北辰实业
BEIJING NORTH STAR

Beijing North Star Company Limited

(HKEx Stock Code: 0588)

(SSE Stock Code: 601588)

2008
Annual Report


MPC
同一个世界 同一个梦想
One World One Dream

Contents

Corporate Profile

Beijing North Star Company Limited ("BNS" or the "Company") was established by its sole promoter, Beijing North Star Industrial Group Company, on 2nd April 1997. The H shares of the Company were issued and listed on The Stock Exchange of Hong Kong Limited in May in the same year. In October 2006, the Company's A shares were issued and listed on the Shanghai Stock Exchange, being the first domestic property developer achieving simultaneous A-share and H-share listings.

The Company's total registered capital is 3,367,020,000 shares, of which 2,660,000,000 shares (representing 79.002% of the total share capital) are A shares and 707,020,000 shares (representing 20.998% of the total share capital) are H shares.

The Company is principally engaged in development properties, investment properties (including hotels) and commercial properties. At present, the development properties business mainly set foot in Beijing and Changsha, Hunan and consists of the development and sales of houses, apartments, villas and offices of different classes and features which provides for commercial purposes. Current major development projects of the Company include Beichen Green Garden, Olympic Media Village, Fragrant Hill Qingqin, Changhe Yushu Garden Villas, Bihai Fangzhou Garden Villas, Beichen • Xianglu, Beichen • Fudi and Changsha Delta Project.

Corporate Profile

In Asian-Olympic core district, properties owned and operated by the Company exceed 1,200,000 m^2, mainly comprising the integrated properties in Asian Games Village with a total gross floor area of 600,000 m^2, National Olympic Convention Centre and its ancillary buildings with a total gross floor area of 530,000 m^2 and large scale commercial facilities in the residential area of Beichen Green Garden.

Investment properties (including hotel) involve convention, hotel, office and apartment business. Taping on convention business to bring into full play, the Company adopts "co-sale of convention and exhibition" business mode. Its operating items include the National Convention Centre, Beijing International Convention Centre, InterContinental Beijing Beichen, Crowne Plaza Park View Wuzhou Beijing, Beijing Continental Grand Hotel, National Convention Centre Hotel, Hui Bin Offices, Hui Xin Offices, North Star Times Tower, North Star Century Center and Hui Yuan Apartment.

Besides the footholds of commercial properties in Beijing Asian Games Village, the Company also set foot on other chain-store commercial projects like Beichen Shopping Centre, Beichen Green Garden Shopping Centre, Legend Shopping Centre and Century Shopping Centre. Through a multi-segment, multi-area and multi-store professional operating model, the Company gradually leaps forward in the segments of shopping centres, department stores and supermarkets as its principal business.

Persisting to the principle of maximizing shareholders' profit, the Company is committed to building up a unique business model featuring development properties, investment properties (including hotels) and commercial properties, that the basic operating strategy of which drives profit through development properties and maintains steady income by investment properties (including hotels) and commercial properties, creating a consolidated operation of top national large-scale properties.

Financial Highlights

RESULTS

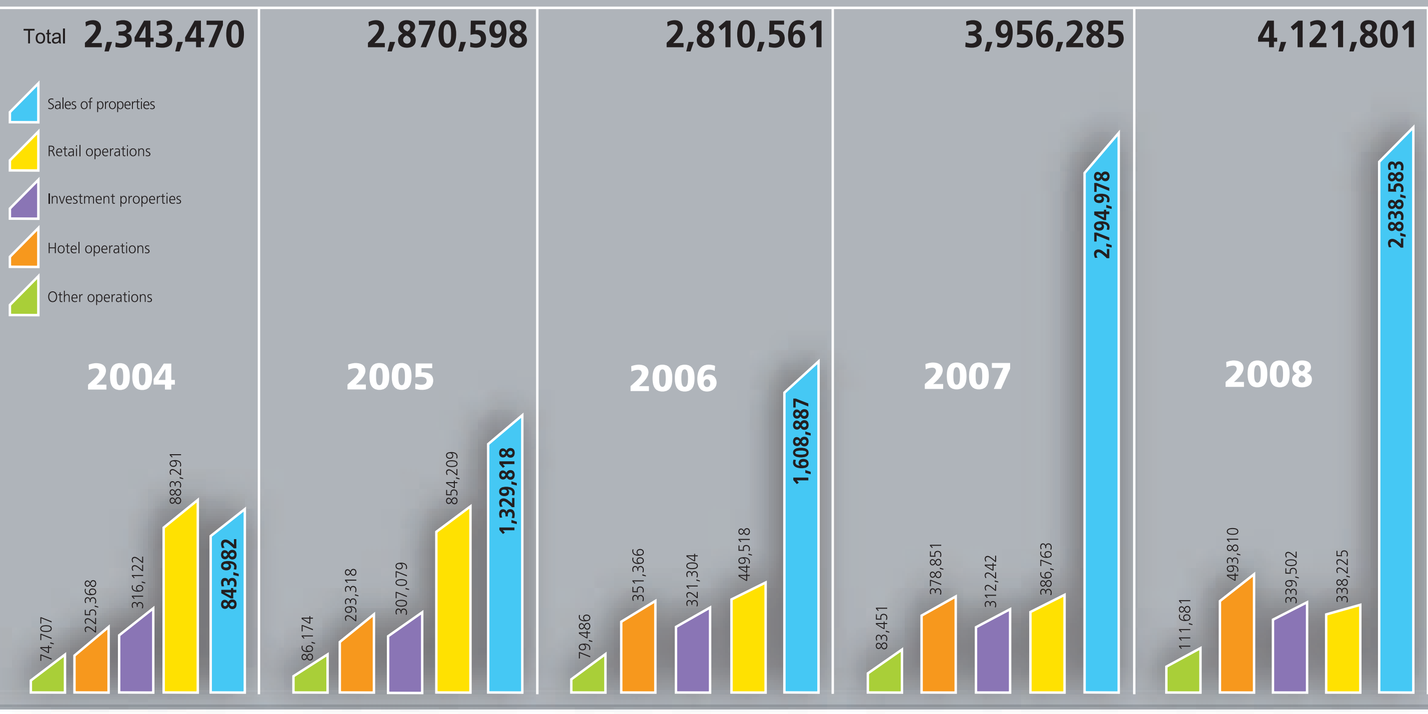
Year ended 31st December	**2008** *RMB'000*	2007 *RMB'000* *(Restated)*	2006 *RMB'000* *(Restated)*	2005 *RMB'000*	2004 *RMB'000*
Continuing operations					
Revenue	**4,121,801**	3,956,285	2,810,561	2,870,598	2,343,470
Profit before income tax	**1,920,603**	977,480	708,690	388,230	356,480
Income tax expenses	**(601,546)**	(321,207)	(248,001)	(124,968)	(120,277)
Profit for the year from continuing operations	**1,319,057**	656,273	460,689	263,262	236,203
Discontinued operations					
(Loss)/profit for the year from discontinued operations	**(721)**	124	—	—	—
Profit for the year	**1,318,336**	656,397	460,689	263,262	236,203
Attributable to:					
Equity holders of the Company	**1,164,781**	517,110	412,700	253,604	234,570
Minority interests	**153,555**	139,287	47,989	9,658	1,633

Assets and liabilities

As at 31st December	**2008** *RMB'000*	2007 *RMB'000* *(Restated)*	2006 *RMB'000* *(Restated)*	2005 *RMB'000*	2004 *RMB'000*
Total assets	**28,136,798**	21,973,159	16,141,794	9,176,647	7,970,878
Total liabilities	**(17,525,410)**	(12,397,944)	(7,028,158)	(4,019,085)	(2,794,309)
Total equity	**10,611,388**	9,575,215	9,113,636	5,157,562	5,176,569

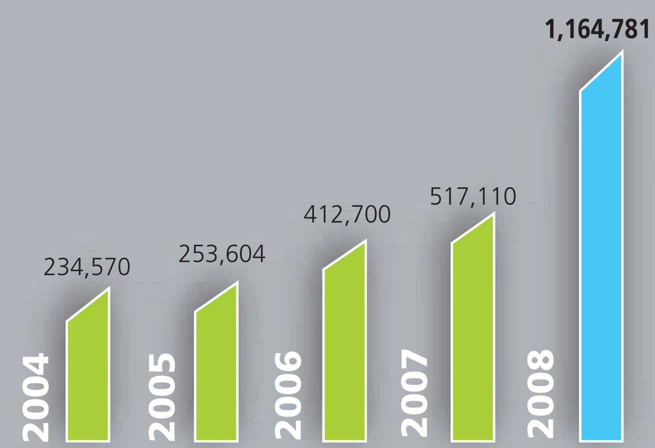
Financial Highlights

Revenue by Business RMB'000



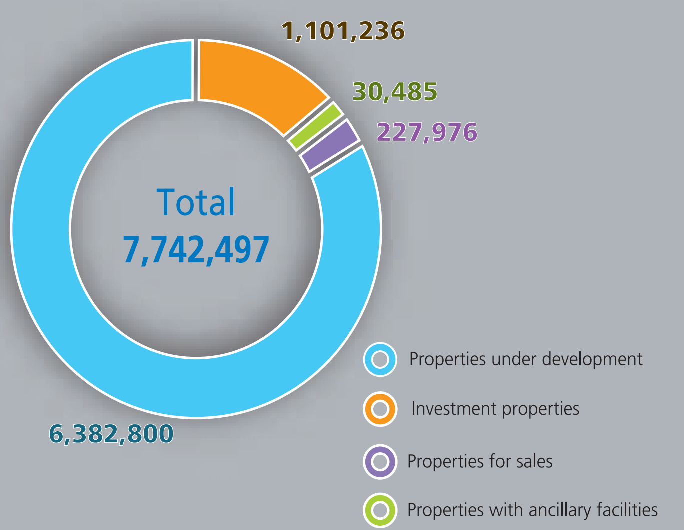
Profit Attributable to Equity Holders of the Company

RMB'000



Gross Area of Property Portfolio

Sq.m.Year ended 31st December 2008



Chairman's Report

Dear Shareholders,

I am pleased to present to you the operating results of the Company for the year ended 31st December 2008.

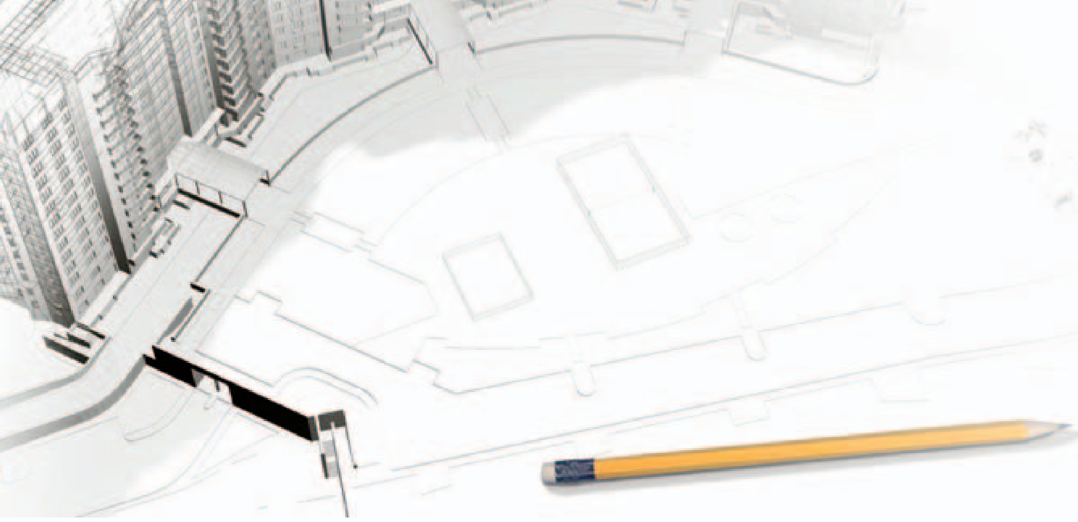
2008 had been a year of new records for construction task, service responsibility and operation performance since the establishment of the Company. The Olympic Games has successfully come to a perfect close under the full-fledged cooperation, teamwork and pains-taking efforts by the management and all staffs. Furthermore, our operating results added a new year of substantial growth following four consecutive years since 2004 and recorded new height by our correct analysis of the macro environment change, flexibility and insight to seize opportunities in micro-markets.

As of 31st December 2008, revenue of the Company in accordance to Hong Kong Financial Reporting Standards amounted to RMB4,121,801,000, representing a slight increase of 4.2% over 2007. With higher gross profit margin of settled products and appreciation in appraised value of investment properties, profit attributable to equity holders of the Company amounted to RMB1,164,781,000, a significant growth of 125.2% year-on-year. Earnings per share amounted to RMB0.346, increasing by 125.2% over 2007.

Beijing Olympic Games is not only a gallant pageant for China, but also the best window to showcase Chinese culture and economic achievements to the world. Our undertaking to the Games is a task of honour and the responsibility of corporate citizen. In 2008, we successfully accomplished construction, hospitality services and supporting tasks for the Games, which were highly appreciated by domestic and international communities and greatly upgraded our brand value and influence in the industry.

Looking back to the 30 years of China's reform and opening-up, fast growing economy, more sophisticated market and expanding international trade have brought fledging China into the ever-changing world. When sub-prime mortgage crisis still hung over capital market, the financial crisis rarely seen in a century loomed closely after. The fear for recession is pronounced from developed countries to developing ones, from macro environment to micro market, from virtual economy to real economy.

In this era of globalization, no firewall exists for China to insulate itself from other major economies and the ups and downs of global economy. For the real estate industry, demand has been curbed by the prevalent wait-and-see sentiment and consumers' shaky confidence. Selling prices were fluctuating with the changing supply structure and investment growth dropped rapidly in the second half of the year due to fewer purchases, marking the correction cycle for property market. As for investment properties and commercial properties, supply and demand growths were once stimulated by the Olympic Games. However, demand slumped as a result of financial crisis in the fourth quarter, which led to an imbalance between supply and demand and more intense competition.




CROWNE PLAZA

Chairman's Report

Facing volatile economic environment and market conditions, we took the initiative to seize opportunities brought by the Olympics Games and managed to secure operating results growth in light of the strategic objective of building the Company into a top national large-scale property conglomerate. For development properties operation, the market-oriented and customer-foremost strategy has been carried out. With the edge in high cost performance, projects continued to witness impressive sales with significantly improved operating results. Accelerating its preliminary work, Changsha Delta Project held its foundation ceremony on 23rd November 2008. On investment properties operation, while successfully accomplishing Olympic Games reception tasks, we took the opportunity from the Olympic Games to promote marketing and secured stable operating results growth. The National Convention Centre and its ancillary projects had started renovation and decoration after the Olympic Games. Preparation for commencement and operation has been initiated orderly. On commercial properties, we seized opportunities brought by the Olympics Games and managed to secure stable operating results by optimising shopping environment and adjusting commodity mix.

On 18th July 2008, the Company successfully issued corporate debentures with the principal of RMB1.7 billion. The rather significant progress of financing effectively optimised our financial structure. Meanwhile, we never stop strengthening corporate governance. Internal control and management capacity continued to improve.

Looking into 2009, national economy is still operating under downside pressure from financial crisis. Through national wealth reallocation, increasing public expenditures and pump-priming for selected sectors, the government is to stimulate domestic demand and investment and circumvent sluggish overseas demand to secure stable economic growth in 2009.

In 2009, China's property market is to continue its correction cycle led by depressed demand, which is a result of prevalent wait-and-see sentiment and consumers' shaky confidence. Such scenario is not to end soon, but thanks to unique features of China, the mammoth rigid demand for living and upgrading still exist. With the foundations of real estate industry unchanged, vast development space still lays ahead. For investment properties and commercial properties, long-term trend remains unchanged under the government's packages for demand stimulus, growth preservation, industry upgrade and transformation, which promises opportunity and niche for development.

Chairman's Report

In 2009, the Company is to strengthen management and further sharpen its comprehensive edge on the basis of sturdy operation, in-depth study on macro economy and change of policies. On development properties, we will actively seek market opportunities, increase land reserve timely while improving products' cost performance and reasonably pacing development and construction progress for higher profit margin as well as sustainable development. For Changsha Delta Project, we will push forward construction of main structure of the initial block, work out the planning and design for commercial and public facilities along the river, and advance the preparation for marketing. On investment properties, we will tap on convention business to bring into full play the complementary advantages of multi-businesses. Under the "Co-sale of convention and exhibition" business mode, the Company expects to obtain win-win for multi-businesses. The post-Olympic decoration and renovation for the National Convention Centre and its ancillary projects will be also accelerated to optimise and upgrade our asset structure and ensure on-streaming of our additional assets at "high starting points". On commercial properties, we will make accurate positioning with an aim to enhance income through improving brand mix, adjusting commodity portfolio and strengthening marketing. Preparation for the opening of new projects will be reasonably arranged for debuting as soon as possible.

"Born in Asian Games and shining in Olympic Games", our business mode of "property development + property investment" and risk resistance capability have made ourselves the chosen lucky one in real estate industry. As the only listed domestic property developer achieving simultaneous A-share and H-share listings, our sustainable development is firmly secured by double financing platforms. Facing the grim outlooks of macro economic environment and property market in correction cycle in 2009, we are confident to overcome all adverse factors. While pursuing maximised returns for shareholders, we will make tremendous efforts to fulfill our historical mission of "create property value, build a century's foundation" and the strategic goal of "building the Company into a top national large-scale property conglomerate".

Finally, on behalf of the Board, I would like to express my sincere gratitude to the shareholders who have been supporting our development, and also to members of the Board, Supervisory Committee and the staff of the Company for their diligence and devotion.

HE Jiang-Chuan
Chairman

Beijing, the PRC, 18th March 2009


INTERCONTINEN
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One World One

Management Discussion and Analysis

I. OPERATING ENVIRONMENT

The first and second half of 2008 had witnessed sharply contrasted performances for China's macro economy and micro market. During the first half, economy and market were running smoothly. But soon the financial tsunami had escalated into a worldwide financial crisis. During the second half, domestic demand slowdown, property investment monthly deceleration and overseas demand slump had to different extents hammered consumption, investment and international trade, the three pillars of economic growth. Since the fourth quarter of 2008, the state had launched easy monetary policy, proactive fiscal policy and industry stimulus package, including 5 interest cuts in 100 days, RMB4 trillion investment plan and pump-priming plan for pillar industries. However, those policies need time to take effect and the economy experienced inevitable slump. GDP growth retreated from 13.0% in 2007 to 9.0% in 2008.

1. Development Properties

In 2008, as a result of financial control and real estate macro control policies implemented by the government, demand was subdued by wait-and-see sentiment prevailing in property market. Worsened by the impact from escalating financial crisis on expectation and confidence of consumers, property trading volume and price were fluctuating, marking the correction cycle for property market. In the fourth quarter, property market in certain cities were regaining strength as encouraged by policies implemented by relevant government departments and local authorities, including incentives for self-use residence purchase, lower deed tax and business tax rates.

Average trading price of commodity residential units in China decreased slightly by 0.3% from 2007, which is in moderate range. But trading volume and total amount dropped remarkably by 19.1% and 19.4%, which led to monthly retreats of property development investment in the second half of 2008 and lower growth rate of urban fixed asset investment. By the end of 2008, vacant area of commodity residential units in China increased by 32.3% over last year. China real estate development index retreated monthly to below 100; development of property market is facing serious challenge.

Similar to 2007, Beijing property market repeated the "price up, volume down" pattern. For 2008, average trading price of commodity residential units in Beijing was RMB11,648.0/m^2, a lower growth rate of 9.3% year-on-year. Comparing different months, for the first eight months price remained high, since September, trading price started to drop due to increased supply of welfare-oriented housing including affordable housing and dual restriction housing and strategy adjustment by certain enterprises. Property trading volume dropped significantly as a result of wait-and-see sentiment and consumers' shaky confidence. Area of commodity residential units sold in Beijing was only 10,314,000 m^2, down sharply by 40.4%. By the end of the year, vacant area of commodity residential units in Beijing amounted to 5,227,000 m^2, up 26.9% year-on-year. Affected by price factors and consumers' expectations, trading volume is not likely to increase in short-term, resulting in higher pressure on the sales of abundant existing properties and new supply.

I. OPERATING ENVIRONMENT *(CONTINUED)*

1. Development Properties *(Continued)*

Comparing with first-tier and other second-tier cities, Changsha has a more stable property market. Average price and sales area of commodity residential units in Changsha increased by 0.3% and dropped by 17.9% respectively from the previous year, lower than rest of the country and far below that of first-tier and other second-tier cities. Generally, property market in Changsha contained less bubble and remained relatively healthy. According to analysis on monthly basis, trading area of commodity residential units in Changsha posted monthly growth of 36.5% and 51.8% in November and December as a result of stimulus policy. The revival of trading demonstrated that rigid demand is still dominant in the demand structure of Changsha property market and is sensitive to macro control policy and stimulus. The Changsha property market became increasingly attractive following the continuous progress of the construction of the "Bi-modal Society"[1] and the entering of more large-scale property developers. Development investments, area under construction and area commencing construction increased by 13.7%, 29.0% and 20.1% respectively, demonstrating huge potentials.

