011 are as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Revenue		
Development properties	**3,205,908**	1,684,242
Commercial properties	**379,836**	404,834
Investment properties and hotels	**2,038,593**	1,760,228
	5,624,337	3,849,304
All other segments	**111,567**	119,629
	5,735,904	3,968,933

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 for the reportable segments for the year ended 31 December 2012 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*
Total revenues	3,205,908	379,836	2,053,066	156,727	5,795,537
Inter-segment revenues	—	—	(14,473)	(45,160)	(59,633)
Revenues (from external customers)	3,205,908	379,836	2,038,593	111,567	5,735,904
Profit before income tax	672,352	7,532	603,906	(9,949)	1,273,841
Depreciation and amortization	3,188	30,770	297,061	6,309	337,328
Finance income	6,790	1,043	3,701	2,215	13,749
Finance costs	—	—	—	—	—
Share of loss from an associate and a jointly controlled entity	—	—	—	—	—
Adjusted income tax expenses	323,687	1,900	150,976	(2,170)	474,393

The segment information 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 amortisation	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 an associate and a jointly controlled entity	—	6,592	—	—	6,592
Adjusted income tax expenses	238,077	10,935	116,799	(793)	365,018

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 is measured in a manner consistent with that in the consolidated income statement.

The segment information as at 31 December 2012 and 31 December 2011 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 2012					
Total assets	20,969,332	1,111,754	6,282,492	85,198	28,448,776
Total assets include:					
Interest in an associate and a jointly controlled entity	—	—	—	—	—
Additions to non-current assets (other than deferred tax assets)	2,223	2,178	39,187	2,790	46,378
Total liabilities	12,486,991	280,870	4,226,046	196,830	17,190,737
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 an associate and 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

The amounts provided to the Board 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.

Certain interest-bearing liabilities are not considered to be segment liabilities but rather are managed by the treasury function.

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Profit before income tax for reportable segments	**1,273,841**	1,029,481
Corporate overheads	**(76,294)**	(55,480)
Corporate finance costs	**(382,717)**	(325,136)
Corporate finance income	**9,723**	16,279
Share of loss from an associate and a jointly controlled entity	**(1,721)**	—
Fair value gains on investment properties	**265,295**	767,499
Reversal of depreciation of investment properties	**179,951**	167,248
Land appreciation tax	**150,991**	100,405
Others	**3,580**	3,580
Profit before income tax	**1,422,649**	1,703,876

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

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Total segments' assets	**28,448,776**	26,582,578
Deferred income tax assets	**41,311**	49,623
Corporate cash	**986,461**	1,881,040
Interest in an associate and a jointly controlled entity	**7,279**	—
Aggregated fair value gains on investment properties	**5,130,703**	4,865,408
Reversal of accumulated depreciation of investment properties	**1,163,183**	983,232
Others	**(15,253)**	(18,833)
Total assets per balance sheet	**35,762,460**	34,343,048
Total segments' liabilities	**17,190,737**	16,979,494
Deferred income tax liabilities	**1,569,659**	1,457,452
Corporate borrowings	**1,894,855**	1,673,851
Other corporate liabilities	**202,081**	172,296
Total liabilities per balance sheet	**20,857,332**	20,283,093

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 RMB179,919,000 (2011: RMB167,216,000). 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 2012 and 2011.

The reconciliation of reportable segments' income tax expenses and total income tax expenses is maily the income tax expenses amounting to RMB2,072,000 (2011: RMB 144,211,000), 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 2012 and 31 December 2011, 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 2012 and 2011.

3. EXPENSES BY NATURE

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Depreciation	**157,377**	140,776
Amortisation	**32**	32
Provision of impairment for receivables	**17**	136
Employee benefit expense	**500,976**	434,964
Advertising costs	**41,661**	35,986
Cost of properties sold		
— Land use rights	**663,070**	53,262
— Finance cost capitalised in cost of properties	**125,151**	29,859
— Development costs	**1,240,797**	781,904
Cost of goods for resale	**219,580**	237,596
Cost of consumables used	**168,594**	166,470
Business tax	**268,817**	187,827
Other taxation	**127,581**	102,993
Office and consumption expenses	**199,204**	175,246
Energy expenses	**110,444**	110,068
Consulting and service expenses	**178,348**	94,602
Repair and maintenance expenses	**93,344**	67,665
Operating leases	**26,851**	27,726
Auditor's remuneration	**7,500**	9,470
Others	**72,053**	56,706
Total cost of sales, selling and marketing expenses and administrative expenses	**4,201,397**	2,713,288

4. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Interest expense:		
— bank and other borrowings wholly repayable within five years	**(560,193)**	(277,828)
— bank borrowings wholly repayable over five years	**(51,541)**	(190,088)
— bond wholly repayable within five years	**(210,372)**	(209,700)
	(822,106)	(677,616)
Less: amounts capitalised in properties under development at a capitalisation rate of 6.72% (2011: 6.40%) per annum	**439,389**	352,480
Finance costs	**(382,717)**	(325,136)
Bank charges and others	**(13,066)**	(15,246)
Finance income - Interest income on short-term bank deposits	**23,472**	28,400
Net finance costs	**(372,311)**	(311,982)

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% (2011: 25%).