2. Investment Properties (including hotels)

In 2008, the investment property market in Beijing experienced a trading volume eruption, the demand for various types of products kept increasing for the first three quarters. There was still strong new demand in office property market, rentals continued to rise slightly and the vacancy ratio was basically similar to that of early this year. The number of star-grade hotels grew relatively fast in order to meet market demand during the Olympic Games. The average rentals of the star-grade hotel increased steadily and occupancy rates remained stable. For the serviced apartments market, benefiting from the increasing long and short-term tenancy demand from economy growth and Olympic Games factors, both overall rentals and occupancy rates maintained steady growth. Nevertheless, operating performances of specific projects varied due to differences in location, hardware and service.

In the fourth quarter of 2008, demand for investment properties shrank rapidly due to the financial crisis, deteriorating international economy and domestic economy downturn. Under cost control and profit drop of business, lease cancellation or reduction became common practice in office property market, pushing vacancy rate up 6.3 percentage points over the beginning of the year. The markets of star-grade hotels and serviced apartments also experienced downturn in rentals and occupancy rates due to remarkably decreased domestic and overseas business customers and slack season of tourism.

1 "Bi-modal Society" refers to a title of Changsha-Zhuzhou-Xiangtan City Agglomeration which was approved as the composite reform pilot zone for Economical Construction Resources Society and Environmental Friendly Society.

I. OPERATING ENVIRONMENT *(CONTINUED)*

3. Commercial Properties

In 2008, despite the impact from the financial crisis on domestic retail business and continuous slump of consumption since September, Beijing market remained basically stable, presenting remarkable monthly consumption growth. During the year, the aggregated retail sales of consumer goods in Beijing amounted to RMB458.9 billion, representing an increase of 20.8% compared to the same period in 2007. Per capita disposable income of urban residents was RMB24,725, representing an increase of 12.4% compared to last year. With the promulgation and implementation of domestic demand stimulus package, the growth in consumption and the rising of living standards have enabled the commercial and retail market to continue its growth momentum. While property developers and commercial chain enterprises generally increased their investments in commercial property projects, new supply of commercial area in Beijing in 2008 has exceeded 1.5 million m^2 and market competition was continuously escalating.

II. REVIEW OF OPERATIONS DURING THE REPORTING PERIOD

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

II. REVIEW OF OPERATIONS DURING THE REPORTING PERIOD *(CONTINUED)*

1. Development Properties

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

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

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


北辰时代

II. REVIEW OF OPERATIONS DURING THE REPORTING PERIOD *(CONTINUED)*

1. Development Properties *(Continued)*

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

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

2. Investment Properties (including hotels)

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

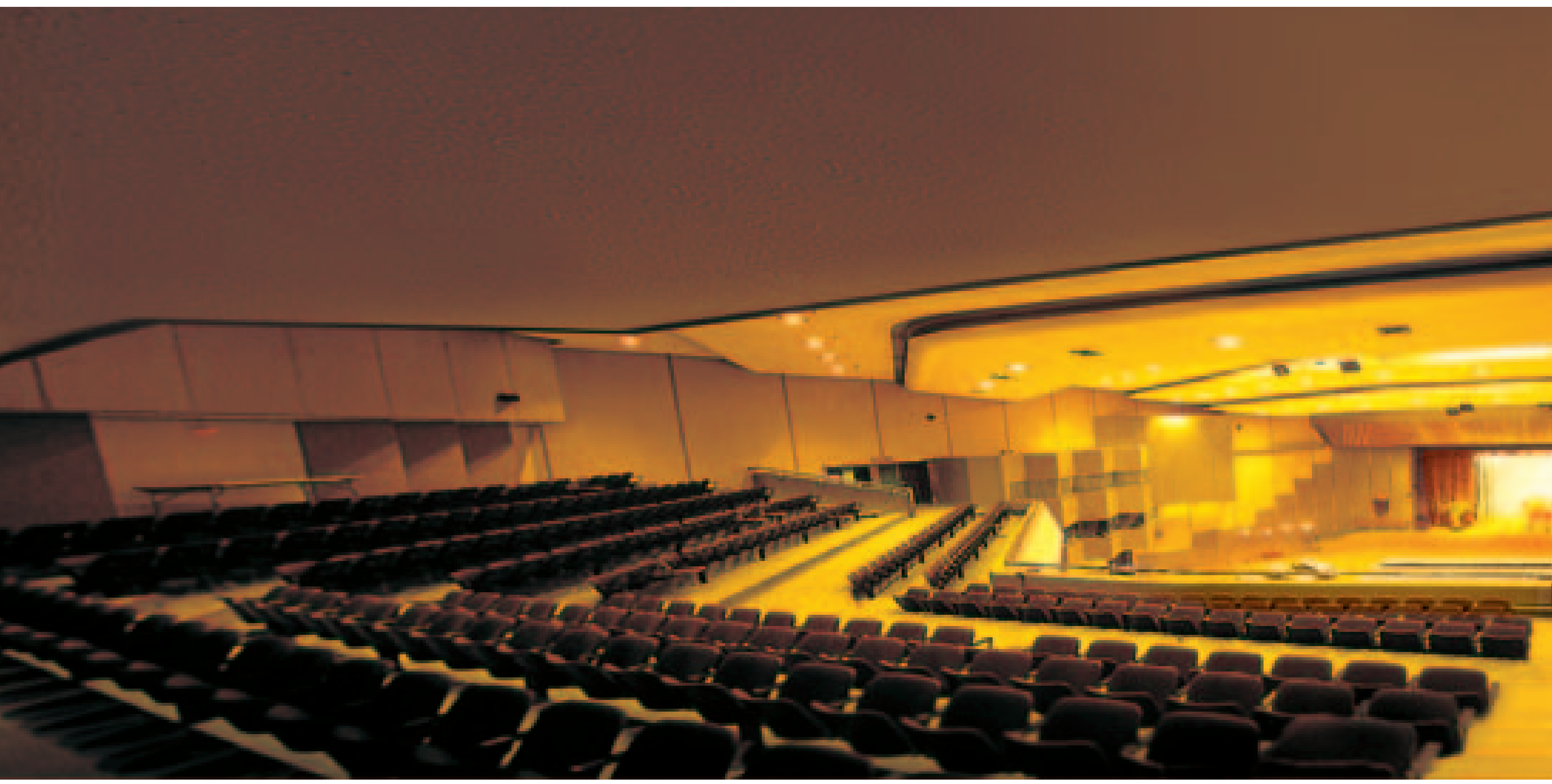
II. REVIEW OF OPERATIONS DURING THE REPORTING PERIOD *(CONTINUED)*

2. Investment Properties (including hotels) *(Continued)*

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

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

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

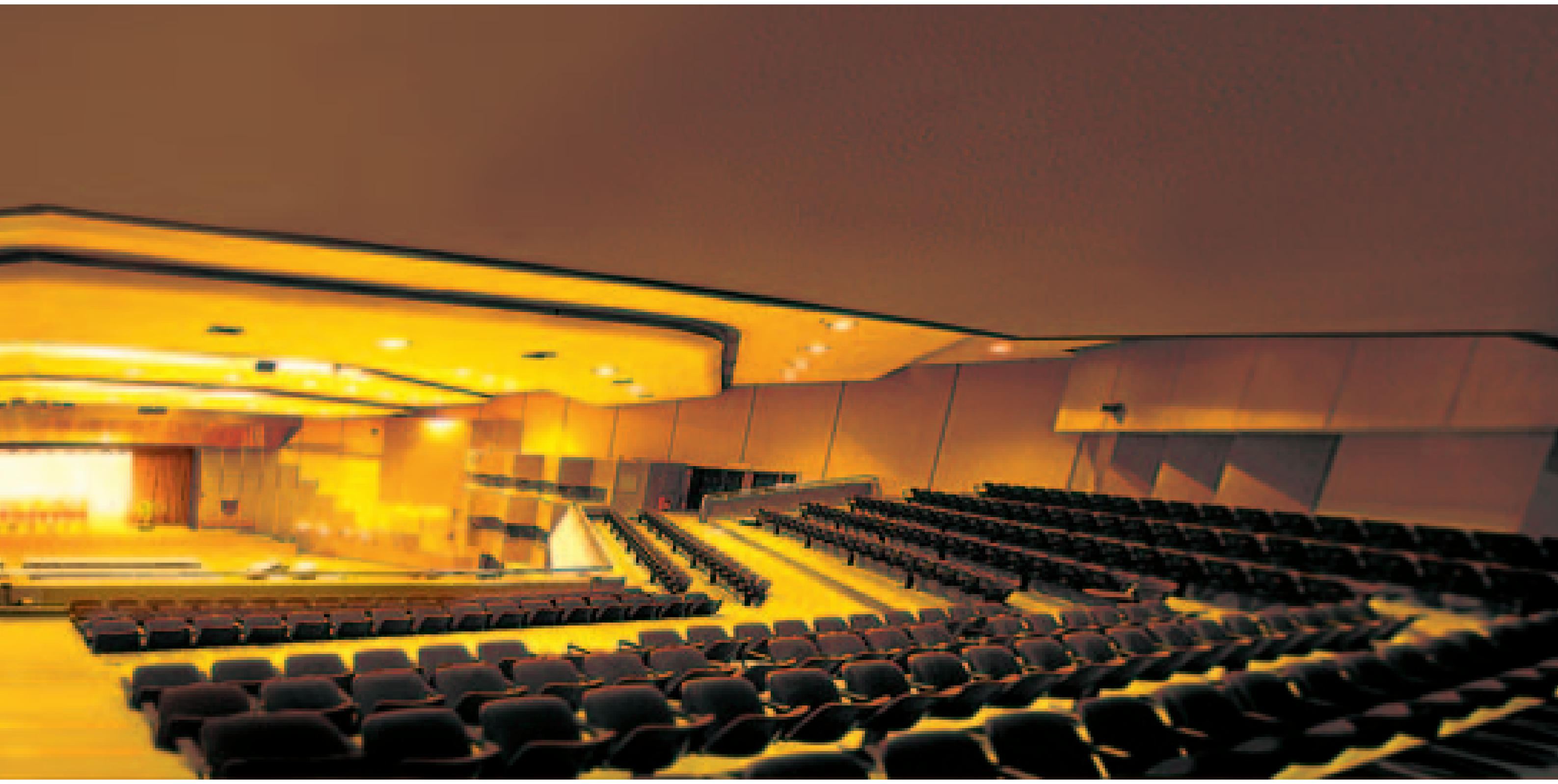


II. REVIEW OF OPERATIONS DURING THE REPORTING PERIOD *(CONTINUED)*

2. Investment Properties (including hotels) *(Continued)*

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

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



II. REVIEW OF OPERATIONS DURING THE REPORTING PERIOD *(CONTINUED)*

3. Commercial Properties

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

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

4. Olympic Games Construction and Reception Tasks Accomplished

In the first half of 2008, the Company smoothly completed the National Convention Centre and its ancillary projects, Beichen Green Garden Media Village and Hui Yuan Apartment Media Village renovation and other Olympic Games constructions. Aiming at "providing human-oriented facilities and humanistic services", the Company accomplished high-standard Olympic Games hospitality services and supporting tasks for "four hotels, two villages, two centres and one stadium"[2] during the Olympic Games. In particular, two media villages hosted nearly 7,000 reporters while two centres hosted 28,000 reporters. The smoothly and effectively running reception was highly appreciated by the domestic and international communities for its "zero complaint on reception services, zero accident in safe operation and zero error in workflows".

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

II. REVIEW OF OPERATIONS DURING THE REPORTING PERIOD *(CONTINUED)*

5. Financing

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

6. Overall Prowess

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

7. Investor Relations

As a company with simultaneous listings of A shares and H shares, the Company emphasises the cultivation and development of investor relations, with reference to the listing characteristics of the two locations. In 2008, the Company held non-trading roadshow and regular large-scale investment presentations, as well as participating in investor meetings, so as to enhance the Company's publicity and influence in the capital market. Moreover, in 2008, the Company received over 300 individuals from the domestic/foreign funds and institutional investors on field research and project site visits, thereby facilitating their understanding of the Company's development.

II. REVIEW OF OPERATIONS DURING THE REPORTING PERIOD *(CONTINUED)*

8. Environmental Protection Efforts

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

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

III. OUTLOOK OF BUSINESS ENVIRONMENT IN 2009 AND ITS POTENTIAL IMPACT

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

III. OUTLOOK OF BUSINESS ENVIRONMENT IN 2009 AND ITS POTENTIAL IMPACT *(CONTINUED)*

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

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

IV. MANAGEMENT'S MEASURES

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

IV. MANAGEMENT'S MEASURES *(CONTINUED)*

1. Development Properties

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

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

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

2. Investment Properties (including hotels)

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

IV. MANAGEMENT'S MEASURES *(CONTINUED)*

2. Investment Properties (including hotels) *(Continued)*

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

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

3. Commercial Properties

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

4. Financing and Capital Expenditure

In 2009, the Company will make the enhancement of its own operation capability a key task. By enhancing cost management, financial management, sales management and project progress management, we will strengthen the analysis and utilisation of cash flows. Capitalising on its advantages of dual listing and unique business mix, the Company will actively explore diversified multi-channel financing modes including REITs according to policy updates and strive to make strides in the area.

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

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

1. Brief Analysis on the Company's Development Advantages

In view of the intensifying market competition, the Company's advantages mainly lie on its excellent strategies execution capability, its capability to accurately capitalise on opportunities, its risk resistant capability due to its unique business mix, and its integrated operation capability. Firstly, guided by the strategic objectives of "creating an enterprise value chain around the investment properties business chain and building the Company into a top national large-scale property conglomerate", the Company will firmly implement the business strategy of "speeding up development properties, operating investment properties continuingly, expanding commercial properties steadily" and the capital allocation principle of "5:3:2" among development properties, investment properties and commercial properties. Through years' efforts, the Company has constantly improved its operation and achieved record new highs in profit. Secondly, with strong foreseeing and mastering of the property market trends, the Company effectively reduces the impact of adverse factors. Projects of development properties continue to witness impressive sales with an ever-increasing marking share. Thirdly, with its unique business mode of "property development + property investment", the Company can not only enjoy rapid profit growth from property development, but also obtain long-term and stable profits from property leasing and operation, thus providing stronger risk resistance than property developers with a single operation. Lastly, the Company's operation capability integrating the operations of development properties, investment properties and commercial properties allows itself to enjoy an apparent advantage in property development involving large projects or comprehensive projects.

2. Brief Analysis on the Company's Development Shortcomings

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

3. Brief Analysis on the Company's Development Risks

The Company's development risks mainly derive from market risks and short-term operating risks of its additional assets: (1) on development properties, due to unfavourable factors including sluggish turnover and consumers' shaky confidence, the uncertainties of the property market's short-term trends have increased, which may bring about negative impact upon the Company's short-term operation. In addition, since a property project involves a longer operation term, in case material fluctuations take place in the market, there will be greater risks brought to the Company's sales. On investment properties and commercial properties, the excessive growth of market supply and the declined demand caused by financial crisis have resulted in emerging imbalance between supply and demand, making market competitions increasingly fierce. (2) In 2009, the Company's National Convention Centre and ancillary projects will commence operation, which may cause short-term operational risks in the Company's additional assets given the current market environment, especially the declining market demand for investment properties.

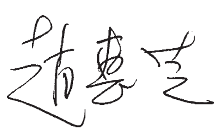
V. ANALYSIS ON THE COMPANY'S ADVANTAGES, SHORTCOMINGS, PROBLEMS AND RISKS *(CONTINUED)*

3. Brief Analysis on the Company's Development Risks *(Continued)*

To cope with the aforesaid potential risks: (1) The Company will enhance cost control, risk prevention and management to further improve its comprehensive competitiveness based on smooth operation and countermeasures to the changing macro-economy and policies. On development properties, while pushing ahead study on property market to sharpen forward-looking edge, the Company will strive to improve products' cost performance, reasonably pace development and construction progress, and strengthen cost control in investment and construction, seeking to further improve profitability and sustainable development capability. On investment properties, adhering to the "integrated operation" principle, the Company will tap on convention business to bring into full play the complementary advantages of multi-businesses. Under the "Co-sale of convention and exhibition" business mode, the Company expects to obtain win-win for multi-businesses. On commercial properties, the Company will make accurate positioning in accordance with the trends and characteristics of consumer market, aiming to enhance income through improving brand mix, adjusting commodity portfolio and strengthening marketing. (2) For additional assets, the Company will exert itself in promotion and marketing to prepare for opening and initial operation. Meanwhile, adhering to the "Co-sale of convention and exhibition" business mode, we will give full play to the leading role of National Convention Centre, seeking operation at "high starting points" for additional assets to shorten initial struggling period.

4. Brief Analysis on the Company's Sustainable Development Capabilities

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. The stable cash flows generated from the continued operation and gradual expansion of investment properties and commercial properties provide a strong assurance for the Company's sustainable development. Meanwhile, an appropriate size of land reserve which matches the current development capability of our development properties operation is a necessary condition for the Company's sustainable development. With the three major business operations making solid progress, the Company's integrated prowess, development potential and industry influence are gradually increasing, thereby raising significantly its sustainable development capability.



ZHAO Hui-Zhi
General Manager

Beijing, the PRC, 18th March 2009

Report on Corporate Governance

We seek to achieve the highest standards in corporate governance, the cornerstone of which is to have an experienced and committed board, and to enhance transparency for shareholders. The Company has already adopted a well accepted governance and disclosure practices, and will keep improving such practices, so as to nurture a corporate culture reaching high ethical standards.

Throughout the course of 2008, the Company complied with the requirements of the "Code on Corporate Governance Practices" of the Rules Governing the Listing of Securities on the SEHK (hereinafter called "Listing Rules"). The following is an outline of the corporate governance practices adopted by the Company.

BOARD OF DIRECTORS

Under the stewardship of the chairman, the board of directors is charged with the responsibility of approving and monitoring of the overall strategic plans and policies of the Company, approving annual budget and business plans, evaluating performance of the Company, and overseeing the work of the Company's management.

The day-to-day operations of the Company are delegated to the management. The management team must together regularly to review and discuss with executive directors on day-to-day operations issues, financial and operating performance as well as to monitor and ensure the management in carrying out the directions and strategies set by the Board correctly and properly.

A total of seven directors serve on the board, including the chairman, managing director, two other executive directors, and three independent non-executive directors. In accordance with the requirements of the Listing Rules, the independent non-executive directors should have no direct or indirect relationships with the Company before they are regarded as independent.

There is no financial, business, family or other material/related relationships existing among the directors.

The board of directors should meet regularly, and board meetings should be held at least four times a year. Our board of directors had met 27 times in total during 2008.

The attendance of each of the directors is set out below:

Directors	**No. of meetings attended/ No. of meetings held**
Executive directors	
Mr. HE Jiang-Chuan	27/27
Ms. ZHAO Hui-Zhi	27/27
Mr. LIU Jian-Ping	27/27
Mr. CHEN Ji	27/27
Independent non-executive directors	
Mr. MENG Yan	27/27
Mr. YU Jing-Song	26/27
Mr. FU Yiu-Man, Peter	27/27

In January 2005, the board adopted the Model Code for Securities Transactions by Directors of Listed Issuers (hereinafter called "Model Code") as the disciplinary rule governing securities dealings by company directors. During 2008, none of the directors of the Company had dealt in securities of the Company.

THE CHAIRMAN AND GENERAL MANAGER

The positions of the chairman of the board and the general manager are held respectively by Mr. HE Jiang-Chuan and Ms. ZHAO Hui-Zhi. These positions have clearly defined separate responsibilities.

The chairman is responsible for leading and supervising the operations of the board of directors, effective planning of board meetings, ensuring the board of directors is acting in the best interests of the Company. The chairman shall proactively encourage directors to fully participate in business of the board of directors and to make contributions to the functioning of the board. To this end, the board of directors meets at regular intervals while the chairman must meet at least once annually with the independent non-executive directors without the presence of the executive directors. Under the stewardship of the chairman, our board of directors has adopted well accepted practices and procedures in corporate governance, and has undertaken appropriate measures to maintain effective channels of communication with the shareholders.