The Company and certain PRC subsidiaries are also subject to the PRC land appreciation tax 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	
	2012	2011
	RMB'000	*RMB'000*
Current income tax		
— PRC enterprise income tax	**204,955**	175,384
— PRC land appreciation tax	**150,991**	100,405
Deferred income tax	**120,519**	233,440
	476,465	509,229

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	
	2012	2011
	RMB'000	*RMB'000*
Profit before income tax	**1,422,649**	1,703,876
Add: share of loss from an associate and a jointly controlled entity	**1,721**	6,592
	1,424,370	1,710,468
Tax calculated at the statutory tax rate of 25% (2011: 25%)	**356,093**	427,617
Expenses not deductible for tax purposes	**6,660**	2,550
Tax losses not recognized	**38**	121
Utilisation of previous unrecognised tax losses	**(56)**	—
Effect of higher tax rate for the appreciation of land in the PRC	**113,243**	75,304
Reversal of deferred tax which could not be realised	**487**	3,637
Income tax expenses	**476,465**	509,229

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 2012 and 2011.

	Year ended 31 December	
	2012	2011
Profit attributable to equity holders of the Company *(RMB'000)*	**970,008**	1,172,525
Number of ordinary shares in issue *(thousands)*	**3,367,020**	3,367,020
Earnings per share (basic and diluted) *(RMB cents per share)*	**28.81cents**	34.82cents

7. DIVIDEND

The dividends paid in 2012 is RMB101,011,000 (2011: RMB67,340,000) . Proposed dividends in respect of 2012 and 2011 were as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
2012 proposed RMB0.06 per share final dividend (2011: RMB 0.03 per share)	**202,021**	101,011

8. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**51,402**	36,241
Less: provision for impairment of receivables	**(90)**	(628)
Trade receivables - net	**51,312**	35,613
Other receivables	**95,346**	69,097
Less: provision for impairment of receivables	**(12,858)**	(12,876)
Other receivables - net	**82,488**	56,221
Prepaid tax	**344,294**	351,125
Other prepayments	**78,357**	88,616
	556,451	531,575

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 and Company's sales are on cash or advance basis. The remaining amounts are with credit terms of 30 to 90 days. As at 31 December 2012 and 2011, the ageing analysis of the trade receivables were as follows:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
0 - 30 days	**24,691**	23,021
31 - 90 days	**5,592**	5,803
Over 90 days	**21,119**	7,417
	51,402	36,241

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 has 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 2012 and 2011, the ageing analysis of the other receivables were as follows:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
0 - 12 months	**52,030**	30,581
12 - 24 months	**6,657**	11,632
Over 24 months	**36,659**	26,884
	95,346	69,097

9. TRADE AND OTHER PAYABLES

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Advances from customers *(Note a)*	**3,983,169**	3,664,701
Trade payables	**972,157**	909,524
Dividends payable to non-controlling interests of a subsidiary	**1,162**	1,162
Accrued construction costs	**1,508,568**	1,849,136
Amount due to Beijing North Star Industrial Group Limited Liabilities Company ("BNSIGC")*(Note b)*	**20,332**	5,163
Accrued interest	**115,072**	115,295
Other payables	**700,555**	673,904
	7,301,015	7,218,885

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

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

As at 31 December 2012 and 31 December 2011, the ageing analyses of the trade payables (including amounts due to related parties of trading in nature) were as follows:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
0 - 180 days	**586,365**	374,233
181 - 365 days	**48,348**	118,635
Over 365 days	**337,444**	416,656
	972,157	909,524

Reconciliation of consolidated financial statements

The Group has prepared a separate set of consolidated financial statements for the year ended 31 December 2012 in accordance with China Accounting Standards for Business Enterprises ("CAS"), which was issued by the Ministry of Finance of the PRC in February 2006. The differences between the financial statements prepared under CAS and HKFRS are summarised as follows:

	Profit attributable to equity holders of the Company for the year ended 31 December		**Capital and reserves attributable to the equity holders of the Company as at 31 December**	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
As stated in accordance with CAS	**633,388**	468,780	**10,109,497**	9,577,120
Impact of HKFRS adjustments				
1. Reversal of depreciation of investment properties under CAS	**134,963**	125,436	**872,387**	737,424
2. Fair value adjustment of investment properties under HKFRS	**198,971**	575,623	**3,848,025**	3,649,054
3. Difference on revaluation of certain assets upon the reorganisation in 1997	**2,686**	2,686	**(11,435)**	(14,121)
As stated in accordance with HKFRS	**970,008**	1,172,525	**14,818,474**	13,949,477

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed upon by the Group's auditor, 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 44.52% to RMB5,735,904,000. The Group's profit attributable to equity holders for the year ended 31 December 2012 decreased by 17.27% from the same period of last year to RMB970,008,000.

The Board has recommended the payment of a final dividend of RMB0.06 per share (2011: RMB0.03 per share) for the year ended 31 December 2012, totalling RMB202,021,000 to those shareholders whose names appear on the register of shareholders on Wednesday, 19 June 2013. 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 Wednesday, 31 July 2013.

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, 6 May 2013 to Wednesday, 5 June 2013 (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 2012 annual general meeting. In order to be eligible to attend and vote at the 2012 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, 3 May 2013.

Subject to the approval of the shareholders at the 2012 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 Wednesday, 19 June 2013. The register of shareholders of the Company will be closed from Tuesday, 11 June 2013 to Wednesday, 19 June 2013 (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 qualify 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, 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 Monday, 10 June 2013.

THE BOARD'S DISCUSSION AND ANALYSIS ON THE COMPANY'S OPERATION DURING THE REPORTING PERIOD

I. OPERATING ENVIRONMENT

As marked by a global economy which was lack of growth momentum, the Chinese economy, under the keynote of "proceeding while maintaining stability", accelerated the transformation of economic development pattern as the main theme in 2012. Through the implementation of a proactive fiscal policy and stable monetary policy, steady decline of inflation facilitated the steady domestic economic growth to demonstrate good momentum with an annual GDP growth rate of 7.8%.

1. Development Properties

In 2012, the government adhered to its determination of an unchanged macroeconomic control policy on real estates. However, under the moderately loosening monetary policies, strong underlying demand and demand for better housing were gradually unleashed. Part of the sale areas in large and medium-sized cities in the country posted a steady growth on a monthly basis in the second half of the year, with selling prices showing a significant increase. According to the information from the Statistics Bureau in 2012 (the same applied hereafter), sale areas of commodity residential units in the country increased by 2.0% over the same period last year to 984,680,000 m^2, representing a drop of 1.9 percentage points as compared to the growth in 2011. Average trading price of commodity residential units for the year increased by 8.4% over the previous year to RMB5,430 per m^2, representing a rise of 2.3 percentage points as compared to the growth in the previous year.

Since the second quarter, sales indicators of the Beijing's real estate market remained positive under the strategies of some developers to lower their prices in exchange of sales volume. In the second half of the year, the pace of market "de-zation" accelerated and growth momentum in prices and volume was seen under the effect of the rapidly unleashed strong underlying demand and demand for better housing. In 2012, sale areas and contracted sales amount of commodity residential units in Beijing were 14,830,000 m^2 and RMB245.6 billion, representing year-on-year increases of 43.3% and 52.9% respectively. The average trading price was RMB16,554 per m^2, representing a year-on-year increase of 6.7%.

Influenced by the overall balance of demand and supply, the overall Changsha's real estate market was relatively stable. Sale prices saw slight increase. In addition, based on product mix, with the constant completion of ultra-high buildings, the diversified development model focusing on urban complex has become one of the important drives to underpin the Changsha's real estate market. In 2012, sale areas of commodity residential units in Changsha's real estate market amounted to 13,850,000 m^2, basically same as compared to 2011. Trading price was RMB5,602 per m^2, representing a slight increase of 2.2% over the previous year.

2. Investment Properties (including hotels)

Under historic opportunities such as building the Beijing city into "world-class city with Chinese characteristics" as well as establishing "five metropolises and one city", business conditions of the Beijing's investment properties market (including hotels) remained sound and gathered pace in steady growth in demand. The office building market was affected by double effects of the slowdown of new supply and stable hike in take-up. Vacancy rate remained low and rental fees kept on at record high. Relied on favorable environment for economic development in Beijing, the high-grade hotel market bolstered its efforts in developing convention and exhibition tourism with steady increases in average room price and occupancy rate. The demand in the apartment market remained vibrant due to the slowdown in supply of new projects. Occupancy rate remained at high level and rental fees kept on surging. Under the intensifying efforts of building "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)" in Beijing, growth of demand of the convention and exhibition market remained steady and its economic benefits and social benefits were increasingly prominent. In addition, the rapid development of strategic emerging industries and the cultural creative industry provided sound development opportunities for Beijing's convention and exhibition industry.