The general manager is responsible for the administration of the company business, as well as to formulate and implement company policies, and answerable to the board of directors in relation to the Company's overall operation. The general manager works in close collaboration with the other executive directors and the administrative and managerial team of each core business department of the Company, ensuring the board of directors is made fully aware of the funding needs of the business operation of the Company and to submit an annual budget to the board of directors for approval. Assisted by the financial controller, the Company's general manager ensures the funding needs of the business operation the Company are sufficiently met and at the same time, closely monitors the operation and financial performance of the Company according to the business plans and budget of the Company, and to take remedial measures as the circumstance requires, and to offer opinions to the board of directors on substantive matters relating to company development and business operations. The general manager is required to keep in close liaison with the chairman and other members of the board, ensuring that the latter are well briefed on all substantive matters relating to Company's development and business operations, and taking a leading role in building and maintaining a highly efficient administrative support team to help him or her to discharge the assigned duties in this position.

NOMINATION OF DIRECTORS

In accordance with the provisions of the Company's Articles of Association stipulates that directors shall be elected at the shareholders' general meeting for a term of three years. Upon expiry of the term, a director shall be eligible for re-election. Accordingly, all Directors are appointed for a specific term.

The Company does not have a nomination committee. The Board shall have the collective responsibility to consider and assess the candidates for directorships based on their characters, qualifications and experience appropriate for the Company's businesses, with a view to appointing the people possessing leadership abilities, in order to maintain and enhance the Company's competitiveness and nominate candidates for directorships accordingly. Candidates for directorships are subject to election by shareholders at shareholders' general meeting.

The current term of office of all the directors who retired were re-elected in the annual general meeting for the year of 2006, the term of office for directors of this term shall not expire till the annual general meeting for the year of 2009.

The Board did not nominate any candidates for directorships as no casual vacancy arose in the office of directors in 2008.

ACCOUNTABILITY OF DIRECTORS ON COMPANY'S FINANCIAL STATEMENTS

Directors of the Company are charged with the responsibility to compile company's financial statements in each financial year with supports from the accounting departments, and to ensure that the relevant accounting policies are applied consistently and the accounting standards issued by the Hong Kong Institute of Certified Public Accountants are complied with in the preparation of such financial statements and to report the state of affairs of the Company in a true and fair view manner.

AUDIT COMMITTEE

The audit committee is made up of three independent non-executive directors with the necessary commercial and financial skills and experience to understand and interpret financial statements. This committee is chaired by Mr. MENG Yan and the other members are Mr. YU Jing-Song and Mr. FU Yiu-Man, Peter.

The terms of reference of the audit committee is to recommend appointment or replacement of independent external auditors, oversee internal company auditing systems and implementation, verify company financial information and its disclosure, examine internal control systems of the Company, and to take charge and act as a conduit between internal and external auditing functions. (Please refer to details published in the Company's website for the terms of reference of the audit committee)

The Company's audit committee held two meetings in 2008 to review the annual report of 2007 and the interim report of 2008.

Attendance of each of the members is set out below:

Members	No. of meetings attended/ No. of meetings held
Mr. MENG Yan	2/2
Mr. YU Jing-Song	2/2
Mr. FU Yiu-Man, Peter	2/2

SUPERVISORY COMMITTEE

The Supervisory Committee comprises three supervisors, with two supervisors representing the shareholders and one supervisor representing the staff and workers of the Company.

The Supervisory Committee is chaired by Mr. HE Wen-Yu and the other members are Mr. CHEN Yuan-Chao and Mr. LIU Yao-Zhong.

During 2008, the Supervisory Committee of the Company exercised its monitoring authority according to the law, protecting the legal interests of the shareholders, the Company and the staff. For details of the Supervisory Committee's works, please refer to Report of the Supervisory Committee in this annual report.

The Supervisory Committee held four meetings in 2008.

Attendance of each of the supervisors is set out below:

Supervisors	No. of meetings attended/ No. of meetings held
Mr. HE Wen-Yu	4/4
Mr. CHEN Yuan-Chao	4/4
Mr. LIU Yao-Zhong	4/4

In accordance with the provisions of the Company's Articles of Association, the term of office for the supervisors shall be three years and they shall be eligible for re-election.

REMUNERATION COMMITTEE

The remuneration committee comprises three independent non-executive directors, and is chaired by Mr. MENG Yan, with the other two members being Mr. YU Jing-Song and Mr. FU Yiu-Man, Peter.

The terms of reference of the remuneration committee are to study the assessment standards for directors and managerial staff, and to carry out the assessment and to make recommendations, as well as studying and examining the remuneration policy and schemes for directors and senior management personnel. (Please refer to the Company's website for details of the terms of reference of the remuneration committee).

The remuneration committee held one meeting in 2008 which considered and approved the Remuneration System of Directors and Supervisors of the Company.

Attendance of each of the members is set out below:

Members	No. of meetings attended/ No. of meetings held
Mr. MENG Yan	1/1
Mr. YU Jing-Song	1/1
Mr. FU Yiu-Man, Peter	1/1

STRATEGIC COMMITTEE

The strategic committee comprises five members, and is chaired by Mr. HE Jiang-Chuan, with the other four members being Ms. ZHAO Hui-Zhi, Mr. MENG Yan, Mr. YU Jing-Song and Mr. FU Yiu-Man, Peter.

The principal duties of the strategic committee are to carry out research into and make recommendations on the Company's long-term development strategies and major investment decisions.

The strategic committee held one meeting in 2008 which considered and approved the Strategic Planning Brands of the Company.

Attendance of each of the members is set out below:

Members	No. of meetings attended/ No. of meetings held
Mr. HE Jiang-Chuan	1/1
Ms. ZHAO Hui-Zhi	1/1
Mr. MENG Yan	1/1
Mr. YU Jing-Song	1/1
Mr. FU Yiu-Man, Peter	1/1

APPOINTMENT OF EXTERNAL AUDITOR

The external auditor currently appointed by the Company is PricewaterhouseCoopers. PricewaterhouseCoopers did not take up assignments other than assurance engagements so as to keep its independence. The work which the external auditor is engaged to perform must produce measurable benefits and added-values to the Company and should not cause adverse effects on the independence and independent standing of its audit function. The auditor's remuneration is disclosed in note 26 to the consolidated financial statements.

INTERNAL MONITORING CONTROL

The Company has established the audit department. The department reports to the board of directors, and is responsible for performing auditing duties including organising and implementing regular audits, specific audits and economic liability audits for the Company and its subsidiaries, subject to the approval by the Company's board of directors.

The board of directors has the ultimate responsibility in overseeing the operation of all business units under the company's management. The board of directors shall appoint suitably qualified personnel to serve on the board of all subsidiaries and jointly controlled entity operating in key business areas, attending board meetings to oversee the operation of such companies. The management in each business area is accountable for the operation and performance of the business under its area of responsibility.

The financial controller is required to prepare guidelines and procedures for the approval and control of expenditure. All business expenditure must be monitored and controlled according to overall corporate budget, and internally controlled by business centres against the approval level appropriate to the level of responsibilities of the various administrative personnel and departmental heads. Capital expenditure must be subject to comprehensive monitoring and control in accordance with the annual budget preparation and allocation approval procedures, major items of capital expenditure within allocation approval limits as well as un-committed items must be subject to further detailed monitoring and examination by the financial controller or other executive directors before the projects can be initiated.

In 2008, pursuant to the requirements of the domestic regulatory authorities, the Company continuously conducted a series of corporate governance and reform activities in respect of the Company's operations, independence and transparency. Thus, the Company has further enhanced the relevant systems. The Company's governance was improved considerably, with its internal control work further enhanced.

Through the audit committee, the board of directors has reviewed the effectiveness of the internal control system. No material deficiencies have been identified so far. The board of directors considered the Company's internal control system effective and that there were no significant areas of concern.

INVESTOR RELATIONS AND SHAREHOLDER'S INTEREST

After publication of the Company's interim and annual financial results, the Company has proactively arranged briefing sessions for people from the investment industry at regular intervals, using the opportunity to promote investor relations and two-way communication. Through the investor relations manager, the Company responds to information requests and inquiries by people from the investment industry.

The Company encourages shareholders to participate in shareholders' annual general meeting, in which the chairman and directors will be on hand to answer questions by shareholders on the business operations of the Company. The Company website also carries periodically updated financial and other data of the Company, which the shareholders can browse and look through.

In 2009, the Company will continue to dedicate efforts to improving the standards of its corporate governance according to changing regulatory requirements, the Company's latest developments and feedback from shareholders, so as to ensure stable and healthy growth for the Company while enhancing shareholder value.

By Order of the Board
GUO Chuan
Company Secretary

Beijing, the PRC, 18th March 2009

Profile of Directors, Supervisors and Senior Management

CHAIRMAN

Mr. HE Jiang-Chuan, aged 45, is the chairman of the board of directors of the Company. Mr. He graduated from the Tianjin University (天津大學) and the Beijing Economic University with a master's degree in engineering and economics and is qualified as a senior economist. He was the deputy director of the Beijing Municipal Housing Reform Office and the chief of the Beijing Municipal Housing Fund Management Centre. Mr. He joined Beijing North Star Industrial Group Company ("BNSIGC") in November 1994 as the deputy general manager, and became a director of the Company, deputy general manager and company secretary in 1997. He has been the general manager of the Company since February 2004 and was re-elected as a director of the Company in 2006. He was appointed as chairman of the Company in April 2007. Mr. He has 21 years of experience in housing reform, real estate finance and property development and management. Mr. He is also the committee member of All China Youth Federation and a Standing Committee member of Beijing Youth Federation. Mr. He was awarded the gold prize of the 4th Beijing Outstanding Young Entrepreneurs (北京市第四屆優秀青年企業家).

EXECUTIVE DIRECTORS

Ms. ZHAO Hui-Zhi, aged 55, is a director and general manager of the Company. She graduated from the Beijing Administration College and has a postgraduate education. Ms. Zhao joined BNSIGC in March 1989 and became the director and deputy general manager of the Company in 1997. She then became general manager of the Company during the period from June 2000 to February 2004. In February 2004, Ms. Zhao was appointed as the chairman of the Company and was re-elected as a director of the Company in 2006. In April 2007, she became a director and the general manager of the Company. She has over 18 years of experience in property management such as hotels, convention centres, apartments and office buildings.

Mr. LIU Jian-Ping, aged 55, is a director of the Company. Mr. Liu graduated from the Beijing Administration College and has a postgraduate education. He joined BNSIGC in 1988. He was appointed as the general manager of Beijing Continental Grand Hotel in November 1989 and was appointed as a director and deputy general manager of the Company in 1997. In 2006, Mr. Liu was re-elected as a director of the Company. Mr. Liu is currently the executive deputy general manager of BNSIGC and has extensive experience in the hotel and investment property management.

Mr. CHEN Ji, aged 57, is a director of the Company. Mr. Chen graduated from the Beijing Administrative College and has a postgraduate education. He joined BNSIGC in March 1995 and was appointed as a director of the Company in 1997 and resigned in 2000. He was reappointed as a director of the Company on 30th March 2005. He was reelected as a director of the Company in 2006. Mr. Chen is currently the deputy general manager of BNSIGC and has rich experience in corporate reform and legal affairs.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. MENG Yan, aged 54, is an independent non-executive director of the Company. Mr. Meng is currently the director, professor and supervisor of doctorate students in Department of Accountancy of the Central University of Finance and Economics. Mr. Meng has been reelected as an independent non-executive director of the Company in 2006. Save as being the independent non-executive director of the Company, he is also an independent non-executive director of China Merchants Property Development Company and Beijing Bashi Media Co., Ltd.

Mr. YU Jing-Song, aged 56, is an independent non-executive director of the Company. He has a doctorate degree in Law and is a national outstanding youth in the PRC. He is currently a professor and supervisor of doctorate students of the Law School of the Renmin University of China. Mr. Yu has been re-elected as an independent non-executive director of the Company in 2006.

Mr. FU Yiu-Man, Peter, aged 54, is an independent non-executive director of the Company. Mr. Fu graduated from the University of Pennsylvania, the US, majoring in finance. Mr. Fu has been re-elected as an independent non-executive director of the Company in 2006. Mr. Fu had consecutively worked for ABN AMRO HG Asia, Peregrine Group, Vickers Ballas, Swiss Bank Corporation of New York, Barings Securities and CCB International Securities in Hong Kong. Mr. Fu possesses over 20 years of experience in brokerage business.

SUPERVISORY COMMITTEE

Chairman

Mr. HE Wen-Yu, aged 55, is the chairman of the Supervisory Committee. He is a graduate of the Party School of Heilongjiang Provincial Party Committee of the Communist Party of China with a tertiary education. He has over 20 years of experience in theoretical research of market economy, publicity and supervisory work. Mr. HE joined BNSIGC in August 2006 as deputy secretary of the Communist Party Committee, director and deputy general manager, responsible for supervising and managing BNSIGC auditing operations. He was appointed Chairman of the Supervisory Committees of the Company in July 2007.

Supervisors

Mr. CHEN Yuan-Chao, aged 56, is a supervisor of the Company. He graduated from the Beijing Financial College and has a bachelor degree. Mr. Chen had been Head of the Budgeting Department and Assistant to Director of the Beijing Municipal Finance Bureau, and has been engaged in financial management work in units such as Beijing 2008 Olympic Games Bidding Committee, the Eleventh Asian Games and China Travel Service (Holdings) Hong Kong Limited. Mr. Chen joined BNSIGC in 2005 as its chief accountant and has been a supervisor of the Company since 2006.

Mr. LIU Yao-Zhong, aged 54, is a supervisor of the Company. Mr. Liu graduated from China Beijing Municipal Communist Party School and has a bachelor degree. Mr. Liu is currently the chairman of the trade union of BNSIGC. Mr. Liu has 17 years of experience in trade union. He has been re-elected as a supervisor of the Company in 2006.

DEPUTY GENERAL MANAGER

Mr. LIU Huan-bo, aged 51, is the deputy general manager of the Company. Mr. Liu is a postgraduate of the Party School of Central Committee of C.P.C.. Mr. Liu had worked in the Xinqiao Hotel (新僑飯店) and Shigatse Hotel, Tibet (西藏日喀則飯店). Mr. Liu joined the BNSIGC since 1989 and had held positions as the general manager and chairman of Hui Yuan Apartment, Xin He Property, Beijing Recreation Centre (北京康樂宮), Beijing International Convention Centre, Xin Cheng Property and BNS Dongruan. Since 2002, he has been appointed as the deputy general manager of the Company.

Mr. LIU Tie-Lin, aged 46, is the deputy general manager of the Company. Mr. Liu is a postgraduate of the Tsinghua University. Mr. Liu joined BNSIGC since 1990 and consecutively served as the general manager and chairman of Beichen Shopping Centre, Beijing North Star Business Development (北辰商業發展), Beijing North Star Department Store (北辰百貨), Beijing North Star Supermarket (北辰超市連鎖) and Beijing North Star Jia Quan Department Store (北辰嘉權時代名門) of the Company. Since 2002, he has been appointed as the deputy general manager of the Company.

Mr. SI Hai-Qun, aged 54, is the deputy general manager of the Company. Mr. Si is a postgraduate of the Chinese Academy of Social Science in the PRC. Mr. Si joined BNSIGC since 1988 and consecutively served as the deputy director of Office to the General Manager (總經理辦公室) of BNSIGC as well as the general manager and chairman of CNSRE, Beijing North Star Property (北辰置地) and BNSRE of the Company. He has been appointed as the deputy general manager of the Company since 2004.

Mr. ZENG Jing, aged 39, is the deputy general manager of the Company. Mr. Zeng graduated from Tsinghua University with a master's degree in business administration. Mr. Zeng joined BNSIGC in August 1992. He served as the deputy department head of the Property Development Department in the Company, the deputy general manager and general manager of BNSRE, Beijing North Star Property and CNSRE consecutively. In January 2009, he was appointed as the deputy general manager of the Company.

COMPANY SECRETARY

Mr. GUO Chuan, aged 40, is company secretary of the Company. Mr. Guo graduated from Capital University of Economics and Business with a bachelor's degree in economic law, and is a qualified lawyer. He joined the Group in 1991, and was deputy director and director of the Secretariat of the Board of the Company consecutively. In February 2004, he was appointed as company secretary. Mr. Guo was appointed as the chief legal advisor of the Company in July 2008.

Mr. LEE Ka-Sze, Carmelo, aged 48, is company secretary of the Company on Hong Kong compliance. Mr. Lee graduated from the University of Hong Kong with a bachelor's degree in law. He is a practising solicitor in Hong Kong and a partner of Woo, Kwan, Lee & Lo, the Company's legal adviser on Hong Kong law. Mr. Lee was appointed as company secretary in 1997.

Report of the Directors

The Board is pleased to present to the shareholders their report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December 2008.

PRINCIPAL ACTIVITIES

The Company is principally engaged in property investment, property leasing, property development, commercial properties, hotels operation and the provision of food and beverage services. The subsidiaries are mainly engaged in property development and investment in Beijing Municipality and Changsha Minicipality of Hunan Province in the PRC.

RESULTS AND PROFIT DISTRIBUTION

The results of the Group for the year ended 31st December 2008 and the financial positions of the Group and the Company as at 31st December 2008 prepared in accordance with HKFRS are set out on pages 48 to 55 of the annual report.

DIVIDENDS

The board of directors recommends the payment of a final dividend of RMB0.03 per share for the year ended 31st December 2008, totalling RMB101,010,600.

FIVE YEAR FINANCIAL SUMMARY

The Group's consolidated results and summaries of assets and liabilities for the last five years are set out on pages 4 to 5 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30% of the Group's cost of purchase of goods and services was derived from its five largest suppliers and less than 30% of the Group's revenue of sale of goods and services was derived from its five largest customers.

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major suppliers or customers mentioned above.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements of property, plant and equipment of the Group and of the Company during the year are set out in note 8 to the consolidated financial statements.

PRINCIPAL PROPERTIES

The summary of principal properties owned by the Group is set out on pages 116 to 117 of this annual report.

RESERVES

Details of movements of the reserves of the Group and the Company during the year are set out in note 21 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2008 amounted to RMB2,513,862,000 (2007: RMB1,631,606,000).

PURCHASE, SALE OR REDEMPTION OF SHARES

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The directors, supervisors and senior management during the year and up to the date of this report are as follows:

Executive Directors

HE Jiang-Chuan	*Chairman*
ZHAO Hui-Zhi	*Director*
LIU Jian-Ping	*Director*
CHEN Ji	*Director*

Independent Non-Executive Directors

MENG Yan	*Director*
YU Jing-Song	*Director*
FU Yiu-Man, Peter	*Director*

Supervisors

HE Wen-Yu	*Chairman*
CHEN Yuan-Chao	*Supervisor*
LIU Yao-Zhong	*Supervisor*

Senior Management

LIU Huan-bo	*Deputy General Manager*
LIU Tie-Lin	*Deputy General Manager*
SI Hai-Qun	*Deputy General Manager*
ZENG Jing	*Deputy General Manager*
GUO Chuan	*Company Secretary*
LEE Ka-Sze, Carmelo	*Company Secretary*

The Company has received confirmation from each of the independent non-executive directors of their independence and considered all independent non-executive directors to be independent to the Company.

None of the directors or supervisors has entered into any service contract with the Company or any of its subsidiaries, which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

The biographical details of directors, supervisors and senior management are set out on pages 34 to 35 of this annual report.

ELECTION OF DIRECTORS AND SUPERVISORS

According to the Articles of Association of the Company, the term of office of each of the directors and supervisors of the current term will expire on 19th May 2009, the date scheduled for the 2009 annual general meeting (the "AGM"), and will be eligible for re-election.

The Company has been notified that Mr. MENG Yan ("Mr. MENG"), Mr. YU Jing-Song ("Mr. YU") and Mr. FU Yiu-Man, Peter ("Mr. FU") will retire from office as independent non-executive directors on the date of the AGM and will not seek for re-election due to the reason that the re-election of the independent non-executive directors shall not exceed six years pursuant to the requirements of China Securities Regulatory Committee. Mr. MENG will cease to be a member and the chairman of the audit committee and remuneration committee of the Company upon his retirement simultaneously. Mr. YU and Mr. FU will also cease to be members of the audit committee and remuneration committee of the Company upon their retirements simultaneously.

The board of directors has nominated Mr. HE Jiang-Chuan, Ms. ZHAO Hui-Zhi, Mr. LIU Jian-Ping and Mr. CHEN Ji, all being retiring executive directors, as candidates for the election as executive directors for the term of office commencing from the date of the AGM to the annual general meeting of the Company for 2012 ("Next Term"). As mentioned above, Mr. MENG, Mr. YU and Mr. FU will retire as independent non-executive directors on the date of AGM and will not seek for re-election. The board has therefore nominated, Mr. LONG Tao ("Mr. LONG"), Mr. GAN Pei-Zhong ("Mr. GAN") and Mr. WONG Yik Chung ("Mr. WONG") as candidates for the election as new independent non-executive directors for the next term. The Company will convene a meeting of the board upon the election of the independent non-executive directors to elect the newly elected independent non-executive directors to be members/chairman of the audit committee and remuneration committee of the Company, respectively.