3. Commercial Properties

Owing to the dual factors of numerous projects targeting at the market and new supply gradually entering into the market during the prior period, it was difficult for the phenomenon of excessive supply over demand to disappear within a short period of time. Confronted with diversification effect of consumption on traditional commercial industry brought by emerging online shopping industry, competitions in the market environment were even keen. Based on short term prospect, retail enterprises made improvement on commercial focus, scaled up and enlarged market share through acquisition and mergers. Diversified operation with the combination of catering, entertainment and shopping has become the trend of development in the commercial market in Beijing. Based on long term prospect, the country would tightly grasp the strategic focal point of expanding domestic demand, strengthened the fundamental function of consumption over economic growth. The commercial property market would maintain relatively rapid growth.

II. REVIEW OF OPERATION DURING THE REPORTING PERIOD

In face of ever-changing complex macroeconomic circumstances and ever-increasing industry competitions in the market environment, the Company proactively extended the pathway of marketing ideas, flexibly coped with market changes, pressed ahead with the implementation of its innovative development strategies of capital expansion, brand expansion and low-cost expansion, whilst increased the turnaround of real estate development projects and reinforced the idea of driving other synergistic development in the industry by means of convention and exhibition, thereby achieved another height in terms of its business and development. In addition, during the reporting period, the Company kept abreast of the market dynamics and grasped opportunities of sales, thus generated operating revenue as expected for the year. The Company also imposed strict control over various costs and expenditure to maintain cost and expenses to be on par with the benchmark level as expected.

In 2012, the Company recorded an operating revenue of RMB5,735,904,000, representing a year-on-year increase of 44.52%. Despite of the effect from a larger decrease in the gain on changes in fair value of investment properties over last year, the profit before tax of the Company and the profits attributable to equity holders decreased by 16.51% and 17.27% to RMB1,422,649,000 and RMB970,008,000 respectively (gain on changes in fair value of investment properties after tax for 2012 was RMB198,971,000, representing a decrease of 65.43% as compared to RMB575,623,000 in 2011), the core operating results of the Company's principal operations (after tax) amounted to RMB771,037,000, representing a year-on-year increase of 29.71% and maintaining a rapid growth for three consecutive years, driven by increased settlement of real estate development projects and speedy improvement in operating results of investment properties business. Earnings per share was RMB0.29, decreased by 17.27% as compared to 2011.

1. Development Properties

During the reporting period, the Company actively innovated its methodology of marketing and adopted flexible and diversified means of selling, focused on the sale of its major projects and achieved satisfactory operating results in face of continuous macroeconomic control measures on the real estate market. In respect of the projects in Beijing, Phase II of Bihai Fangzhou Garden Villas soon became the sought-after item in the market since its launch. As at the end of the year, such project recorded 13 contracted blocks and contracted sales of RMB855.52 million. Phase II of the low-density projects of Changhe Yushu Villas, after preliminary strenuous efforts were made, successfully obtained the planning permit and construction permit. Phase I of Mapo Project has commenced construction as scheduled, whereby favourable conditions for launching new project sales to the market when opportunities arise in 2013 were facilitated.

Apart from the solid operation of projects in Beijing, the Company accelerated the development, construction and marketing activities of Changsha North Star Delta Project. On one hand, through preliminary intensive construction underway, the development scale of Changsha North Star Delta Project has reached 2.11 million m^2 as at the end of 2012, representing 39% of the whole construction scale, and development of the project was in full swing. In addition, after more than three years of painstaking efforts, Changsha North Star Delta Project has been stepping into the initial stage of harvesting with the delivery of its residential properties in D3 and E5 Blocks on 5 May and 20 November respectively. During the reporting period, the two groups mentioned above recorded an operating revenue of RMB2,030.48 million as an area of 243,000 m^2 completed delivery to owners. On the other hand, through innovative marketing approach and strategy such as quality output and brand establishment, three indicators regarding sale areas, contracted sales and units sold of Changsha North Star Delta Project achieved continued growth for three consecutive years since its first launch, thereby laid solid foundation for the accomplishment of business objectives of the development property sector. In 2012, Changsha North Star Delta Project achieved sale areas of 168,000 m^2 for 1,496 units in total, contracted sales (including car parks) of RMB1,698.29 million, which was listed as the third in the ranking list of general sales in Changsha's real estate market, of which the average sale price of residential units was RMB8,521 per m^2, and that of commercial units amounted to RMB34,153 per m^2.