The supervisory committee has nominated Mr. HE Wen-Yu and Mr. CHEN Yuan-Chao, being all the retiring supervisors representing the shareholders of the Company as candidates for election as supervisors representing the shareholders for the Next Term. The meeting of staff and workers of the Company have nominated Mr. LIU Yao-Zhong, being a retiring supervisor representing the staff and workers, as a candidate for election as supervisor representing the staff and workers for the Next Term.

A circular containing, among other things, details of the proposed election of directors and supervisors will be despatched to the shareholders as soon as possible.

QUALIFIED ACCOUNTANT

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

DIRECTORS' EMOLUMENTS

Details of directors' emoluments are set out in note 28 to the consolidated financial statements.

INDIVIDUALS WITH HIGHEST PAID

During the year, two of the five individuals with the highest emoluments in the Group are directors of the Company.

MANAGEMENT CONTRACTS

Except for the connected transactions as stated in this report, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31st December 2008, none of the directors, supervisors and chief executives of the Company has any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined under the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors. None of the directors, supervisors and chief executives of the Company, their spouses or children under the age of 18 had been granted any rights to subscribe for shares in or debentures of the Company and its associated corporations, nor has any of them exercised such rights during the year.

At no time during the year was the Company and its associated corporations a party to any arrangement to enable the directors, supervisors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares in or debentures of, the Company or its associated corporation.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

Apart from service contracts in relation to the Company's business, no contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, its fellow subsidiaries or its substantial shareholders was a party and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year and up to the date of this report, none of the directors or management shareholders has any interest in business which competes or may compete with the business of the Group under the Listing Rules.

DETAILS OF SHARE OFFERING AND LISTING

Class of shares	H shares
Listing place	Hong Kong
Offer price	HK$2.40 per share
Listing date	14th May 1997
Number of issued shares	707,020,000 shares

Class of shares	A shares
Listing place	Shanghai
Offer price	RMB2.40 per share
Listing date	16th October 2006
Number of issued shares	1,500,000,000 shares

SHARE CAPITAL

The Company's total number of issued shares as at 31st December 2008 was 3,367,020,000, comprising of:

Domestic listed		
Restricted A shares	1,161,000,031	Representing 34.482%
Circulated A shares	1,498,999,969	Representing 44.520%
Foreign listed		
H shares	707,020,000	Representing 20.998%

Details of the movements in share capital of the Company are set out in note 20 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

The register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that as at 31st December 2008, the Company had been notified of the following substantial shareholders' interests or short positions, being 5% or more of the relevant class of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives.

Long positions in the shares of the Company:

Name of shareholders	Class of shares	No. of shares held	No. of relevant shares held	Capacity	Nature of interest	Percentage (%) of the relevant class of share capital	Percentage (%) of total share capital
Beijing North Star Industrial Group Company ("BNSIGC")	A shares	1,161,000,031	—	Beneficial owner	Corporate interest	43.647%	34.482%

Save as disclosed above, the register required to be kept under Section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 31st December 2008.

TOP 10 SHAREHOLDERS IN THE A-SHARE AND H-SHARE MARKETS

As at 31st December 2008, the top 10 shareholders as recorded in the registers of holders of A shares and H shares kept by the Company are as follows:

Top 10 Shareholders as at 31st December 2008

Name of shareholder	Class of shares	Percentage of total shares *(%)*	Total number of shares held
BNSIGC	A shares	34.482	1,161,000,031
HKSCC NOMINEES LIMITED	H shares	20.406	687,060,498
Beijing Wangfujing Department Store (Group) Co., Ltd.	A shares	4.422	148,900,000
Zhong Hang Xin Gang Guarantee Co., Ltd.	A shares	2.792	94,000,000
Zhejiang Haiyue Co., Ltd.	A shares	0.891	30,000,000
Sinopec Finance Co., Ltd.	A shares	0.866	29,149,700
ICBC — SSE 50 Trading Open-end Index Securities Investment Fund	A shares	0.630	21,205,482
Bank of China — Harvest SHSE-SZSE 300 Indexed Fund	A shares	0.302	10,177,255
Zhejiang AMP Incorporation	A shares	0.255	8,600,000
China Construction Bank — Bo Shi Yu Fu Securities Investment Fund	A shares	0.143	4,805,544

USE OF PROCEEDS FROM H SHARE ISSUE

The Company issued H shares in May 1997 and such shares were listed on the Hong Kong Stock Exchange on 14th May 1997, raising approximately RMB1,730,440,000 in net proceeds (excluding fees).

The use of the net proceeds was stated in the item "Use of Proceeds" set out in the IPO prospectus published by the Company on 6th May 1997. The proceeds from the previous fund raising activity are already used up.

USE OF PROCEEDS FROM A SHARE ISSUE

During 2006, the Company raised RMB3,517,070,000 in net proceeds from initial public offering, with an aggregate of RMB3,232,040,000 already used, with un-utilised proceeds amounted to RMB285,030,000. The un-utilised proceeds will be gradually invested in the committed projects in line with their development progress.

Pursuant to the approval document Zheng Jian Fa Xing Zi [2006] No. 44 issued by the China Securities Regulatory Commission, the Company issued and listed A shares at the Shanghai Stock Exchange on 16th October 2006. A total of 1,500,000,000 Renminbi-denominated ordinary shares (A shares) were issued at an offer price of RMB2.4 each, raising RMB3,600,000,000 in proceeds. After deducting RMB82,930,000 of relevant issuing fees, net proceeds amounted to RMB3,517,070,000. As at 31st December 2008, the remaining balance of the proceeds amounted to RMB285,030,000 will be gradually invested in the committed projects in line with their development progress; or in case the proceeds exceeds the total fund needed by the committed projects, such excess amount may be used for debt reduction or general working capital purposes, pursuant to the resolution passed at the 2003 first extraordinary general meeting.

DESIGNATED DEPOSITS AND DUE FIXED DEPOSITS

As at 31st December 2008, the Group had no designated deposits placed with financial institutions in the PRC. All of the Group's cash deposits are placed with commercial banks in the PRC and are in compliance with relevant laws and regulations. The Group has not experienced any incident of not being able to withdraw bank deposits when due.

STAFF RETIREMENT SCHEME

Details of the Group's staff retirement scheme are set out in note 28 to the consolidated financial statements.

EMPLOYEES

As at 31st December 2008, the Company had 5,837 employees. Adjustments of employee remuneration will be made according to the Company's turnover and profitability and are determined by assessing the correlation between the total salary paid and the economic efficiency of the enterprise. Under this mechanism, the management of employee remunerations will be more efficient while employees will be motivated to work hard to bring good results to the Company. Save from the remuneration policies disclosed above, the Company does not maintain any share option scheme for its employees and the employees do not enjoy and bonus. The Company regularly provides for its administrative personnel trainings on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws, in different forms, such as seminars, site visits and study tours..

STAFF HOUSING QUARTERS

During the year, the Group did not provide any housing quarters to its staff.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 37 to the consolidated financial statements also constituted connected transactions under the Listing Rules, which are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected persons (as defined in the Listing Rules) and the Group have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

1. Land Rental

According to a lease agreement dated 11th April 1997 entered into between the Company and BNSIGC, BNSIGC leased to the Group a piece of land on which the Group's investment properties and their ancillary facilities are located to for its use. With an area of approximately 195,000 m^2, the piece of land is leased for terms of 40 years to 70 years, subject to the type of usage of different portions of the piece of land. The rental for the year 2008 was RMB13,464,682. The rentals under the transaction for future years will be adjusted in accordance with terms of the aforesaid lease agreement with reference to the percentage increase of the previous year's consumer price index as announced by the National Bureau of Statistics.

CONNECTED TRANSACTIONS *(CONTINUED)*

2. Renting Properties from Others

In 2006, the Company's subsidiary, Beijing North Star Xin Cheng Property Management Company Limited ("Xin Cheng Property"), entered into a property rental agreement with Chen Yun Property, a subsidiary of BNSIGC. Pursuant to the agreement, Xin Cheng Property leased certain properties from Chen Yun Property premises as office properties. The term of the lease is three years, starting from 1st January 2006 and ending at 31st December 2008. The annual rental of 2008 was RMB900,000.

According to the relevant agreement between Beijing North Star Property Branch Company and BNSIGC, BNSIGC leased the properties of a tennis club and the facilities and equipment therein to Beijing North Star Property Branch Company for the latter's use for the Beichen Building project. The term of the lease is three years, starting from 1st January 2006 and ending at 31st December 2008. The annual rental for year 2008 was RMB3,367,236.

3. Use of Authorised Logo and Signage Usage

Pursuant to the "Contract of Authorised Logo and Signage Usage" dated 18th April 1997 entered into with BNSIGC, the Company paid RMB10,000 of authorised logo and signage usage fee to BNSIGC in 2008.

4. Provision of Electricity and Telephone Services

Pursuant to a comprehensive service agreement dated 11th April 1997 entered into between the Company and BNSIGC, the aggregate amount paid and received by the Company and BNSIGC in 2008 amounted to RMB49,007. Save as provided otherwise in the agreement, the various services provided by the Company or BNSIGC were charged in accordance with the prices determined by the government. Where there are no such government-determined prices that are applicable, the service charges would be determined by reference to comparable local market rates. If no such the market rates are available, the prices shall be determined on the basis of the reasonable costs incurred by the Company or BNSIGC (as appropriate) in providing the services.

5. Leasing Properties to Others

According to an agreement between the Company's Office Building Management Branch Company and BNSIGC, BNSIGC leased properties from Office Building Management Branch Company as office properties. The term of the lease started from 25th January 2008 and ended on 24th January 2009. Priced on the basis of market leases, the annual rental for year 2008 was RMB1,515,654. The Company's Office Building Management Branch Company has been leasing the properties to BNSIGC since 25th January 2006.

According to a lease agreement between the Company's Apartment Management Branch Company and BNSIGC, BNSIGC leased properties from the Company's Apartment Management Branch Company as office premises. The term of the lease started from 1st February 2008 and ended on 31st January 2009. Priced on the basis of market leases, the annual rental for year 2008 was RMB1,560,000. The Company's Apartment Management Branch Company has been leasing the properties to BNSIGC since 1st February 2006.

6. Acquisition of Assets and Equity Interests

According to an agreement between the Company and BNSIGC dated 29th February 2008, the Company purchased from BNSIGC the property located on the 3rd Floor, Hui Zhen Lou, No. 8 Bei Chen Dong Road, Chao Yang District, Beijing, the PRC. With a total gross floor area of 2,166.4 m^2, the carrying value of the transferred property was RMB13,184,846 and the value under valuation as at 30th June 2007 was RMB30,804,042. The consideration for the transfer was approximately RMB30,804,042 and was settled in cash. The consideration was based on the valuation on the fair market value of the property by Beijing Zhongheng Xindewei Valuation Company Limited using the market comparison method. At present, the transfer procedures in respect of the property has been completed and the property serves for the purpose of internal use of the Company.

CONNECTED TRANSACTIONS *(CONTINUED)*

6. Acquisition of Assets and Equity Interests *(Continued)*

Pursuant to an agreement entered into by the Company and BNSIGC in April 2008, BNSIGC transferred its 100% equity interests in Beijing North Star Hotel Management Company to the Company. The carrying value and appraised value for the equity transferred was RMB357,389 and RMB801,600 respectively. The consideration for the transfer was RMB801,600, which would be settled by cash. The significant difference between the consideration and carrying value was due to appreciation in this company's long term investment. The consideration for the transaction was arrived at based on the fair valuation on such assets by Beijing Zhongheng Xindewei Valuation Company Limited using cost method. Currently, the equity transfer procedures are in process.

Pursuant to the agreements entered into by Xin Cheng Property, a subsidiary of the Company, and BNSIGC in April 2008, BNSIGC transferred the entire equity interests in Beijing North Star Property Management Company to Xin Cheng Property. The carrying value and appraised value for the equity transferred were RMB5,096,201 and RMB5,140,600 respectively. The consideration for the transfer was RMB5,140,600, which would be settled by cash. The consideration for the transaction was arrived at based on the fair valuation on market value of such assets by Beijing Zhongheng Xindewei Valuation Company Limited through inspection and verification. Currently, the Company is going through the equity transfer procedures.

7. Guarantee Charges

On 18th July 2008, the Company issued debentures with an aggregate principal amount of RMB1,700,000,000 and a maturity period of 5 years. BNSIGC provided irrevocable joint liability guarantee for the Company in respect of above debentures during the duration of the debentures and two years upon its maturity. The Company paid RMB8,500,000 to BNSIGC in return of the guarantee so provided.

The independent non-executive directors have reviewed the transactions as referred to in paragraphs 1 to 5 above and confirmed that the transactions have been carried out on normal commercial terms, in accordance with the terms of the relevant agreements, were in the ordinary and normal course of business of the Company and were fair and reasonable so far as the shareholders of the Company as a whole were concerned.

The Company's auditor, PricewaterhouseCoopers, has examined that the continuing connected transactions as referred to in paragraphs 1 to 5 above for the year ended 31st December 2008 ("Transactions") and reported in its letter to the Company that the Transactions (i) have been approved by the board of directors of the Company; (ii) the pricing of which on a sample basis, were in accordance with the pricing policies of the Company; and (iii) have been carried out in accordance with the relevant agreements governing these continuing connected transactions. 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 the continuing connected transactions as referred to in paragraphs 1 to 5 above.

BANK LOANS AND OTHER BORROWINGS

As at 31st December 2008, the bank loans and other borrowings of the Group are set out in note 24 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and the related laws of the PRC, which oblige the Company to offer new shares on pro-rata basis to existing shareholders.

SUBSIDIARIES

Details of the Company's subsidiaries are set out in note 9 to the consolidated financial statements.

MAJOR LITIGATION

The Group was not involved in any litigation or arbitration of material importance during the year.

RESULTS OF OPERATIONS

Comparison of Financial Year 2008 to Financial Year 2007:

	2008 *(RMB'000)*	2007 *(RMB'000)* *(Restated)*	Increase/(decrease) compared to 2007 *(%)*
Revenue	**4,121,801**	3,956,285	4.18
Profit attributable to equity holders of the Company	**1,164,781**	517,110	125.25
Segment results:			
Properties sales	**984,459**	753,517	30.65
Retail operations	**17,662**	57,417	(69.24)
Investment properties	**1,007,652**	144,627	596.72
Hotel operations	**105,086**	104,473	0.59
Other operations	**(76,129)**	(3,436)	(2,115.63)

POLICIES ON INCOME TAX

In compliance with the PRC laws and regulations, the Company and its subsidiaries and jointly controlled entity paid PRC corporate income tax at a rate of 25% based on taxable income.

FINANCIAL RESOURCES AND LIQUIDITY

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

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

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

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

The Group's operations take place within the territory of mainland China and all transactions are settled in RMB. Accordingly, there is no exposure to the risk of exchange rate fluctuations.

The Group does not have any contingent liabilities for the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors and supervisors of the Company, the Company confirmed that its directors and supervisors have complied with the required standards as set out in the Model Code during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has strived to maintain and establish a high level of corporate governance and has fully complied with the Code Provisions set out in Appendix 14 "Code on Corporate Governance Practices" of the Listing Rules during the year.

AUDIT COMMITTEE

The Company has established an audit committee since September 2004. The audit committee comprises three independent non-executive directors, namely Mr. MENG Yan as Chairman, Mr. YU Jing-Song and Mr. FU Yiu-Man, Peter. Their duties include reviewing and supervising the Company's financial reporting process and internal control systems. The audit committee and the management have reviewed the accounting principles and major policies adopted by the Group and have discussed matters on auditing, internal control and financial reporting, as well as reviewing the unaudited interim financial report and the audited annual financial statements of the Group. The audit committee has also reviewed the draft financial statements of the Group for the year ended 31st December 2008.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

OTHER MAJOR EVENTS

(1) On 4th June 2008, the application of the Company for issuing corporate debentures of not exceeding RMB1.7 billion was conditionally approved by the Issuance Review Committee of the China Securities Regulatory Commission. On 11th July 2008, the Company obtained the approval (CSRC Approval No. [2008] 887) by the China Securities Regulatory Commission. On 18th July 2008, the Company successfully issued corporate debentures of RMB1.7 billion.

(2) On 24th July 2007, the Company secured the project in Xinhe Sanjiaozhou, Changsha City, Hunan Province (the "Project") by way of tender. As at 2nd August 2007, the Company has already paid the first installment of the Land Premium and the relevant transaction fee of approximately RMB6.2 billion and the land of the first stage of the Project have been received. The corresponding "State Land Use Rights Certificate" was also received. The undelivered remaining land of the Project was impacted by the snowstorms in Changsha City, Hunan Province and the relocation of the original enterprises and certain residents residing in the remaining land of the Project. Thus, the party concerned was temporarily unable to deliver the remaining land to the Company on the date as agreed. Pursuant to a supplemental agreement for delivery of land and payment dated 30th August 2008, the Company would delay its payment for the land premium for the remaining land accordingly. As the two blocks of development lands in the first stage of the Project were basically located in the first stage of the land which has already been delivered, the delay in the delivery of the above-mentioned remaining land has no material adverse effect on the first stage of the development plan of the Project devised by the Company.

(3) On 13th October 2008, BNSIGC increased its shareholdings in the Company by 1,000,031 shares via the trading system of the Shanghai Stock Exchange. Immediately following this share acquisition, BNSIGC held 1,161,000,031 shares of the Company, representing 34.482% of the total issued share capital of the Company. BNSIGC intends to continue to increase its shareholdings in the Company via the trading system of the Shanghai Stock Exchange within 12 months from the date of this share acquisition in an aggregated amount of not exceeding 2% of the total issued share capital of the Company (including the shares in this share acquisition). BNSIGC undertakes that it will not sell any shares it held in the Company during the implementation of the acquisition plan and within the statutory period.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. who retire and being eligible, offer themselves for reappointment. A resolution reappointing PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. as the Company's PRC auditor and PricewaterhouseCoopers as the Company's international auditor will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

HE Jiang-Chuan
Chairman

Beijing, the PRC, 18th March 2009

Report of the Supervisory Committee

The Supervisory Committee of the Company (the "Supervisory Committee"), in compliance with the provisions of the Company Law of the People's Republic of China (the "PRC Company Law"), the relevant laws and regulations of Hong Kong and the Articles of Association of the Company, under their fiduciary duty, took an active role to work reasonably and cautiously with diligence to protect the interests of the Company and its shareholders.

In 2008, the Supervisory Committee met 4 times in total and attended the Board meetings, AGM and EGM. It also strictly and effectively monitored and supervised the Company's board of directors and management in making significant policies and decisions to ensure that they were in compliance with the laws and regulations of the PRC and the Articles of Association of the Company, and in the interests of its shareholders and employees.

We have reviewed and agreed to the report of the directors, audited financial statements and profit appropriation proposal to be proposed by the Board for presentation at the forthcoming AGM. We are of the opinion that the directors, the general manager and other senior management of the Company were able to strictly observe their fiduciary duty, to act diligently and to exercise their authority faithfully in the best interests of the Company. Up till now, none of the directors, general manager and senior management has been found abusing their authority, damaging the interests of the Company and infringing the interests of its shareholders and employees.

The Supervisory Committee is of the view that the connected transactions between the Company and connected parties were conducted at fair market prices, without damaging the interests of the Company and small and medium shareholders.

The Supervisory Committee is satisfied with the achievement and cost-effectiveness of the Company in 2008 and has great confidence in the future of the Company.

In 2009, the Supervisory Committee will continue to strictly comply with the Articles of Association and the relevant regulations, so as to safeguard shareholders' interests and fulfill all its duties.