During the reporting period, operating revenue of the development properties segment of the Company recorded RMB3,205,908,000 (including car parks), representing a year-on-year increase of 90.35%, which was attributable to increase in settlement of real estate development projects. Due to structural changes in settlement of projects, profit before tax of the development properties segment was RMB672,352,000, representing a year-on-year increase of 26.95%. During the reporting period, the Company achieved area commenced construction of 544,000 m^2, area under construction of 2,302,000 m^2, as well as area completed construction of 553,000 m^2. The development properties segment achieved contracted sales and sale areas of RMB3,754.90 million (including car parks) and 264,000 m^2 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 situating at the geographically preferred Asian Games core district and the comprehensive competitiveness of its two pillar industries venues for convention and exhibition as well as office buildings, thereby significantly increased the operation of its stock assets and accomplished rapid growth in benefits. In 2012, the investment properties (including hotels) recorded revenue from principal businesses of RMB2,038,593,000, representing a year-on-year increase of 15.81%. Without taking into account the amortisation of interest expenses, profit before tax amounted to RMB603,906,000, posting a remarkable year-on-year growth of 29.33%. In particular, the economic benefits of new projects including North Star Times Tower, North Star Century Centre as well as the China National Convention Centre delivered continuous growth and recorded a year-on-year increase of RMB129 million in profit before tax, representing 94.35% of the growth in profit for the whole investment properties (including hotels) segment and also outperforming in their operations.

With the core of the convention and exhibition service area of North Star being China National Convention Centre and Beijing International Convention Centre, the Company insisted on the professional integrated operating mode of driving other joint development in the industry by means of convention and exhibition. It not only established a new layout of the large-scale development of convention and exhibition of the Company, but also substantially enhanced the status of Beichen Convention and Exhibition in the industry and its brand influence.

In 2012, the two convention centres received a total of 1,528 conventions and exhibitions. In particular, as a leading enterprise and flagship brand in Beijing and even the whole country, China National Convention Centre strived to enhance the service and management of its convention and exhibition and generated profits after deducting its interest expenses and total costs and become a satisfactory model for its sustainable development after the Olympic Games through undertaking a series of large, high-end and international conventions and exhibitions. After reconstruction and transformation, Beijing International Convention Centre delivered differentiated operation just as National Convention Centre, continued to grow its market share in the small- and medium-sized convention market, created significant effect in developing characteristic high-end market and maintained steady growth in operating results. In addition, the Company proactively proceeded with the strategy of brand expansion around the promotion of convention and exhibition brand and the enhancement of the industry chain of convention and exhibition. During the year, the Company successfully entered into contracts with Daluqiao Convention and Exhibition Centre, Xuwei New District, Lianyun Port, Jiangsu (江蘇連雲港徐圩新區大陸橋會展中心) and Zhuhai International Convention and Exhibition Centre, Guangdong (廣東珠海國際會展中心), thereby accomplished a breakthrough in brand expansion, as well as laid a foundation for the Company's transformation to the parallel development of the investment business of heavy assets and the service business of light assets.

Through adhering to the operating concept of professionalism and the business strategy of multi-project co-sale, the Company actively switched and adjusted its structure of customers for its office business. While keeping high occupancy rate, prices of North Star Times Tower and North Star Century were still at levels similar to CBD projects, thereby drove up the profit of office business as a whole to a continuous substantial growth and that became a key source of the profit of the investment properties (including hotels) segment.

3. Commercial properties

In facing keen competitions in the market of its commercial properties, the Company conscientiously analysed and aggressively tackled. The Company continuously fulfilled the needs of changing consumption and demand. The operation of stock properties was generally stable and business sentiment of the additional properties was also growing strong.

During the reporting period, the commercial properties segment recorded an operating revenue of RMB379,836,000, representing a year-on-year decrease of 6.17%. Due to increased market competitions and the impact of the new projects still under their infant stage, profit before tax was RMB7,532,000, representing a year-on-year decrease of 79.66%.

4. Overall Strength and Brand Building

In 2012, 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 China's Integrated Property Industry (中國複合地產專業領先品牌)". This demonstrates that the Company's corporate image as a composite property developer and sale company integrating the operations of property development and holding was acknowledged by the consumers and the society.

Furthermore, under the rapid development of Beichen Convention and Exhibition, the Company is holding properties of 1.20 million m^2 in the Asian-Olympic core districts, including convention, exhibition, hotel, office, apartments and commercial properties. A functional district of Beichen Convention and Exhibition is therefore formed. A lot of national and international convention and exhibition activities have been held in the Beichen Convention and Exhibition district. The National Convention Centre and Beijing International Convention Centre received a total of 1,528 conferences and exhibitions, and provided excellent and quality services for several major convention and exhibition activities such as The First CIFTIS (首屆京交會), the 2nd Beijing International Film Festival and the 37th Conference of International Organisation of Securities Commissions (第37屆國際證監會組織大會). While demonstrating the soft strength of Beichen Convention and Exhibition and contributing to the economic development of the capital, the Company not only showed satisfactory social image and value, but also laid solid foundation for the brand expansion and management promotion of Beichen Convention and Exhibition.

5. Investor Relations

As a real estate company with simultaneous listings of A shares and H shares, the Company, with reference to the listing characteristics of the two locations, received individuals from the domestic and foreign funds and institutional investors on research study through channels such as results presentations, investor meetings, field research, project site visits and conference calls. The Company also timely compiled feedback from the markets, analysed the profile of the industry, enhanced interactive communication, valued and actively listened to recommendation and advice from shareholders and investors, so as to continuously enhance its status and influence in the capital market.