By Order of the Supervisory Committee
HE Wen-Yu
Chairman

Beijing, the PRC, 18th March 2009

Independent Auditor's Report

To the shareholders of Beijing North Star Company Limited
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Beijing North Star Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 48 to 114, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and the true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 March 2009

Consolidated balance sheet

	Note	As at 31 December 2008 RMB'000	2007 RMB'000 (Restated)
ASSETS			
Non-current assets			
Land use rights	6	**1,171**	1,203
Investment properties	7	**4,382,600**	2,145,000
Property, plant and equipment	8	**4,393,911**	840,383
Interest in a jointly controlled entity	10	**21,066**	—
Deferred income tax assets	25	**20,329**	14,164
		8,819,077	3,000,750
Current assets			
Properties under development	13	**10,881,626**	15,390,062
Completed properties held for sale	14	**2,797,453**	877,211
Inventories	15	**111,495**	52,476
Trade and other receivables	16	**489,719**	312,641
Restricted bank deposits	17	**83,085**	84,473
Cash and cash equivalents	18	**4,898,455**	2,255,546
		19,261,833	18,972,409
Assets of disposal group classified as held for sale	19	**55,888**	—
		19,317,721	18,972,409
Total assets		**28,136,798**	21,973,159
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	20	**3,367,020**	3,367,020
Other reserves	21	**4,001,217**	3,964,510
Retained earnings			
— Proposed final dividend	33	**101,011**	101,011
— Others	21	**2,915,036**	1,881,206
		10,384,284	9,313,747
Minority interest in equity		**227,104**	261,468
Total equity		**10,611,388**	9,575,215

	Note	As at 31 December 2008 RMB'000	2007 RMB'000 (Restated)
LIABILITIES			
Non-current liabilities			
Long term borrowings	24	**7,592,812**	4,101,760
Deferred income tax liabilities	25	**712,915**	477,852
Deferred income		**2,550**	—
		8,308,277	4,579,612
Current liabilities			
Trade and other payables	22	**6,898,506**	4,506,040
Current income tax liabilities	23	**417,984**	282,292
Current portion of long term borrowings	24	**1,200,000**	900,000
Short term borrowings	24	**650,000**	2,130,000
		9,166,490	7,818,332
Liabilities of disposal group classified as held for sale	19	**50,643**	—
		9,217,133	7,818,332
Total liabilities		**17,525,410**	12,397,944
Total equity and liabilities		**28,136,798**	21,973,159
Net current assets		**10,100,588**	11,154,077
Total assets less current liabilities		**18,919,665**	14,154,827

On behalf of the Board

HE Jiang-Chuan
Director

ZHAO Hui-Zhi
Director

Approved by the Board of Directors on 18 March 2009.

The notes on pages 56 to 114 are an integral part of these consolidated financial statements.

Balance sheet

	Note	As at 31 December 2008 RMB'000	2007 RMB'000 (Restated)
ASSETS			
Non-current assets			
Investment properties	7	**4,382,600**	2,145,000
Property, plant and equipment	8	**1,467,722**	817,398
Investments in and loans to subsidiaries	9	**12,304,351**	10,112,062
Interest in jointly controlled entities	10	**21,066**	—
Deferred income tax assets	25	**7,894**	7,615
		18,183,633	13,082,075
Current assets			
Properties under development	13	**3,445,319**	5,416,771
Completed properties held for sale	14	**2,547,675**	369,467
Inventories	15	**107,182**	49,430
Trade and other receivables	16	**330,345**	154,269
Restricted bank deposits	17	**9,422**	59,359
Cash and cash equivalents	18	**4,159,643**	1,373,116
		10,599,586	7,422,412
Total assets		**28,783,219**	20,504,487
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	20	**3,367,020**	3,367,020
Other reserves	21	**4,066,007**	4,036,026
Retained earnings			
— Proposed final dividend	33	**101,011**	101,011
— Others	21	**2,412,851**	1,530,595
Total equity		**9,946,889**	9,034,652

	Note	As at 31 December 2008 RMB'000	2007 RMB'000 (Restated)
LIABILITIES			
Non-current liabilities			
Long term borrowings	24	**7,592,812**	4,101,760
Deferred income tax liabilities	25	**712,915**	477,852
		8,305,727	4,579,612
Current liabilities			
Trade and other payables	22	**8,447,662**	3,723,707
Current income tax liabilities	23	**232,941**	136,516
Current portion of long term borrowings	24	**1,200,000**	900,000
Short term borrowings	24	**650,000**	2,130,000
		10,530,603	6,890,223
Total liabilities		**18,836,330**	11,469,835
Total equity and liabilities		**28,783,219**	20,504,487
Net current assets		**68,983**	532,189
Total assets less current liabilities		**18,252,616**	13,614,264

On behalf of the Board

HE Jiang-Chuan
Director

ZHAO Hui-Zhi
Director

Approved by the Board of Directors on 18 March 2009.

The notes on pages 56 to 114 are an integral part of these consolidated financial statements.

Consolidated income statement

	Note	Year ended 31 December 2008 RMB'000	2007 RMB'000 (Restated)
Continuing operations:			
Revenue	5	**4,121,801**	3,956,285
Cost of sales	26	**(2,459,896)**	(2,498,850)
Gross profit		**1,661,905**	1,457,435
Selling and marketing expenses	26	**(141,431)**	(142,965)
Administrative expenses	26	**(423,706)**	(316,586)
Other gains — net	27	**865,806**	9,107
Operating profit	5	**1,962,574**	1,006,991
Finance income	29	**23,343**	42,936
Finance costs	29	**(54,587)**	(72,447)
Finance costs — net	29	**(31,244)**	(29,511)
Share of loss of a jointly controlled entity	10	**(10,727)**	—
Profit before income tax		**1,920,603**	977,480
Income tax expenses	30	**(601,546)**	(321,207)
Profit for the year from continuing operations		**1,319,057**	656,273
Discontinued operations			
(Loss)/profit for the year from discontinued operations	19	**(721)**	124
Profit for the year		**1,318,336**	656,397
Attributable to:			
Equity holders of the Company	32	**1,164,781**	517,110
Minority interests		**153,555**	139,287
		1,318,336	656,397
Earnings per share for profit attributable to the equity holders of the Company during the year (basic and diluted) *(expressed in RMB cents per share)*			
From continuing operations	32	**34.61**	15.36
From discontinued operations	32	**(0.02)**	—
	32	**34.59**	15.36
Dividends	33	**101,011**	101,011

The notes on pages 56 to 114 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Note	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000 (Restated)	Subtotal RMB'000 (Restated)	Minority interest RMB'000 (Restated)	Total RMB'000 (Restated)
		Attributable to equity holders of the Company					
Balance at 1 January 2008 as previously reported		3,367,020	3,964,510	1,896,355	9,227,885	250,516	9,478,401
Reversal of amortisation of land use rights	2	—	—	85,862	85,862	10,952	96,814
Balance at 1 January 2008 as restated		3,367,020	3,964,510	1,982,217	9,313,747	261,468	9,575,215
Profit for the year and total recognised income for 2008		—	—	1,164,781	1,164,781	153,555	1,318,336
2007 final dividend	33	—	—	(101,011)	(101,011)	—	(101,011)
Dividend to minority shareholders of a subsidiary		—	—	—	—	(130,066)	(130,066)
Acquisition of additional interests in a subsidiary from minority shareholders	9 (a)	—	6,726	—	6,726	(57,853)	(51,127)
Share of a jointly controlled entity exchange difference on its capital injection	10	—	41	—	41	—	41
Transfer from retained earnings	21	—	29,940	(29,940)	—	—	—
		—	36,707	(130,951)	(94,244)	(187,919)	(282,163)
Balance at 31 December 2008		3,367,020	4,001,217	3,016,047	10,384,284	227,104	10,611,388
Representing:							
Proposed final dividend at 31 December 2008				101,011			
Retained earnings — others				2,915,036			
				3,016,047			

Consolidated statement of changes in equity

	Note	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000 (Restated)	Subtotal RMB'000 (Restated)	Minority interest RMB'000 (Restated)	Total RMB'000 (Restated)
		Attributable to equity holders of the Company					
Balance at 1 January 2007 as previously reported		3,367,020	3,941,259	1,589,421	8,897,700	183,118	9,080,818
Reversal of amortisation of land use rights	2	—	—	31,905	31,905	913	32,818
Balance at 1 January 2007 as restated		3,367,020	3,941,259	1,621,326	8,929,605	184,031	9,113,636
Profit for the year and total recognised income for 2007		—	—	517,110	517,110	139,287	656,397
2006 final dividend	33	—	—	(134,681)	(134,681)	—	(134,681)
Dividend to minority shareholders of a subsidiary		—	—	—	—	(17,854)	(17,854)
Acquisition of additional interests in a subsidiary from minority shareholders		—	1,713	—	1,713	(63,996)	(62,283)
Contribution from minority shareholders of a subsidiary		—	—	—	—	20,000	20,000
Transfer from retained earnings	21	—	21,538	(21,538)	—	—	—
		—	23,251	(156,219)	(132,968)	(61,850)	(194,818)
Balance at 31 December 2007		3,367,020	3,964,510	1,982,217	9,313,747	261,468	9,575,215
Representing:							
Proposed final dividend at 31 December 2007				101,011			
Retained earnings — others				1,881,206			
				1,982,217			

The notes on pages 56 to 114 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

	Note	Year ended 31 December 2008 RMB'000	2007 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	34	**2,678,254**	(5,558,133)
Interest received		**23,343**	42,936
Interest paid		**(523,398)**	(259,282)
PRC income tax paid		**(236,956)**	(404,463)
Net cash generated from/(used in) operating activities		**1,941,243**	(6,178,942)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,248,151)**	(68,640)
Proceeds from sale of property, plant and equipment	34	**2,063**	341
Proceeds from transfer of land use rights		**—**	537,670
Increase of properties under development for future investing purpose		**—**	(1,405,767)
Establishment of a jointly controlled entity	10	**(31,752)**	—
Prepayment made to invest in subsidiaries	37 (iv)	**(5,942)**	—
Acquisition of remaining interest in a jointly controlled entity from other shareholders		**—**	(5,247)
Acquisition of additional interest in a subsidiary from minority shareholders	9 (a)	**(51,127)**	(62,283)
Increase of short-term liquid investments with original maturity of more than three months		**(10,000)**	—
Net cash used in investing activities		**(1,344,909)**	(1,003,926)
Cash flows from financing activities			
Proceeds from issuance of bonds	24 (c)	**1,667,510**	—
Proceeds from bank borrowings		**4,884,405**	5,330,000
Repayment of bank borrowings		**(4,244,405)**	(650,000)
Dividends paid to the equity holders of the Company	33	**(101,011)**	(134,681)
Dividends paid to minority shareholders		**(130,076)**	(24,626)
Net cash generated from financing activities		**2,076,423**	4,520,693
Net increase/(decrease) in cash and cash equivalents		**2,672,757**	(2,662,175)
Cash and cash equivalents at beginning of year		**2,255,546**	4,917,721
Cash and cash equivalents at end of year		**4,928,303**	2,255,546
Included in cash and cash equivalents per the consolidated balance sheet	18	**4,898,455**	2,255,546
Included in assets of disposal group		**29,848**	—
		4,928,303	2,255,546

The notes on pages 56 to 114 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. GENERAL INFORMATION

Beijing North Star Company Limited (the "Company") is a joint stock limited company established in the People's Republic of China (the "PRC") with limited liability on 2 April 1997 as part of the reorganisation (the "Reorganisation") of a state-owned enterprise known as Beijing North Star Industrial Group Company ("BNSIGC").

Pursuant to the Reorganisation in preparation for the listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Company took over the principal subsidiaries and business undertakings of BNSIGC, together with their related assets and liabilities. The Company was granted the status of a sino-foreign joint venture joint stock limited company on 20 July 1998. The address of its registered office is No. 8 Bei Chen Dong Road, Chao Yang District, Beijing, the PRC.

On 25 September 2006, the Company issued 1,500,000,000 A shares at RMB2.4 per share and the shares were listed on the Shanghai Stock Exchange on 16 October 2006. Since then, the Company's shares have been jointly listed on the Main Board of The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange.

The Company is principally engaged in property leasing, land and property development, property investment, provision of food and beverage services as well as the operation of hotels and department stores in the PRC. The subsidiaries are mainly engaged in property development, property management and property investment in the PRC. The Company and its subsidiaries are herein collectively referred to as the "Group".

These consolidated financial statements are presented in Renminbi, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 18 March 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by investment properties, financial assets and financial liabilities which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

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

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

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

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

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

- HKAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1 January 2009. It is likely that both the consolidated income statement and statement of comprehensive income will be presented as performance statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

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

- HKAS 23 (Revised), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. Since the Group currently applies a policy of capitalising borrowing costs, it is not expected to have any material impact.

- HKAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009).The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. Since the Group currently applies a policy of transaction with minority interests as transaction with equity owners of the Group, as stated in note 2.2(b), it is not expected to have any material impact.

- HKAS 32 (Amendment), 'Financial instruments: Presentation', and HKAS 1 (Amendment), 'Presentation of financial statements' 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the HKAS 32 (Amendment) and HKAS 1(Amendment) from 1 January 2009, but it is not expected to have any impact on the Group's financial statements.

- HKFRS 1 (Amendment), 'First time adoption of HKFRS' and HKAS 27 'Consolidated and separate financial statements' (effective from 1 July 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from HKAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Company will apply HKAS 27 (Amendment) prospectively from 1 January 2010.

- HKFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

- HKFRS 8, 'Operating segment' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009 and the management is still assessing the impact of this standard on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

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

- HKICPA's improvements to HKFRS published in October 2008

  HKAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with HKAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Group will apply the HKAS 1 (Amendment) from 1 January 2009. It is not expected to have an impact on the Group's financial statements.

  HKAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).

  — The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

  — The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

  — The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

  — HKAS 37, 'Provisions, contingent liabilities and contingent assets' requires contingent liabilities to be disclosed, not recognised. HKAS 19 has been amended to be consistent.

  The Group will apply the HKAS 19 (Amendment) from 1 January 2009.

  HKAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in HKAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between HKAS 39 and HKAS 23. The Group will apply the HKAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009.

  HKAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the HKAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

  HKAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group will apply the HKAS 38 (Amendment) from 1 January 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

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

- HKICPA's improvements to HKFRS published in October 2008 *(Continued)*

  HKAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).

  — This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

  — The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.

  — The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes this requirement so that HKAS 39 is consistent with HKFRS 8, 'Operating segments' which requires disclosure for segments to be based on information reported to the chief operating decision maker.

  — When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

  The Group will apply the HKAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the Group's consolidated income statement.

  HKFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to HKFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRSs. The Group will apply the HKFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.

  There are a number of minor amendments to HKFRS 7, 'Financial instruments: Disclosures', HKAS 8, 'Accounting policies, changes in accounting estimates and errors', HKAS 10, 'Events after the balance sheet date', HKAS 18, 'Revenue' and HKAS 34, 'Interim financial reporting' which are not addressed above. These amendments are unlikely to have an impact on the Group's financial statements and have therefore not been analysed in detail.

  HKAS 31 (Amendment), 'Interests in joint ventures (and consequential amendments to HKAS 32 and HKFRS 7) (effective from 1 January 2009). Where an investment in joint venture is accounted for in accordance with HKAS 39, only certain rather than all disclosure requirements in HKAS 31 need to be made in addition to disclosures required by HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7 'Financial Instruments: Disclosures'. The Group will apply the HKAS 31 (Amendment) from 1 January 2009. The expected impact is still being assessed in detail by management, but it is not expected to have any significant impact on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

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

- HKICPA's improvements to HKFRS published in October 2008 *(Continued)*

  HKAS 40 (Amendment), 'Investment property' (and consequential amendments to HKAS 16) (effective from 1 January 2009). Property that is under construction or development for future use as investment property is within the scope of HKAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The Group will apply the HKAS 40 (Amendment) from 1 January 2009. It's not expected to have an impact on the Group's financial statements.

  HK(IFRIC) — Int 13, 'Customer loyalty programmes' (effective from 1 July 2008). HK(IFRIC) — Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The Group will apply the HK(IFRIC) — Int 13 from 1 January 2009. The expected impact is still being assessed in detail by management, but it is not expected to have any significant impact on the Group's financial statements.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Consolidation *(Continued)*

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is equity. Gains or losses on disposals to minority interests are also recorded in equity.

(c) Jointly controlled entities

Jointly controlled entities are all entities with a contractual arrangement whereby the Group and other parties undertake an economic entity which is subject to joint control and none of the participating parties has unilateral control over the economic activity of the entity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interests in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in jointly controlled entities are stated at cost less provision for impairment losses. The results of the jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

In accordance with the internal financial reporting of the Group, the Group has determined that business segments be presented as the primary reporting. No geographical segment analysis is presented as the majority of the assets and operation of the Group are located in the PRC, which is considered as one geographical location in an economic environment with similar risks and returns.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.4 Foreign currency translation *(Continued)*

(b) Transactions and balances *(Continued)*

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other gains — net'.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs less accumulated impairment losses to their residual values over their estimated useful lives, as follows:

— Buildings	20-30 years
— Hotel properties	20-30 years
— Plant and machinery	5-15 years
— Furniture, fixtures, equipment and motor vehicles	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts and are recognised within other gains — net, in the consolidated income statement.

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost. Cost includes the costs of construction of buildings, the cost of plant and machinery, installation, testing and other direct costs incurred during the development period. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. The carrying amount of a construction-in-progress is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. When the assets concerned are brought into use, the costs are depreciated in accordance with the policy as stated above.

2.6 Properties

(a) Land use rights

All land in Mainland China is state-owned and no individual land ownership right exists. The Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights, which are stated at cost and amortised over the use terms of 40 to 70 years using the straight-line method.

Land use rights which is held for development for sales are inventories and measured at lower of cost and net realisable value. Land use rights are transferred to properties under development upon the commencement of development.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6 Properties *(Continued)*

(b) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property principally comprise land use rights and buildings.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by independent professional valuer. Changes in fair values are recorded in the income statement as part of other gain.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purpose. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement.

2.7 Impairment of investments in subsidiaries, jointly controlled entities and non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to depreciation or amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

The Group only holds loans and receivables as financial assets. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in 'trade and other receivables', 'cash and cash equivalents' and 'restricted bank deposits' in the balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.9 Inventories

(a) Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise development expenditure, land use rights, professional fees and interest capitalised. Net realisable value is determined by reference to management estimates based on prevailing market conditions less costs to be incurred in selling the property. On completion, the properties are transferred to completed properties held for sale.

(b) Completed properties held for sale

Completed properties held for sale are completed properties remaining unsold at year end and are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to expected sales proceeds of completed properties sold in the ordinary course of business less all estimated selling expenses, or by management estimates based on prevailing marketing conditions.

(c) Other inventories

Other inventories are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises invoiced price, delivery and other direct costs relating to the purchases. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade and other receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within administrative expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the consolidated income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturity of three months or less.

2.12 Disposal groups held for sale

Disposal groups are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.13 Share capital

Liquid shares, A shares and H shares issued by the Company are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.14 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the PRC where the Company and its subsidiaries and jointly controlled entity operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and jointly controlled entity, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.17 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.17 Employee benefits *(Continued)*

(c) Retirement benefit costs

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probably that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specific of each arrangement.

(a) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of the relevant properties have been completed and the properties have been delivered to the purchasers pursuant to the sale agreements, and collectability of related receivables is reasonably assured.

Deposits and installments received on properties sold prior to the date of revenue recognition are included in current liabilities.

(b) Rental income

Operating lease rental income is recognised on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19 Revenue recognition *(Continued)*

(c) Sales of goods

Sales of goods are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(d) Sales of services

Revenue from provision of services is recognised in the accounting period in which the services are rendered.

(e) Hotel operating income

Hotel operating income which includes room rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

(f) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

2.21 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.22 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the consolidated income statement in the year in which they are incurred.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's and the Group's financial statements in the period in which the dividends are approved by the Company's directors or shareholders whenever appropriate.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Market risk

(i) Foreign exchange risk

The Group operates in the PRC only with most of the transactions settle in RMB and did not have significant exposure to foreign exchange risk during the year. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

(ii) Interest rate risk

The Group has significant interest-bearing assets, mainly cash at bank and bank deposits, and is exposed to changes in market interest rates.

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

At 31 December 2008, if interest rates had increased/ decreased 100 basis points with all other variables held constant, the Group's post-tax profit for the year would have decreased/ increased by approximately RMB6,188,000 (2007: RMB11,654,000).

(b) Credit risk

The Group is exposed to credit risk in its restricted bank deposits, cash and cash equivalents, and trade and other receivables.

The carrying amount of restricted bank deposits, cash and cash equivalents, and trade and other receivables, represent the Group's maximum exposure to credit risk in relation to its financial assets.

To manage this risk, deposits are mainly placed with state-owned banks. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on restricted bank deposits is limited because the counterparties are mainly the state-owned banks that also provide borrowings to the Group.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

The Group ensures that it maintains sufficient cash to meet its liquidity requirements.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Group					
At 31 December 2008					
Borrowings	2,433,103	2,185,819	3,541,005	3,888,783	12,048,710
Trade and other payables	1,838,179	—	—	—	1,838,179
Total	4,271,282	2,185,819	3,541,005	3,888,783	13,886,889
At 31 December 2007					
Borrowings	3,149,244	2,113,918	733,476	2,222,059	8,218,697
Trade and other payables	915,509	—	—	—	915,509
Total	4,064,753	2,113,918	733,476	2,222,059	9,134,206
Company					
At 31 December 2008					
Borrowings	2,433,103	2,185,819	3,541,005	3,888,783	12,048,710
Trade and other payables	4,585,201	—	—	—	4,585,201
Total	7,018,304	2,185,819	3,541,005	3,888,783	16,633,911
At 31 December 2007					
Borrowings	3,149,244	2,113,918	733,476	2,222,059	8,218,697
Trade and other payables	1,752,071	—	—	—	1,752,071
Total	4,901,315	2,113,918	733,476	2,222,059	9,970,768

The above trade and other payables comprise trade payables, dividends payable to minority shareholders of a subsidiary, accrued construction costs, accrued properties under development costs, amount due to BNSIGC, accrued interest and amounts due to subsidiaries.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2008 and 2007 were as follows:

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Total borrowings *(Note 24)*	**9,442,812**	7,131,760
Less: Cash and cash equivalents *(Note 18)*	**(4,898,455)**	(2,255,546)
Net debt	**4,544,357**	4,876,214
Total equity	**10,611,388**	9,575,215
Total capital	**15,155,745**	14,451,429
Gearing ratio	**30%**	34%

The decrease in the gearing ratio during 2008 resulted primarily from the increase of other gains, as a result of the revaluation of investment properties during the year (Note 27).