6. Environmental Protection Efforts

The Company has always adhered to the concept of synergistic development of the environmental and economic benefits. By sparing no effort to measures of energy saving and consumption reduction as well as improvement of the ecological environment, the Company achieved harmonious uniformity between its economic benefits and environmental protection. In the process of property construction, the Company attached importance to the application of new environmental protection technology. For instance, the Company adopted high-performance heat insulation system with protection structures and high-performance glass screen wall in the construction site of the Offices in the A1 Area of North Star Delta in Changsha, which reached the domestic energy saving standards as well as the standardized energy saving requirements of the American Society of Heating, Refrigerating and Air-Conditioning Engineers (the "ASHRAE") of the U.S., for the purpose of minimizing the burden of air-conditioning and heat supply. The Company also used highly efficient centrifuge machines and boilers in the supply of cool and heat sources, the efficiency of which reached standardized energy saving requirements of the ASHRAE of the U.S., thereby reduced energy consumption from sources.

For holding properties, the Company eagerly capitalized on the potential in energy saving and consumption reduction by adopting various measures in relation to management and technologies, so as to contribute to building a "green Beijing". In particular, the equipment for recycling the residual heat of steam and condensate at Crowne Plaza Hotel Beijing (五洲皇冠假日酒店) was reconstructed through an investment of RMB170,000, which demonstrated that enterprises can save their economic costs while achieve energy saving and emission reduction. 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 holding properties of the Company) actively took part in the activity of "building water-saving enterprises" so as to publicize the eco-friendly philosophy and obtained the Bonus for the Establishment of Water-saving Enterprise (創建節水型企業獎勵資金) awarded by Beijing Water Authority.

III. COMPETITION AND DEVELOPMENT IN THE INDUSTRY

2013 is a critical year when it is a transitional period under the implementation of "Twelve Five-Year Plan" of China. In face of the sluggish global economy, China will continue to adhere to general principle of proceeding while maintaining stability, implement positive fiscal policy and stable currency policy, accelerate changes in economic development and economic structural adjustment through the management of liquidity and inflation expectation. China will also, while striving to increase domestic demand, enhance independent innovation, maintain faster and steady economic development and the basic stability of general prices, so as to foster steady and sound development of the national economy.

Regarding property development, the policy keynote of insistence on unchanged macroeconomic control policies on real estate and the recent promulgation of the five national rules (國五條) indicated that the macroeconomic control focusing on the real estate market will continue and may even be stronger. In addition, purchase restriction, restrictive policies on lending as well as the increase in the costs of property purchase caused by restriction on investment and speculative demand under the direct impact of macroeconomic control will still result in difficulty in financing, rising capital costs and pressure on sales brought about by deleveraging to the real estate industry. With the impacts of all these factors, the property market trend is subject to larger uncertainty. Since a real estate project may involve a longer operation cycle, in case of any material fluctuation takes place in the market, the sales of real estate will be subject to risks to a certain extent.

For investment properties and commercial properties, signs of improvement were increasingly prominent in the markets under the gradual recovery of the economy despite some contradiction in the demand and supply in the industry still subsisted. Beijing gathered pace in fashioning itself into a "world-class city with Chinese characteristics" and a "hub of international events" during the period of the "Twelve Five-Year Plan", the drive of the revenue ratio of 1:9 of the convention and exhibition industry not only facilitated the growing significance of the functional efficiency and social benefits of the convention and service economies but also created a favourable environment for the development of the Company's investment properties and related businesses. In addition, for the purpose of delivering the targets of expanding domestic demand that were proposed by the Central Economy Association (中央經濟工作會) in 2012, it is expected that the government and relevant authorities will bring forth more favourable market policies and supportive measures, so as to derive new market opportunities for the development of commercial properties in Beijing. Quality investment properties (including hotels) and commercial properties of over 1,200,000 m^2 held and operated by the Company, coupled with increasing market demand and vast market opportunities, will positively facilitate the business and improvement of the properties held by the Company.

IV. THE COMPANY'S DEVELOPMENT STRATEGIES

In an environment of strong macroeconomic control on the real estate industry and complex and ever-changing markets, in strict adherence to its theme of development, comprehensive implementation of its three major development strategies of "capital expansion", "brand expansion" and "low-cost expansion" through consolidating its position and internal and external resources, the Company will focus on its capability in predicting the tendency of the market under the new situation, accelerate the quality development of its existing projects and strive to set up the functional district of Beichen Convention and Exhibition and expand the influence of the brand of Beichen Convention and Exhibition. In the meantime, the Company will enhance the management of human resources, strengthen the establishment of corporate culture and brand, unite with the public, be eager to explore, and strive to innovate, so as to develop a new layout of North Star's business development.

In 2013, the Company adheres to the principle of diligence and economy, as well as opposition to extravagance and wasting. It strictly controls its expenses and expenditure, continuously reduces expenses, strengthens budget rigidity and regulates budget implementation. As for development properties segment in 2013, the Company will conduct in-depth research on the industry policies and market circumstances, adopt effective measures and accelerate the turnaround of its projects. The Company anticipates area commenced construction of 796,000 m^2, area under construction of 2,526,000 m^2 and area completed construction of 577,000 m^2. It will also strive to accomplish sale areas of 365,000 m^2 and contracted sales of RMB5.27 billion (including car parks). The Company will continue to enhance the branding effect of its investment properties (including hotels) segment, so as to leverage on its advantages in consolidated operation and become the major force in the convention and exhibition industry in Beijing. The two convention centres will continue to expand their market shares, insist on professional operation and continue to increase their efficiency by prime services.

1. Property Development

While conducting in-depth studies on the policies of the industry and market position, continuing to improve the market positioning of its products and its marketing and planning capabilities, creating prime architecture and increasing its added value, the Company will strive to speed up the turnaround of its projects. In particular, Bihai Fangzhou Garden Villas have been completely sold out and filed completion at the end of October, thereby fulfilled the conditions for delivery. While progressing in construction, the launch of sale and completion of the commercial and public project of Beichen•Fudi A09 Area was successful during the year with the aid of the acceleration of the development in the district and the commencement of the underground railway. Construction was accelerated for the 24 condominiums of the Phase I of the Mapo Project for topping out within the year.

The objective of the Beichen Delta Project in Changsha shall be the establishment of itself as a milestone project in the history of the Company. The enhancement of price to cost performance, turnaround rate and brand influence of the project is underway. Regarding engineering and construction, the A1 and D1 Areas of the mega urban complex were basically completed, whereby a way was paved for the commencement of business for Changsha North Star InterContinental Hotel and the offices (with the promotion name of "Chuyun (出雲)") according to plan. Topping out for D2 Area will be done in July and the average construction of structure of E3 Area will reach 15 floors by year end; the Yali Middle School (雅禮中學) (Campus) and Qingshuitang Primary School (清水塘小學) (Campus), being the key point schools in Changsha, will be completed and delivered in July to ensure the academic year can start in September. In addition, the Company will fully explore the commercial value of the properties along the railway network and accomplish seamless connection between "Modern Phoenix (「現代鳳凰」)" (B1, B2, E1 and E2 Areas), the new construction group and the Changsha Metro Line 1, so as to create the first theme open commercial district of the superstructure of metro line station in Changsha. In future, the Company will firmly focus on the two themes of commercial resources and education resources, learn from the feedback of customers, optimise the competitiveness of its products, deeply explore market potential and innovate its model of marketing, so as to continue to achieve breakthrough in sales.

In 2013, the Company will also vigorously seek opportunities in the market and selectively increase its land bank by open trading, acquisition, merger and joint venture, with an aim to achieve low-cost expansion during the adjustment of the market, so as to reinforce incessantly the core competitiveness and sustainable development capability of its development properties.

2. Investment properties (including hotels)

With Beijing being restructured into a world city and 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 locating in the Asian-Olympic core districts, continue to enhance its brand image and industry influence of the North Star convention and exhibition function area, strive to develop North Star into a flagship of the convention and exhibition industry of China. In addition, the Company will also through adjusting certain of the position of and innovating some of its projects, refine the projects, deeply explore the potential and further increase the return on assets. Under the guideline of its brand expansion strategy, the Company will actively proceed with the promotion of management and extension of industry chain for Beichen Convention and Exhibition in future, with an aim to accomplish a pattern of parallel development of the investment business of heavy assets and the service business of light assets.

3. Commercial properties

Based on the changes in the retail market, the Company will further expand promotion and marketing activities of the commercial properties, so as to fully leverage on its advantages on joint promotion of multi-projects, striving to enhance its operation capability and level of the overall operating efficiency of assets.

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, so as to ensure the safety and liquidity of capital whilst lowering its funding cost and raising its utilisation efficiency. In addition, the Company will also actively expand its financing channels through the studies of new categories of real estate such as elderly care and cultural tourism and the exploration in the model of low-cost expansion, so as to accomplish its scale expansion as well as increase in capability for sustainable development.

In 2013, the Company anticipates an investment of RMB310 million in fixed asset investment, and will be paid according to the progress of construction. The investment will be financed by the Company's own capital.

In 2013, the Company anticipates that investment in fixed assets will mainly be the renovation and final payment of the fixed assets of investment properties. The Company has sufficient funds for the aforementioned payments.