3.3 Fair value estimation

The carrying values less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

4.2 Land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its land appreciation tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The Group recognised these land appreciation taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the costs of sales in the periods in which such taxes are finalised with local tax authorities.

4.3 Estimated impairment of investments in subsidiaries, jointly controlled entity and non-financial assets

The Group tests annually whether assets have suffered any impairment in accordance with the accounting policies stated in Note 2.7. Assets are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

4.4 Estimate of impairment of hotel properties

Hotel properties are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of fair value less costs to sell and value in use of the hotel properties. Management makes judgements on whether such events or changes in circumstances have occurred, and makes estimates in determining the recoverable amount.

4.5 Estimate of impairment of properties under development

Property under development is reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of estimated selling price of the properties in the ordinary course of business, less estimated costs to complete the development of properties and applicable variable selling expenses and carrying amount of the properties under development. Management makes judgements on whether such events or changes in circumstances have occurred, and makes estimates in determining the recoverable amount.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

4.6 Estimate of net realisable value of properties held for sale

Management reviews the net realisable value of properties held for sale at each balance sheet date. The net realisable value is the estimated selling price of the properties in the ordinary course of business, less applicable variable selling expenses.

4.7 Estimate of fair value of investment properties

The fair values of investment properties owned by the Group are assessed annually by an independent professional valuer. The valuation is performed on the basis of open market value of individual property. The best evidence of fair value is current prices in an active market for similar lease and other contracts. If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The assumptions used are mainly based on market conditions existing at each balance sheet date.

4.8 Revenue recognition

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 2.19. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests with the buyer upon release of the respective property to the buyer.

As disclosed in note 35, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will be expired when relevant property ownership certificates are lodged with the various banks by the purchasers. In order to obtain mortgages, the purchasers would have settled certain percentage of the total contract amount in accordance with related PRC regulations upon delivery of the properties. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on the past experiences, there were no significant defaults of mortgage facilities by the purchasers resulted in the bank guarantees were called upon. Accordingly, the directors believe that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers.

5. SEGMENT INFORMATION

(a) Primary reporting format — business segments

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

(1) Sale of properties;

(2) Retail operations;

(3) Rental from investment properties; and

(4) Operation of hotels

5. SEGMENT INFORMATION *(CONTINUED)*

(a) Primary reporting format — business segments *(Continued)*

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

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

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

The segment results for the year are as follows:

	Year ended 31 December 2008					
	Sales of properties RMB'000	Retail operations RMB'000	Investment properties RMB'000	Hotel operations RMB'000	Other operations RMB'000	Group RMB'000
Total segment revenue	2,838,583	338,225	341,251	495,416	131,235	4,144,710
Inter-segment revenue	—	—	(1,749)	(1,606)	(19,554)	(22,909)
Revenue from external customers	2,838,583	338,225	339,502	493,810	111,681	4,121,801
Segment results	984,459	17,662	1,007,652	105,086	(76,129)	2,038,730
Unallocated costs						(76,156)
Operating profit						1,962,574
Finance income						23,343
Finance costs						(54,587)
Finance costs — net *(Note 29)*						(31,244)
Share of loss of a jointly controlled entity *(Note 10)*	—	—	—	—	(10,727)	(10,727)
Profit before income tax						1,920,603
Income tax expenses *(Note 30)*						(601,546)
Profit from continuing operation						1,319,057
Loss from discontinued operation *(Note 19)*	—	—	—	—	(721)	(721)
Profit for the year						1,318,336

5. SEGMENT INFORMATION *(CONTINUED)*

(a) Primary reporting format — business segments *(Continued)*

	Year ended 31 December 2007					
	Sales of properties *RMB'000* *(Restated)*	Retail operations *RMB'000*	Investment properties *RMB'000*	Hotel operations *RMB'000*	Other operations *RMB'000* *(Restated)*	Group *RMB'000* *(Restated)*
Total segment revenue	2,794,978	386,763	313,694	379,244	101,466	3,976,145
Inter-segment revenue	—	—	(1,452)	(393)	(18,015)	(19,860)
Revenue from external customers	2,794,978	386,763	312,242	378,851	83,451	3,956,285
Segment results	753,517	57,417	144,627	104,473	(3,436)	1,056,598
Unallocated costs						(49,607)
Operating profit						1,006,991
Finance income						42,936
Finance costs						(72,447)
Finance costs — net *(Note 29)*						(29,511)
Profit before income tax						977,480
Income tax expenses *(Note 30)*						(321,207)
Profit from continuing operation						656,273
Profit from discontinued operation *(Note 19)*	—	—	—	—	124	124
Profit for the year						656,397

Unallocated costs represent corporate expenses. Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

5. SEGMENT INFORMATION *(CONTINUED)*

(a) Primary reporting format — business segments *(Continued)*

Other segment items included in the income statement are as follows:

	Year ended 31 December 2008					
	Sales of properties	Retail operations	Investment properties	Hotel operations	Other operations	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation *(Note 26)*	**1,323**	**18,951**	**3,165**	**46,478**	**7,311**	**77,228**
Amortisation *(Note 26)*	**32**	**—**	**—**	**—**	**—**	**32**
Provision for/(Reversal of) impairment of receivables *(Note 26)*	**1,140**	**—**	**185**	**—**	**(37)**	**1,288**

	Year ended 31 December 2007					
	Sales of properties	Retail operations	Investment properties	Hotel operations	Other operations	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Restated)					*(Restated)*
Depreciation *(Note 26)*	1,494	12,567	5,207	41,721	7,500	68,489
Amortisation *(Note 26)*	32	—	—	—	—	32
(Reversal of)/Provision for impairment of receivables *(Note 26)*	(840)	—	—	303	(117)	(654)
Reversal of impairment of inventories *(Note 26)*	—	—	—	—	(28)	(28)

5. SEGMENT INFORMATION *(CONTINUED)*

(a) Primary reporting format — business segments *(Continued)*

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

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

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

	Sales of properties *RMB'000* *(Restated)*	Retail operations *RMB'000*	Investment properties *RMB'000*	Hotel operations *RMB'000*	Other operations *RMB'000*	Group *RMB'000* *(Restated)*
Assets	17,567,107	173,208	2,247,168	666,997	51,276	20,705,756
Jointly controlled entity	—	—	—	—	—	—
Unallocated assets						1,267,403
Total assets						21,973,159
Liabilities	10,477,909	98,728	152,736	40,753	148,445	10,918,571
Unallocated liabilities						1,479,373
Total liabilities						12,397,944
Capital expenditure	7,009,343	5,039	44,540	8,690	6,477	7,074,089

Segment assets consist primarily of property, plant and equipment, investment properties, properties under development, completed properties held for sale, land use rights, inventories, receivables, and cash and cash equivalents. Unallocated assets comprise interest in a jointly controlled entity, deferred taxation and corporate assets.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise taxation, corporate borrowings and dividends payable.

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

5. SEGMENT INFORMATION *(CONTINUED)*

(b) Secondary reporting format — geographical segments

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

6. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net carrying amounts are analysed as follows:

	Group As at 31 December		Company As at 31 December	
	2008 ***RMB'000***	2007 *RMB'000*	**2008** ***RMB'000***	2007 *RMB'000*
In the PRC, held on:				
Leases of between 10 to 50 years	**1,171**	1,203	**—**	—
	1,171	1,203	**—**	—

7. INVESTMENT PROPERTIES

	Group and Company Year ended 31 December	
	2008 ***RMB'000***	2007 *RMB'000*
At beginning of year	**2,145,000**	3,100,740
Fair value gains (included in other gains-net) *(Note 27)*	**874,816**	17,000
Transfer from property, plant and equipment *(Note 8)*	**1,373,570**	—
Transfer to property, plant and equipment *(Note 8)*	**(10,786)**	—
Disposal	**—**	(972,740)
At end of year	**4,382,600**	2,145,000

The investment properties were revalued at 31 December 2008 by an independent, professionally qualified valuer, Greater China Appraisal Limited. Valuations were based on current price in an active market.

The Group's interests in investment properties at their carrying amounts are analysed as follows:

	Group and Company As at 31 December	
	2008 ***RMB'000***	2007 *RMB'000*
In the PRC, held on:		
Leases of over 50 years	**1,400,500**	1,195,000
Leases between 10 years and 50 years	**2,982,100**	950,000
	4,382,600	2,145,000

7. INVESTMENT PROPERTIES *(CONTINUED)*

The following amounts have been recognised in the income statement:

	Group and Company Year ended 31 December 2008 RMB'000	2007 RMB'000
Rental income	**318,664**	215,441
Direct operating expenses arising from investment properties that generate rental income	**107,926**	77,670
Direct operating expenses that did not generate rental income	**43,955**	39,945

As at 31 December 2008 certain investment properties with fair value of RMB2,097,200,000 (2007: RMB nil) are pledged as securities for long term bank borrowings of RMB600,000,000 (2007: RMB nil) (Note 24).

8. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Buildings RMB'000	Hotel properties RMB'000	Plant and machinery RMB'000	Furniture, fixtures, equipment and motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2007						
Cost	254,230	696,421	176,955	155,252	3,726	1,286,584
Accumulated depreciation and impairment	(95,127)	(225,227)	(68,041)	(65,917)	—	(454,312)
Net book amount	159,103	471,194	108,914	89,335	3,726	832,272
Year ended 31 December 2007						
Opening net book amount	159,103	471,194	108,914	89,335	3,726	832,272
Additions	—	—	9,554	26,372	32,226	68,152
Acquisition of remaining interest in a jointly controlled entity from other shareholder	—	—	9,785	—	—	9,785
Disposals *(Note 34)*	—	—	(895)	(442)	—	(1,337)
Transfer	—	—	335	10,402	(10,737)	—
Depreciation *(Note 26)*	(4,471)	(24,679)	(21,025)	(18,314)	—	(68,489)
Closing net book amount	154,632	446,515	106,668	107,353	25,215	840,383
At 31 December 2007						
Cost	254,230	696,421	192,785	186,865	25,215	1,355,516
Accumulated depreciation and impairment	(99,598)	(249,906)	(86,117)	(79,512)	—	(515,133)
Net book amount	154,632	446,515	106,668	107,353	25,215	840,383

8. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Group					
	Buildings *RMB'000*	Hotel properties *RMB'000*	Plant and machinery *RMB'000*	Furniture, fixtures, equipment and motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Year ended 31 December 2008						
Opening net book amount	154,632	446,515	106,668	107,353	25,215	840,383
Additions	44,039	—	65,728	82,492	1,187,486	1,379,745
Disposals *(Note 34)*	—	—	(9,286)	(1,176)	—	(10,462)
Transfer	48,119	500,000	—	—	(548,119)	—
Transfer from properties under development	—	—	—	—	3,625,754	3,625,754
Transfer from investment properties *(Note 7)*	10,786	—	—	—	—	10,786
Transfer to investment properties *(Note 7)*	—	—	—	—	(1,373,570)	(1,373,570)
Transfer to assets of disposal group classified as held for sale *(Note 19)*	—	—	(674)	(823)	—	(1,497)
Depreciation *(Note 26)*	(9,447)	(26,766)	(22,140)	(18,875)	—	(77,228)
Closing net book amount	248,129	919,749	140,296	168,971	2,916,766	4,393,911
At 31 December 2008						
Cost	357,174	1,196,421	216,220	261,203	2,916,766	4,947,784
Accumulated depreciation and impairment	(109,045)	(276,672)	(75,924)	(92,232)	—	(553,873)
Net book amount	248,129	919,749	140,296	168,971	2,916,766	4,393,911

Depreciation expense of RMB41,234,000 (2007: RMB32,606,000) has been charged in cost of sales, RMB2,663,000 (2007: RMB3,800,000) in selling and marketing expenses and RMB33,331,000 (2007: RMB32,083,000) in administrative expenses in the consolidated income statement.

As at 31 December 2008 certain construction in progress with net book value of RMB2,899,560,000 (2007: RMB nil) are pledged as securities for long term bank borrowings of RMB1,000,000,000 (2007: RMB nil) (Note 24).

8. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Company					
	Buildings	Hotel properties	Plant and machinery	Furniture, fixtures, equipment and motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2007						
Cost	240,547	696,421	164,795	145,626	3,238	1,250,627
Accumulated depreciation and impairment	(82,735)	(225,227)	(61,007)	(64,416)	—	(433,385)
Net book amount	157,812	471,194	103,788	81,210	3,238	817,242
Year ended 31 December 2007						
Opening net book amount	157,812	471,194	103,788	81,210	3,238	817,242
Additions	—	—	7,893	25,059	32,226	65,178
Disposals	—	—	(817)	(338)	—	(1,155)
Transfer	—	—	335	9,914	(10,249)	—
Depreciation	(3,812)	(24,679)	(18,096)	(17,280)	—	(63,867)
Closing net book amount	154,000	446,515	93,103	98,565	25,215	817,398
At 31 December 2007						
Cost	240,547	696,421	159,635	177,042	25,215	1,298,860
Accumulated depreciation and impairment	(86,547)	(249,906)	(66,532)	(78,477)	—	(481,462)
Net book amount	154,000	446,515	93,103	98,565	25,215	817,398

8. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Company					
	Buildings *RMB'000*	Hotel properties *RMB'000*	Plant and machinery *RMB'000*	Furniture, fixtures, equipment and motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Year ended 31 December 2008						
Opening net book amount	154,000	446,515	93,103	98,565	25,215	817,398
Additions	33,762	500,000	63,058	81,735	576,869	1,255,424
Disposals	—	—	(4,742)	(507)	—	(5,249)
Transfer	48,119	—	—	—	(48,119)	—
Transfer from properties under development	—	—	—	—	835,706	835,706
Transfer from investment properties *(Note 7)*	10,786	—	—	—	—	10,786
Transfer to investment properties *(Note 7)*	—	—	—	—	(1,373,570)	(1,373,570)
Depreciation	(9,051)	(26,766)	(19,098)	(17,858)	—	(72,773)
Closing net book amount	237,616	919,749	132,321	161,935	16,101	1,467,722
At 31 December 2008						
Cost	333,214	1,196,421	196,034	253,845	16,101	1,995,615
Accumulated depreciation and impairment	(95,598)	(276,672)	(63,713)	(91,910)	—	(527,893)
Net book amount	237,616	919,749	132,321	161,935	16,101	1,467,722

9. INVESTMENTS IN AND LOANS TO SUBSIDIARIES

	Company As at 31 December	
	2008 *RMB'000*	2007 *RMB'000*
Unlisted investments, at cost	**2,346,678**	2,285,551
Loans to subsidiaries	**9,957,673**	7,826,511
	12,304,351	10,112,062

Loans to subsidiaries are unsecured, have no fixed terms of repayment and carry interest at prevailing market rates. The fair values of loans to subsidiaries are not materially different from their book values.

9. INVESTMENTS IN AND LOANS TO SUBSIDIARIES *(CONTINUED)*

The following is a list of the principal subsidiaries at 31 December 2008. All subsidiaries are established and operate in the PRC.

Name	Principal activities	Registered share capital and paid up capital	Group equity interest held directly	Group equity interest held indirectly
Beijing North Star Real Estate Development Co., Limited ("BNSRE") *(Note a)*	Property development	RMB500,180,000	97.06%	—
Beijing North Star Lu Zhou Commercial Trading Co., Limited *(Note c)*	Trading	RMB1,000,000	80%	20%
Beijing Wuzhou Miller Beer Garden Restaurant Joint Venture Co., Limited *(Note b)*	Restaurant operation	US$1,346,000	59.81%	—
Beijing Recreation Centre Co., Limited *(Note b)*	Recreation and catering services	US$8,500,000	72.35%	—
Beijing North Star Xin He Property Management Co., Limited ("Xin He") *(Note c)*	Property management	RMB5,000,000	80%	15%
Beijing North Star Xin Cheng Property Management Co., Limited *(Note c)*	Property management	RMB5,000,000	80%	20%
Beijing North Star Convention Centre Development Co., Limited *(Note c)*	Property development	RMB1,700,000,000	100%	—
Beijing Jiang Zhuang Hu Property Co., Limited *(Note b)*	Property development	US$16,000,000	—	51%
Beijing Tian Cheng Tian Property Co., Limited *(Note c)*	Property development	RMB11,000,000	5%	95%
Beijing New Prosperity Co., Limited *(Note c)*	Property development	RMB30,000,000	—	51%
Beijing North Star Xintong Internet Technology Service Co., Limited *(Note c)*	Multimedia information network development, system integration and software development	RMB20,000,000	100%	—
Changsha North Star Real Estate Development Co., Limited *(Note c)*	Property development	RMB100,000,000	80%	—
Beijing North Star Supermarket Chain Co., Limited ("BNSSC") *(Note d)*	Retail	RMB10,000,000	100%	—

(a) BNSRE is a joint stock limited company. A joint stock limited company is a company having a registered share capital divided into shares of equal par value. The Company acquired additional 6.14% of BNSRE's paid up capital for total consideration of RMB51,127,000 from BNSRE's minority shareholders during 2008. The difference between the consideration paid and the share acquired of the carrying value of net assets of BNSRE, of RMB6,726,000 is credited to capital reserve (Note 21).

(b) These companies are equity joint ventures. Equity joint ventures are sino-foreign joint ventures of which the partners' capital contribution ratios are defined in the joint venture contracts and the partners' profit-sharing ratios are in proportion to the capital contribution ratios.

(c) These companies are limited liability companies.

(d) On 24 July 2008, the Company established a subsidiary, BNSSC by investing RMB10,000,000 or 100% of the total paid in capital of BNSSC. BNSSC is a limited liability company incorporated in the PRC and engaged mainly in retail business in the PRC.

10. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group Year ended 31 December 2008 RMB'000	2007 RMB'000
At beginning of year	—	19,286
Transferred to investments in subsidiaries	—	(19,286)
Establishment of a new jointly controlled entity *(Note a)*	**31,752**	—
Share of loss of a jointly controlled entity — loss before taxation	**(10,727)**	—
Share of a jointly controlled entity exchange difference on its capital injection	**41**	—
At end of year	**21,066**	—

Note: (a) On 27 March 2008, the Company established a jointly controlled entity, Beijing North Star Kingpower Company Limited ("Kingpower"), with other two investors by investing RMB31,752,000, or 36% of the total paid in capital of Kingpower. Each investor of Kingpower hold one third interest in voting power and Kingpower is accounted for as a jointly controlled entity of the Group. Kingpower is a limited liability company incorporated in the PRC and engaged mainly in retail business in the PRC. The total paid in capital of Kingpower is RMB88,200,000 as at 31 December 2008.

The following amounts represent the Group's 36% share of the aggregated assets and liabilities, and results of the jointly controlled entity in 2008.

Year	Assets RMB'000	Liabilities RMB'000	Net assets RMB'000	Revenue RMB'000	Expenses RMB'000	Net loss RMB'000
2008	36,543	15,477	21,066	488	(11,215)	(10,727)

11. FINANCIAL INSTRUMENTS BY CLASS

	Loans and receivables Group RMB'000	Loans and receivables Company RMB'000
Assets		
As at 31 December 2008		
Trade and other receivables excluding prepayments *(Note 16)*	214,987	157,284
Loan to subsidiaries *(Note 9)*	—	9,957,673
Restricted bank deposits	83,085	9,422
Cash and cash equivalents *(Note 18)*	4,898,455	4,159,643
	5,196,527	14,284,022
As at 31 December 2007		
Trade and other receivables excluding prepayments *(Note 16)*	99,137	63,215
Loan to subsidiaries *(Note 9)*	—	7,826,511
Restricted bank deposits	84,473	59,359
Cash and cash equivalents *(Note 18)*	2,255,546	1,373,116
	2,439,156	9,322,201

11. FINANCIAL INSTRUMENTS BY CLASS *(CONTINUED)*

	Other Financial liabilities at amortised cost Group *RMB'000*	Other Financial liabilities at amortised cost Company *RMB'000*
Liabilities		
As at 31 December 2008		
Trade and other payable	1,838,179	4,585,201
Borrowings *(Note 24)*	9,442,812	9,442,812
	11,280,991	14,028,013
As at 31 December 2007		
Trade and other payable	915,509	1,752,071
Borrowings *(Note 24)*	7,131,760	7,131,760
	8,047,269	8,883,831

The above trade and other payables comprise trade payables, dividends payables to minority shareholders of a subsidiary, accrued construction costs, accrued properties under development costs, amount due to BNSIGC, accrued interest and amounts due to subsidiaries.

12. CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

Trade receivables

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables those are neither past due nor impaired				
Counterparties without external credit rating	**29,500**	21,980	**28,750**	11,752

Credit qualities of "Receivables from related parties" of the Group are disclosed in Note 37. Credit quality of "Loans to subsidiaries" of the Company is disclosed in Note 9.

None of the financial assets that are fully performing has been renegotiated in 2008 (2007: Nil).

13. PROPERTIES UNDER DEVELOPMENT

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		*(Restated)*
Land use rights	**7,627,021**	8,560,730	**1,286,552**	1,452,577
Development costs and capitalised expenditure	**2,768,120**	6,604,919	**2,053,011**	3,874,429
Finance costs capitalised	**486,485**	224,413	**105,756**	89,765
	10,881,626	15,390,062	**3,445,319**	5,416,771

As at 31 December 2008 certain properties under development with net book value of RMB2,462,908,000 (2007: RMB2,148,136,000) are pledged as securities for long term bank borrowings of RMB1,040,000,000 (2007: RMB1,300,000,000) (Note 24).

14. COMPLETED PROPERTIES HELD FOR SALE

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		*(Restated)*
Land use rights	**139,726**	138,264	**120,197**	23,228
Development costs and capitalised expenditure	**2,598,549**	714,124	**2,374,035**	343,646
Finance costs capitalised	**59,178**	24,823	**53,443**	2,593
	2,797,453	877,211	**2,547,675**	369,467

15. INVENTORIES

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Goods for resale	**52,346**	43,478	**48,110**	40,749
Consumables	**59,697**	9,738	**59,620**	9,421
Less: provision for inventories	**(548)**	(740)	**(548)**	(740)
	111,495	52,476	**107,182**	49,430

The cost of inventories recognised as expense and included in cost of sales amounted to RMB314,173,000 (2007: RMB329,167,000).

The Group wrote off provision for inventories of previous years of RMB192,000 during the year (2007: Reversal of provision of RMB28,000). The amount has been included in cost of sales in the consolidated income statement.

16. TRADE AND OTHER RECEIVABLES

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**50,164**	38,416	**44,409**	24,739
Less: provision for impairment of receivables	**(9,653)**	(10,096)	**(9,653)**	(9,587)
Trade receivables — net	**40,511**	28,320	**34,756**	15,152
Other receivables	**191,475**	86,557	**139,527**	63,803
Less: provision for impairment of receivables	**(16,999)**	(15,740)	**(16,999)**	(15,740)
Other receivables — net	**174,476**	70,817	**122,528**	48,063
Prepaid tax	**225,762**	166,504	**153,774**	66,404
Other prepayments	**48,970**	47,000	**19,287**	24,650
	489,719	312,641	**330,345**	154,269

All trade and other receivables are due within one year from the balance sheet date.

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

The majorities of the Group's and Company's sales are on cash or advance basis. The remaining amounts are with credit terms of 30 to 90 days. At 31 December 2008 and 2007, the ageing analysis of the trade receivables were as follows:

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
0-30 days	**14,787**	12,688	**14,037**	11,753
31-120 days	**17,719**	2,394	**17,719**	2,394
Over 120 days	**17,658**	23,334	**12,653**	10,592
	50,164	38,416	**44,409**	24,739

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.

16. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Trade receivables that are less than three months past due are not considered impaired. As at 31 December 2008 and 2007, the following trade receivables were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables past due but not impaired				
0-90 days	**3,006**	2,394	**3,006**	2,394
Over 90 days	**8,005**	3,946	**3,000**	1,006
	11,011	6,340	**6,006**	3,400

As at 31 December 2008 and 2007, the following trade receivables were impaired. The individually impaired receivables mainly relate to independent customers, which are in unexpected difficult economic situations. It was assessed the following receivables is not expected to be recovered and full proportion of impairment had been made. The ageing of these receivables is as follows:

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables impaired				
Over 90 days	**9,653**	10,096	**9,653**	9,587
Less: provision of impairment of receivables	**(9,653)**	(10,096)	**(9,653)**	(9,587)
	—	—	**—**	—

The carrying amounts of the Group's and the Company's trade and other receivables are denominated in Renminbi.

Movements on the provision for impairment of trade receivables are as follows:

	Group Year ended 31 December		Company Year ended 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At beginning of year	**10,096**	10,905	**9,587**	10,424
Acquisition of remaining interest a jointly controlled entity from other shareholder	**—**	145	**—**	—
Provision for impairment of receivables	**222**	—	**222**	—
Unused amounts reversed	**(193)**	(954)	**(156)**	(837)
Transfer to assets of disposal group classified as held for sale	**(472)**	—	**—**	—
At end of year	**9,653**	10,096	**9,653**	9,587

16. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Movements on the provision for impairment of other receivables are as follows:

	Group Year ended 31 December		Company Year ended 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At beginning of year	**15,740**	15,440	**15,740**	15,440
Provision for impairment of receivables	**1,259**	300	**1,259**	300
At end of year	**16,999**	15,740	**16,999**	15,740

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement (Note 26). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

17. RESTRICTED BANK DEPOSITS

Restricted bank deposits include the short-term liquid investments with original maturity of more than three months, the guarantee deposits of construction of certain properties pursuant to the relevant government requirements and the guarantee deposits as securities for certain mortgage loans to customers.

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and in hand	**4,589,895**	1,862,416	**3,871,083**	980,986
Short-term bank deposits	**308,560**	393,130	**288,560**	392,130
	4,898,455	2,255,546	**4,159,643**	1,373,116
Maximum exposure to credit risk	**4,897,756**	2,255,044	**4,158,966**	1,372,693

The effective interest rate on short-term bank deposits was 1.35% to 1.71% (2007: 1.71% to 3.87%) per annum.

The carrying amounts of cash and bank balances are denominated in the following currencies:

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Renminbi	**4,892,281**	2,250,426	**4,153,469**	1,368,006
US dollar	**4,575**	3,371	**4,575**	3,361
HK dollar	**1,599**	1,749	**1,599**	1,749
	4,898,455	2,255,546	**4,159,643**	1,373,116

18. CASH AND CASH EQUIVALENTS *(CONTINUED)*

The Group's cash and cash equivalents denominated in Renminbi, HK dollar and US dollar are deposited with banks in the PRC. The conversion of Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

19. ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS — GROUP

The assets and liabilities related to company Xin He (part of the other segment) have been presented as held for sale following the approval of the Company's Board of Directors on 22 August 2008 to sell Xin He. The completion date for the transaction is expected by December 2009.

	2008 ***RMB'000***	2007 *RMB'000*
Operating cash flows	**1,869**	(2,433)
Investing cash flows	**(543)**	(420)
Financing cash flows	**—**	—
Total cash flows	**1,326**	(2,853)

(a) Assets of disposal group classified as held for sale

	2008 ***RMB'000***	2007 *RMB'000*
— Property, plant and equipment	**1,497**	—
— Intangible assets	**—**	—
— Inventory	**—**	—
— Other current assets	**54,391**	—
	55,888	—

(b) Liabilities of disposal group classified as held for sale

	2008 ***RMB'000***	2007 *RMB'000*
Trade and other payables	**50,643**	—

(c) Cumulative income or expense recognised directly in equity relating to disposal group classified as held for sale

	2008 ***RMB'000***	2007 *RMB'000*
Foreign exchange translation adjustments	**—**	—

19. ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS — GROUP *(CONTINUED)*

(d) Analysis of the result of discontinued operations, and the result recognised on the remeasurement of assets or disposal group, is as follows:

	2008 *RMB'000*	2007 *RMB'000*
Revenue	**131,344**	63,682
Expenses	**(132,065)**	(63,558)
(Loss)/profit before tax of discontinued operations	**(721)**	124
Tax	**—**	—
(Loss)/profit after tax of discontinued operations	**(721)**	124
Pre-tax gain recognised on the remeasurement of assets of disposal group	**—**	—
Tax	**—**	—
After tax gain recognised on the remeasurement of assets of disposal group	**—**	—
(Loss)/profit of the year from discontinued operations	**(721)**	124

20. SHARE CAPITAL

	Company		
	As at 31 December 2007 *RMB'000*	Movement *RMB'000*	**As at 31 December 2008** ***RMB'000***
Registered, issued and fully paid			
Liquid shares subject to sales restrictions			
1,161,000,031 (2007: 1,160,000,000) shares of RMB1 each held by state owned legal person	1,160,000	1,000	**1,161,000**
Nil (2007: 25,000,000) shares of RMB1 each held by domestic legal person	25,000	(25,000)	**—**
	1,185,000	(24,000)	**1,161,000**
Listed shares			
1,498,999,969 (2007: 1,475,000,000) shares of RMB1 each listed in the Mainland (A shares)	1,475,000	24,000	**1,499,000**
707,020,000 (2007: 707,020,000) foreign invested shares of RMB1 each listed in Hong Kong (H shares)	707,020	—	**707,020**
	2,182,020	24,000	**2,206,020**
	3,367,020	—	**3,367,020**

Liquid shares, A shares and H shares rank pari passu in all respects.

20. SHARE CAPITAL *(CONTINUED)*

Pursuant to the approval document Zheng Jian Fa Xing Zi [2006] No.44 issued by the China Securities Regulatory Commission, the Company held a public offer of 1,500,000,000 Renminbi-denominated ordinary shares (A shares) on the Shanghai Stock Exchange at an offer price of RMB2.4 per share, of which 750,000,000 shares were placed offline to book-building targets, and 550,000,000 shares of this portion of A shares became eligible for listing and circulation after an one-year lock-up period starting from the listing date of the public offer shares offered to public investors (16 October 2006).

21. RESERVES

Group

	Other reserves				
	Capital reserve	Statutory reserve fund	Discretionary reserve fund	Subtotal	Retained earnings
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2008 as previously reported	3,360,322	442,720	161,468	3,964,510	1,896,355
Reversal of amortisation of land use rights *(Note 2)*	—	—	—	—	85,862
Balance at 1 January 2008 as restated	3,360,322	442,720	161,468	3,964,510	1,982,217
Profit for the year	—	—	—	—	1,164,781
2007 final dividend	—	—	—	—	(101,011)
Acquisition of additional interests in a subsidiary from minority shareholders *(Note 9 (a))*	6,726	—	—	6,726	—
Share of a jointly controlled entity exchange difference on its capital injection *(Note 10)*	41	—	—	41	—
Transfer from retained earnings	—	29,940	—	29,940	(29,940)
Balance at 31 December 2008	3,367,089	472,660	161,468	4,001,217	3,016,047
Representing:					
Proposed final dividend at 31 December 2008					101,011
Retained earnings — others					2,915,036
					3,016,047

21. RESERVES *(CONTINUED)*

Group *(Continued)*

	Capital reserve	Other reserves Statutory reserve fund	Discretionary reserve fund	Subtotal	Retained earnings
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Restated)*
Balance at 1 January 2007 as previously reported	3,358,609	421,182	161,468	3,941,259	1,589,421
Reversal of amortisation of land use rights *(Note 2)*	—	—	—	—	31,905
Balance at 1 January 2007 as restated	3,358,609	421,182	161,468	3,941,259	1,621,326
Profit for the year	—	—	—	—	517,110
2006 final dividend	—	—	—	—	(134,681)
Acquisition of additional interests in a subsidiary from minority shareholders	1,713	—	—	1,713	—
Transfer from retained earnings	—	21,538	—	21,538	(21,538)
Balance at 31 December 2007	3,360,322	442,720	161,468	3,964,510	1,982,217
Representing:					
Proposed final dividend at 31 December 2007					101,011
Retained earnings — others					1,881,206
					1,982,217

21. RESERVES *(CONTINUED)*

Company

	Capital reserve	Other reserves Statutory reserve fund	Discretionary reserve fund	Subtotal	Retained earnings
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2008 as previously reported	3,489,983	382,380	163,663	4,036,026	1,608,264
Reversal of amortisation of land use rights	—	—	—	—	23,342
Balance at 1 January 2008 as restated	3,489,983	382,380	163,663	4,036,026	1,631,606
Profit for the year	—	—	—	—	1,013,207
2007 final dividend	—	—	—	—	(101,011)
Share of a jointly controlled entity exchange difference on its capital injection *(Note 10)*	41	—	—	41	—
Transfer from retained earnings	—	29,940	—	29,940	(29,940)
Balance at 31 December 2008	3,490,024	412,320	163,663	4,066,007	2,513,862
Representing:					
Proposed final dividend at 31 December 2008					101,011
Retained earnings — others					2,412,851
					2,513,862

21. RESERVES *(CONTINUED)*

Company *(Continued)*

	Capital reserve RMB'000	Other reserves Statutory reserve fund RMB'000	Discretionary reserve fund RMB'000	Subtotal RMB'000	Retained earnings RMB'000 (Restated)
Balance at 1 January 2007 as previously reported	3,489,983	360,842	163,663	4,014,488	1,419,085
Reversal of amortisation of land use rights	—	—	—	—	17,417
Balance at 1 January 2007 as restated	3,489,983	360,842	163,663	4,014,488	1,436,502
Profit for the year	—	—	—	—	351,323
2006 final dividend	—	—	—	—	(134,681)
Transfer from retained earnings	—	21,538	—	21,538	(21,538)
Balance at 31 December 2007	3,489,983	382,380	163,663	4,036,026	1,631,606
Representing:					
Proposed final dividend at 31 December 2007					101,011
Retained earnings — others					1,530,595
					1,631,606

(a) According to their respective Articles of Association, the Company and its subsidiaries are required to transfer 10% of their profit after taxation, as shown in the financial statements prepared under China Accounting Standards for Business Enterprises ("CAS"), which was issued by the Ministry of Finance of PRC in February 2006, to their statutory reserve fund. The statutory reserve fund can be used to offset accumulated losses or convert as share capital of the Company and its subsidiaries.

The proposed transfer to the discretionary reserve fund is subject to approval by the shareholders in general meeting. Its usage is similar to that of the statutory reserve fund. No transfer to the discretionary reserve fund has been proposed in the years ended 31 December 2008 and 2007.

22. TRADE AND OTHER PAYABLES

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables	**451,159**	451,162	**298,536**	315,537
Advance from customers	**4,629,464**	3,186,039	**3,629,262**	1,830,715
Dividends payable to minority shareholders of a subsidiary	**1,162**	1,172	**—**	—
Accrued construction costs	**267,882**	4,475	**267,882**	4,475
Accrued properties under development costs	**986,613**	382,963	**877,923**	59,386
Amount due to BNSIGC *(Note 37) (Note a)*	**33,132**	27,999	**—**	476
Accrued interest	**98,231**	47,738	**98,231**	47,738
Special purpose payable *(Note b)*	**96,093**	102,646	**—**	—
Amount due to subsidiaries	**—**	—	**3,042,629**	1,324,459
Other payables	**334,770**	301,846	**233,199**	140,921
	6,898,506	4,506,040	**8,447,662**	3,723,707

(a) The amount due to BNSIGC is unsecured, interest free and has no fixed terms of repayment.

(b) This represented the refund of consideration paid for land use rights from the relevant government authority. In accordance with a notice issued on 1 September 1995 by the Beijing Municipal Government, the Group is required to use the proceeds from such refund for municipal infrastructure and green belt construction of one of the Group's properties under developments. During the year ended 31 December 2008, approximately RMB6,553,000 (2007: RMB11,662,000) was paid for the required uses.

At 31 December 2008 and 31 December 2007, the ageing analyses of the trade payables (including amounts due to related parties of trading in nature) were as follows:

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
0-180 days	**302,669**	229,818	**168,079**	111,216
181-365 days	**140,295**	140,000	**124,089**	133,564
Over 365 days	**8,195**	81,344	**6,368**	70,757
	451,159	451,162	**298,536**	315,537

23. CURRENT INCOME TAX LIABILITIES

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Income tax payable	**62,322**	38,944	**82,636**	32,739
Land appreciation tax payable	**355,662**	243,348	**150,305**	103,777
	417,984	282,292	**232,941**	136,516

24. BORROWINGS

	Group and Company As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Non-current		
Long term borrowings		
— Secured borrowings *(Note a)*	**2,640,000**	1,300,000
— Unsecured borrowings	**3,000,000**	2,220,000
— 10 year bonds *(Note b)*	**1,483,607**	1,481,760
— 5 year bonds *(Note c)*	**1,669,205**	—
	8,792,812	5,001,760
Less: current portion of long term borrowings	**(1,200,000)**	(900,000)
	7,592,812	4,101,760
Current		
Short term bank borrowings		
— Unsecured short term borrowings	**650,000**	2,130,000
— Current portion of long term borrowings	**1,200,000**	900,000
	1,850,000	3,030,000
Total borrowings	**9,442,812**	7,131,760

(a) As at 31 December 2008, long term bank borrowings of RMB2,640,000,000 (2007: RMB1,300,000,000) were secured by certain investment properties (Note 7), construction in progress (Note 8) and properties under development (Note 13).

(b) On 29 May 2006, the Company issued bonds with an aggregate principal amount of RMB1,500,000,000 and a maturity period of 10 years ("10 year bonds"). The net proceeds were RMB1,478,980,000 (net of issuance costs of RMB21,020,000) and were raised as part of the consideration for the construction of National Convention Centre. The bond carries a fixed annual interest rate of 4.1%, the interest of which would be paid annually and the principal is fully repayable on 29 May 2016.

Pursuant to an agreement signed by BNSIGC and Bank of China ("BOC"), BNSIGC provides joint liability counter-guarantee in favor of BOC with respect to the 12-year guarantee provided by BOC for the 10 year bonds. Upon the completion of the project, the building will be pledged as security for the bonds and the guarantee will be released accordingly.

(c) On 18 July 2008, the Company issued bonds with an aggregate principal amount of RMB1,700,000,000 and a maturity period of 5 years ("5 year bonds"). The net proceeds were RMB1,667,510,000 (net of issuance costs of RMB32,490,000) and were raised as repayment of bank loans for the amount of RMB800,000,000 and the remaining amount is used for operating. The bond carries a fixed annual interest rate of 8.2%, the interest of which will be paid annually and the principal is fully repayable on 18 July 2013. The bond holders have the right to re-sell all or part of the bond at its face value to the Company on the interest payment date from the third year.

The 5 year bonds is unconditional and irrevocable joint liability guaranteed by BNSIGC for the period the bond issued and two years after maturity and the Company paid RMB8,500,000 to BNSIGC in return of the guarantee so provided. BNSIGC had been allocated RMB100,000,000 of the 5 year bonds.

24. BORROWINGS *(CONTINUED)*

(d) At 31 December 2008, the maturity of the borrowings is as follows:

	Group and Company			
	Bank borrowings		Long term bonds	
	As at 31 December		As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**1,850,000**	3,030,000	**—**	—
Between one and two years	**1,340,000**	1,920,000	**—**	—
Between two and five years	**1,100,000**	600,000	**1,669,205**	—
Wholly repayable within five years	**4,290,000**	5,550,000	**1,669,205**	—
Over five years	**2,000,000**	100,000	**1,483,607**	1,481,760
	6,290,000	5,650,000	**3,152,812**	1,481,760

(e) The effective interest rates at the balance sheet date are as follows:

	Group and Company	
	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Bank borrowings	**6.70%**	7.16%
10 year bonds	**4.28%**	4.28%
5 year bonds	**8.69%**	—

(f) The Group has the following undrawn borrowing facilities:

	Group and Company	
	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
At floating rates:		
— expiring between two and five years	**710,000**	—
— expiring over five years	**—**	900,000
	710,000	900,000

24. BORROWINGS *(CONTINUED)*

(g) The exposure of the Group's and the Company's borrowings to interest-rate changes and the contractual repricing dates or maturity whichever is the earliest date is as follows:

	Group and Company	
	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
6 months or less	**3,580,000**	5,230,000
6-12 months	**2,710,000**	420,000
1-5 years	**1,669,205**	—
Over 5 years	**1,483,607**	1,481,760
	9,442,812	7,131,760

(h) The carrying amounts and fair values of the long term borrowings are as follows:

	Group and Company			
	Carrying amount		Fair value	
	As at 31 December		As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Long term bank borrowings	**4,440,000**	2,620,000	**4,440,000**	2,620,000
10 year bonds	**1,483,607**	1,481,760	**1,306,014**	1,510,610
5 year bonds	**1,669,205**	—	**1,879,610**	—
	7,592,812	4,101,760	**7,625,624**	4,130,610

The fair values of long term bonds are based on cash flows discounted using rates based on the borrowing rate of 6.37% (2007: 4.0%) for 10 year bonds and 5.47% (2007: Nil) for 5 year bonds.