V. ANALYSIS OF THE COMPANY'S CORE COMPETITIVENESS

The Company's advantages mainly lie on its capability to accurately capitalise on opportunities, its risk resistant capability, and its comprehensive operation capability due to its unique business model. Firstly, with a relatively strong foresight and ability of mastering market changes and trends, the Company, though confronted with continuous macro control on real estates, achieved satisfactory operating results by actively 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, rapid growth was accomplished at the additional assets business of the Company's investment properties (including hotels) segment, thereby contributing greatly to the remarkable growth of the core operating results of the Company's principal business. Secondly, with its unique business model of "sale of property development" and "operation of properties held", not only can the Company enjoy rapid revenue growth from property development, but also obtain long term and stable revenue from property leasing and operation, thereby enabling it a risk resistant capability that is better than those enterprises which only engage in property development. Finally, the Company's operation capability integrating the operations of property development, investment properties and commercial properties and the mutual procuring of development and integration of strengths of the three major businesses, allows it to enjoy apparent advantages in property development involving large and comprehensive projects.

VI. POTENTIAL RISKS ON THE COMPANY

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 policy keynote of insistence on unchanged control policies on real estate and the recent promulgation of the five national rules (國五條) indicated that the macroeconomic control focusing on the real estate market will continue and may even be stronger. In addition, purchase restriction, restrictive policies on lending as well as the increase in the costs of property purchase caused by restriction on investment and speculative demand under the direct impact of macroeconomic control will still result in difficulty in financing, rising capital costs and pressure on sales brought by deleveraging to the real estate industry. With the impacts of all these factors, the property market trend is subject to larger uncertainty. Since a real estate project may involve a longer operation cycle, in case of any material fluctuation takes place in the market, the Company's sales of real estate will be subject to risks to a certain extent.

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. It will strive to raise its speed of sale whilst creating prime architecture and increasing its added value and accomplish scale expansion and increase in capability for sustainable development of the Company through the studies of new categories of real estate such as elderly care and cultural tourism as well as the exploration in the model of low-cost expansion.

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

Regarding property development, although land certificates, investment and planning approval and planning permit have been granted to Phase II of the Changhe Yushu Garden Villas project in 2012, more time is still needed for completion and delivery 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 phase II of the low-density projects of Changhe Yushu Garden Villas, the Company has obtained relevant documentation, it will appropriately launch pre-sale in future whilst speeding up quality construction and development and realise as early as possible its support to the Company's sale performance.

VII. 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 rationale for its sustainable development. An appropriate size of 5,490,000 m^2 of land reserve which matches the current development capability of the development properties is a prerequisite for the Company's sustainable development. The sluggish real estate market environment and the stable cash flows generated from the ongoing operation of a 1,200,000 m^2 property held are the strong support for 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, provides a foundation for the Company's sustainable development. With the early completion of the initial struggling period for additional assets of the investment properties, the accomplishment of rapid growth, sustaining hot sales of the Changsha North Star Delta project, making solid progress for the project operations of the 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 2012, the equity attributable to equity holders of the Company increased by 6.23% compared to 31 December 2011. The increase was mainly due to additional profit attributable to equity holders of the Company of RMB970,008,000 during the period.

The Group's bank and other borrowings as at 31 December 2012 amounted to RMB8,386,337,000. Net value of the Group's 10-year corporate bonds was RMB1,491,822,000 as at the end of the year. Balances of the Group's 5-year corporate bonds at year end amounted to RMB1,695,139,000.

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 RMB22,309,301,000, whereas the Group's current liabilities amounted to RMB12,024,519,000. As at 31 December 2012, balances of cash at bank and on hand amounted to RMB2,576,752,000 (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 2012, the Group had secured bank borrowings of RMB4,386,337,000 with certain investment properties, hotels, properties under development and completed properties held for sale as the collaterals. The gearing ratio for the Group was 58.32% (calculated by dividing total liabilities by total assets) during 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 during 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 2012, 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 applicable 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 2012, the Company had 4,951 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.

CORPORATE GOVERNANCE CODE

The Company has strived to maintain and establish a high level of corporate governance and has fully complied with the code provisions as set out in the "Code on Corporate Governance Practices" (with effect to 31 March 2012) and the "Corporate Governance Code" (newly effective from 1 April 2012) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in force for the time being during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiries from all directors and supervisors of the Company, the Company confirms that its directors and supervisors have complied with the required standards as set out in the Model Code 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 annual results and draft financial statements of the Group for the year ended 31 December 2012.

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

Beijing, the PRC, 20 March 2013

At as the date of this announcement, the Board of the Company comprises 9 directors, of which Mr. HE Jiang-Chuan, Mr. LI Chang-Li, Ms. ZHAO Hui-Zhi, Mr. HE Wen-Yu, Mr. LIU Jian-Ping and Mr. ZENG Jin are executive directors and Mr. LONG Tao, Mr. GAN Pei-Zhong and Mr. WONG Yik Chung are independent non-executive directors.