The long term bank borrowings bear interest at the prevailing market rates. Their fair values are not materially different from their carrying amounts.

The carrying amounts of short term bank borrowings approximate their fair values.

(i) All borrowings are denominated in Renminbi.

25. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000* *(Restated)*	***RMB'000***	*RMB'000* *(Restated)*
Deferred tax assets:				
— To be recovered after more than 12 months	**9,048**	8,133	**6,815**	6,452
— To be recovered within 12 months	**11,281**	6,031	**1,079**	1,163
	20,329	14,164	**7,894**	7,615
Deferred tax liabilities:				
— To be settled after more than 12 months	**(712,915)**	(477,852)	**(712,915)**	(477,852)
Deferred tax liabilities-net	**(692,586)**	(463,688)	**(705,021)**	(470,237)

The gross movements on the deferred income tax account are as follows:

	Group Year ended 31 December		Company Year ended 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000* *(Restated)*	***RMB'000***	*RMB'000* *(Restated)*
At beginning of year	**(463,688)**	(581,515)	**(470,237)**	(592,156)
Deferred taxation relating to the origination and reversal of temporary differences	**(228,898)**	(28,493)	**(234,784)**	(27,387)
Impact of change in tax rate	**—**	146,320	**—**	149,306
Recognised in the income statement *(Note 30)*	**(228,898)**	117,827	**(234,784)**	121,919
At end of year	**(692,586)**	(463,688)	**(705,021)**	(470,237)

25. DEFERRED INCOME TAX *(CONTINUED)*

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax liabilities:

	Group		
	Investment properties revaluation *RMB'000*	**Tax depreciation allowances** *RMB'000*	**Total** *RMB'000*
At 1 January 2007	(323,237)	(283,646)	(606,883)
Recognised in the income statement	74,111	54,920	129,031
At 31 December 2007	(249,126)	(228,726)	(477,852)
Deferred taxation relating to the origination and reversal of temporary differences	(218,704)	(16,359)	(235,063)
At 31 December 2008	(467,830)	(245,085)	(712,915)

Deferred tax assets:

	Provisions *RMB'000*	**Others** *RMB'000* *(Restated)*	**Total** *RMB'000* *(Restated)*
At 1 January 2007	8,975	16,393	25,368
Recognised in the income statement	(2,144)	(9,060)	(11,204)
At 31 December 2007	6,831	7,333	14,164
Deferred taxation relating to the origination and reversal of temporary differences	145	6,020	6,165
At 31 December 2008	6,976	13,353	20,329

25. DEFERRED INCOME TAX *(CONTINUED)*

Deferred tax liabilities:

	Investment properties revaluation *RMB'000*	Company Tax depreciation allowances *RMB'000*	Total *RMB'000*
At 1 January 2007	(323,237)	(283,646)	(606,883)
Recognised in the income statement	74,111	54,920	129,031
At 31 December 2007	(249,126)	(228,726)	(477,852)
Deferred taxation relating to the origination and reversal of temporary differences	(218,704)	(16,359)	(235,063)
At 31 December 2008	(467,830)	(245,085)	(712,915)

Deferred tax assets:

	Provisions *RMB'000*	Others *RMB'000* *(Restated)*	Total *RMB'000* *(Restated)*
At 1 January 2007	8,816	5,911	14,727
Recognised in the income statement	(2,280)	(4,832)	(7,112)
At 31 December 2007	6,536	1,079	7,615
Deferred taxation relating to the origination and reversal of temporary differences	279	—	279
At 31 December 2008	6,815	1,079	7,894

(a) Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of RMB28,317,000 (2007: RMB15,396,000) to carry forward against future taxable income; these tax losses will expire in the period from 2011 to 2014.

26. EXPENSES BY NATURE

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

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Depreciation *(Note 8)*	**77,228**	68,489
Amortisation	**32**	32
Provision for/(reversal of impairment of) receivables *(Note 16)*	**1,288**	(654)
Reversal of impairment of inventories	**—**	(28)
Employee benefit expense *(Note 28)*	**346,037**	241,065
Advertising costs	**40,344**	29,689
Cost of properties sold		
— Land use rights	**103,210**	124,457
— Finance cost capitalised in cost of properties	**39,456**	33,861
— Development costs	**1,448,585**	1,659,024
Cost of goods for resale	**206,808**	234,300
Cost of consumables used	**107,365**	94,867
Business tax	**192,553**	179,914
Other taxation	**35,479**	36,425
Office and consumption expenses	**128,470**	85,390
Energy expenses	**95,410**	57,814
Consulting and service expenses	**73,696**	52,371
Repair and maintenance expenses	**61,277**	29,867
Donation	**17,589**	—
Operating leases	**18,860**	17,115
Auditor's remuneration	**6,590**	6,500
Others	**24,756**	7,903
Total cost of sales, selling and marketing expenses and administrative expenses	**3,025,033**	2,958,401

27. OTHER GAINS — NET

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Fair value gains on investment properties *(Note 7)*	**874,816**	17,000
Loss on disposal of property, plant and equipment	**(8,399)**	(996)
Others	**(611)**	(6,897)
	865,806	9,107

28. EMPLOYEE BENEFIT EXPENSE

The employee benefit expense of the Group, including its directors' emoluments is as follows:

	Year ended 31 December 2008 RMB'000	2007 RMB'000 (Restated)
Wages and salaries	**281,959**	201,853
Social security costs	**68,054**	38,378
Retirement benefit costs — defined contribution plans	**38,466**	29,678
	388,479	269,909
Less: capitalised in property, plant and equipment and properties under development	**(42,442)**	(28,844)
	346,037	241,065

(a) Retirement benefit costs — defined contribution plans

The employees of the subsidiaries of the Group participate in various retirement benefit plans established by Beijing Municipal Labor and Social Insurance Bureau under which the Group was required to make monthly defined contributions to these plans at 20% (2007: 20%) of the employees' basic salary for the year ended 31 December 2008.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the required payments mentioned above.

There were no forfeited contributions during the year or available at 31 December 2008 (2007: RMB nil) to reduce future contributions.

Contribution totaling RMB6,107,000 (2007: RMB2,910,000) were payable at the year end.

(b) Directors' emoluments

The remuneration of every director for the year ended 31 December 2008 is set out below:

Name of Director	Fees RMB'000	Salary RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Mr. He Jiang-Chuan	—	720	33	753
Ms. Zhao Hui-Zhi	—	685	33	718
Mr. Meng Yan	86	—	—	86
Mr. Yu Jing-Song	86	—	—	86
Mr. Liu Jian-Ping	480	—	—	480
Mr. Chen Ji	480	—	—	480
Mr. Fu Yiu-Man, Peter	—	—	—	—
	1,132	1,405	66	2,603

28. EMPLOYEE BENEFIT EXPENSE *(CONTINUED)*

(b) Directors' emoluments *(Continued)*

The remuneration of every director for the year ended 31 December 2007 is set out below:

Name of Director	Fees	Salary	Employer's contribution to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. He Jiang-Chuan	—	720	21	741
Ms. Zhao Hui-Zhi	—	495	21	516
Mr. Meng Yan	86	—	—	86
Mr. Yu Jing-Song	86	—	—	86
Mr. Liu Jian-Ping	480	—	—	480
Mr. Chen Ji	480	—	—	480
Mr. Fu Yiu-Man, Peter	—	—	—	—
	1,132	1,215	42	2,389

In addition to the directors' emoluments disclosed above, certain directors of the Company receive emoluments from BNSIGC, amounting to RMB1,332,000 (2007: RMB1,627,000), part of which is paid in respect of their services to the Group and its subsidiaries. No apportionment has been made as the directors consider that it is impracticable to apportion this amount between their services to the Group and their services to BNSIGC.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2007: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2007: three) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Basic salaries and other allowances	**2,736**	1,442
Employer's contribution to retirement benefit scheme	**101**	63
	2,837	1,505

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Emolument bands		
RMB nil-RMB882,000 (equivalent to HK$ nil-HK$1,000,000)	**2**	3
Over RMB882,000 (equivalent to over HK$1,000,000)	**1**	—

28. EMPLOYEE BENEFIT EXPENSE *(CONTINUED)*

(d) During the year, no emolument was paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

29. FINANCE INCOME AND COSTS

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

30. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the year ended 31 December 2008 (2007: Nil). The PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate is 25% (2007: 33%).

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Current income tax		
— PRC enterprise income tax	**208,073**	225,556
— PRC land appreciation tax *(Note 4 (b))*	**164,575**	213,478
Deferred income tax *(Note 25)*	**228,898**	(117,827)
	601,546	321,207

30. INCOME TAX EXPENSES *(CONTINUED)*

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

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Profit before income tax	**1,920,603**	977,480
Add: share of loss of a jointly controlled entity	**10,727**	—
	1,931,330	977,480
Tax calculated at a tax rate of 25% (2007: 33%)	**482,833**	322,568
Expenses not deductible for tax purposes	**2,530**	4,837
Tax losses for which no deferred income tax asset was recognised	**—**	224
Utilisation of previous unrecognised tax losses	**—**	(6,900)
Effect of higher tax rate for the appreciation of land in the PRC	**116,183**	146,798
Impact of income tax law to come into effect in 2008	**—**	(146,320)
Income tax expenses	**601,546**	321,207

31. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB1,013,207,000 (2007(Restated): RMB351,323,000).

32. EARNINGS PER SHARE (BASIC AND DILUTED)

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the number of shares in issue during the year.

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

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

33. DIVIDEND

The dividends paid for the years ended 31 December 2008 and 2007 were RMB101,011,000 and RMB134,681,000 respectively.

At a meeting of the Board held on 18 March 2009, the directors proposed a final dividend of RMB0.03 per share totaling RMB101,011,000. Such dividend is to be approved at the Annual General Meeting and is not reflected as a dividend payable in these financial statements but will be reflected as an appropriate of retained profits for the year ending 31 December 2009.

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

34. CASH USED IN OPERATIONS

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Profit before income tax	**1,920,603**	977,480
Adjustments for:		
— Reversal of impairment of inventories *(Note 26)*	**—**	(28)
— Provision for/(reversal of impairment of) receivables *(Note 26)*	**1,288**	(654)
— Depreciation *(Note 26)*	**77,228**	68,489
— Amortisation *(Note 26)*	**32**	32
— Fair value gains on investment properties *(Note 27)*	**(874,816)**	(17,000)
— loss on disposal of property, plant and equipment *(Note b)*	**8,399**	996
— Interest income *(Note 29)*	**(23,343)**	(42,936)
— Interest expense *(Note 29)*	**54,587**	72,447
— Share of loss of a jointly controlled entity *(Note 10)*	**10,727**	—
Operating profit before working capital changes	**1,174,705**	1,058,826
Changes in working capital:		
— Decrease in restricted bank deposits	**11,388**	95,809
— (Increase)/Decrease in inventories	**(59,019)**	640
— Increase in land use rights, properties under development and completed properties held for sale	**(663,392)**	(7,991,840)
— (Increase)/Decrease in trade and other receivables	**(177,894)**	64,062
— Increase in trade and other payables	**2,392,466**	1,214,370
Cash generated from/(used in) operations	**2,678,254**	(5,558,133)

34. CASH USED IN OPERATIONS *(CONTINUED)*

(b) In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Net book amount *(Note 8)*	**10,462**	1,337
Loss on disposal of property, plant and equipment *(Note 27)*	**(8,399)**	(996)
Proceeds from disposal of property, plant and equipment	**2,063**	341

35. FINANCIAL GUARANTEES

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. The outstanding guarantees amounted to RMB1,476,674,000 as at 31 December 2008 (2007: RMB1,939,768,000).

Such guarantees terminate upon (i) the issuance of the real estate ownership certificate which will generally be available within six months to two years after the Group delivers possession of the relevant property to its purchasers; (ii) the completion of the mortgage registration; and (iii) the issuance of the real estate miscellaneous right certificate relating to the relevant property.

36. COMMITMENTS

(a) Capital commitments in respect of development costs attributable to property, plant and equipment, properties under development and land use rights:

	Group		Company	
	As at 31 December		As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Property, plant and equipment and properties under development				
Contracted but not provided for	**1,338,478**	3,127,927	**759,235**	1,488,142
Authorised but not contracted for	**4,200,283**	5,189,307	**1,503,993**	4,068,228
Land use rights				
Contracted but not provided for	**3,167,080**	3,167,080	**—**	—
	8,705,841	11,484,314	**2,263,228**	5,556,370

36. COMMITMENTS *(CONTINUED)*

(b) As at 31 December 2008 and 31 December 2007, the Group had future aggregate minimum rental receivables and payables under non-cancellable operating leases as follows:

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Rental receivables in respect of investment properties				
Not later than one year	**166,799**	116,438	**166,799**	113,546
Later than one year and not later than five years	**317,224**	88,882	**317,224**	86,073
Later than five years	**1,217,861**	3,878	**1,217,861**	3,878
	1,701,884	209,198	**1,701,884**	203,497
Rental payables in respect of land use rights and buildings				
Not later than one year	**13,465**	16,215	**13,465**	16,215
Later than one year and not later than five years	**53,860**	51,392	**53,860**	51,392
Later than five years	**323,151**	321,199	**323,151**	321,199
	390,476	388,806	**390,476**	388,806

37. RELATED PARTY TRANSACTIONS

The Group is controlled by BNSIGC, which owns 34.5% of the Company's shares. The remaining 65.5% of the shares are widely held.

BNSIGC itself is a state-owned enterprise controlled by the PRC government. In accordance with HKAS 24, "Related Party Disclosures" issued by the HKICPA, state-owned enterprises and their subsidiaries, other than BNSIGC, directly or indirectly controlled by the PRC government are also defined as related parties of the Group.

For the purpose of related party transaction disclosures, the Group has in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programmes. Due to the pervasiveness of the Group's retail transactions with the entities' employees on corporate business, their key management personnel and close family members, and other related parties, there is no feasible way to track such transactions and ensure the completeness of certain disclosures. Nevertheless, management believes that meaningful information relative to related party transactions has been disclosed.

In addition to the related party information shown elsewhere in the financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year and balances arising from related party transactions at the end of the year indicated below:

(i) Bank deposits

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank deposits				
PRC state-owned banks	**4,980,841**	2,339,518	**4,168,388**	1,432,053

(ii) Rental

	Group Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Rental income:		
Other PRC stated-owned enterprises	**18,055**	23,970

Rental income is principally at market rates.

The Group does not have a system to identify the related parties within its retail customers. Therefore the sales of goods do not include the retail sales to related parties. The Group does not believe it meaningful to disclose the retail sales to related parties as the sales terms, including pricing, with these related parties are the same as the ones with non-related parties.

37. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(iii) Principal services provided by the Group to BNSIGC

	Group Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Electricity and telephone	**49**	288
Rental	**3,076**	3,065
	3,125	3,353

(iv) Purchases of goods, services and investment

	Group Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
BNSIGC (interest payment in respect of dividend payable)	**—**	3,520
BNSIGC (office lease acceptance)	**4,267**	4,267
BNSIGC (operating lease payment in respect of land)	**13,465**	12,848
BNSIGC (acceptance of counter guarantee for 5 year bonds) *(Note 24(c))*	**8,500**	—
BNSIGC (prepayment made to invest in subsidiaries)	**5,942**	—
BNSIGC (purchase of property, plant and equipment)	**30,804**	—
BNSIGC (brand royalty fee)	**10**	10
BNSIGC (consideration paid to acquire additional interest in a subsidiary)	**—**	36,631
Other PRC stated-owned enterprises (fees paid for construction and technical services)	**460,118**	517,652
	523,106	574,928

Purchases of services and goods are carried out in accordance with the terms as mutually agreed between the parties.

(v) Expenditure on behalf of Kingpower

During the year, the Company paid certain decoration expenditure and administrative expenses on behalf of Kingpower, totalled RMB36,142,000 (2007: RMB nil). As at 31 December 2008, such amount had been fully settled.

37. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(vi) Balances arising from sales/purchases of goods, services and investment

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade and other receivables from related parties				
Other PRC state-owned enterprises	**2,003**	1,868	**935**	725
BNSIGC	**5,942**	—	**802**	—
	7,945	1,868	**1,737**	725
Trade and other payables to related parties				
Other PRC state-owned enterprises	**33,440**	18,994	**40**	1,932
BNSIGC	**33,132**	27,999	**—**	476
	66,572	46,993	**40**	2,408

The amount receivables and payables are unsecured, interest free and have no fixed terms of repayment.

At 31 December 2008, there were no provisions for impairment of receivables from related parties (2007: RMB nil) and there were no provisions for impairment of receivables from related parties charged to income statement for the year ended 31 December 2008 (2007: RMB nil).

(vii) Borrowings from related parties

	Group and Company Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Borrowings from PRC state-owned banks:		
At beginning of the year	**5,650,000**	970,000
Loan received	**4,884,405**	5,330,000
Loan repayment	**(4,244,405)**	(650,000)
At end of year	**6,290,000**	5,650,000

	Group Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Interest income from bank deposits	**23,343**	42,936
Interest expense to bank borrowings	**(445,356)**	(202,911)

37. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(viii) Amount due from a minority shareholder of a subsidiary

	Group and Company As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Amount due from a minority shareholder of a subsidiary	**21,458**	20,000

(ix) Key management compensation

	Group Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**8,173**	7,258
Post-employment benefit	**492**	360
	8,665	7,618

(x) Accept financial guarantee

Pursuant to an agreement signed by BNSIGC and Bank of China (the "BOC"), BNSIGC provides a joint liability counter-guarantee in favor of the BOC with respect to the guarantee provided by the BOC for the 10 year bonds issued by the Company.

Pursuant to an agreement signed by BNSIGC, BNSIGC provides joint liability counter-guarantee for the period the bond issued and two years after maturity of the 5 year bonds at the price of RMB8,500,000.

RECONCILIATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

Properties Profile

INVESTMENT PROPERTIES *(NOTE 1)*

	Name	Location	Gross floor area *(sq. m.)*	Type of property	Interest attributable to the Group
1	Beijing Continental Grand Hotel	No. 8 Bei Chen Dong Road Chao Yang District, Beijing	42,000	Hotel	100%
2	Crowne Plaza Park View Wuzhou Beijing	No. 8 Bei Chen Dong Road Chao Yang District, Beijing	56,953	Hotel	100%
3	Beijing International Convention Centre	No. 8 Bei Chen Dong Road Chao Yang District, Beijing	61,870	Convention, exhibition	100%
4	Hui Yuan Apartment	No. 8 Bei Chen Dong Road Chao Yang District, Beijing	187,575	Apartment	100%
5	North Star Times Tower	No. 8 Bei Chen Dong Road Chao Yang District, Beijing	131,229	Office, commercial premise for lease	100%
6	Hui Bin Offices	No. 8 Bei Chen Dong Road Chao Yang District, Beijing	37,795	Office	100%
7	Hui Xin Offices	No. 8 Bei Chen Dong Road Chao Yang District, Beijing	47,515	Office	100%
8	Hui Zhen Building Property	No. 8 Bei Chen Dong Road Chao Yang District, Beijing	6,299	Office	100%
9	Beijing Olympic Park National Convention Centre and ancillary Area B No. 19, 20, 21, 22 Project	Bei Chen Zhong Road Chao Yang District, Beijing	530,000	Convention Centre, Hotel and Offices (under construction)	100%

Properties with ancillary facilities *(Note 1)*

1	Beichen Shopping Centre	No. 8 An Wai An Li Road, Beijing	30,485	Shopping centre	100%

Note:

1. The above-mentioned investment properties items (1-8) and properties with ancillary facilities of the Group are all located within the Asian Games Village at Andingmen (安定門), Chao Yang District, Beijing. The properties are erected on land leased from BNSIGC for a rental of RMB13,464,682 for 2008. (rentals for future years subject to adjustment). Terms of the leases range from 40 years to 70 years, depending on uses of different parts of the land.

DEVELOPMENT PROPERTIES

Properties for sales

	Name	Location	Gross floor area of unsold portion *(sq. m.)*	Type of property	Interest attributable to the Group
1	Green Garden Phase II, III	Wa Li Xiang, Chao Yang District, Beijing	47,076	Residential, commercial (pending sale)	100%
2	Green Garden C4, D2	Wa Li Xiang, Chao Yang District, Beijing	180,900	Residential, commercial (pending sale)	100%

Properties under development

	Name	Location	Gross floor area of unsold portion *(sq. m.)*	Type of property	Interest attributable to the Group
1	Jiang Zhuang Hu Garden Villas	No. 88 Jiang Zhuang, Chao Yang District, Beijing	22,900	Villas (under construction)	49.50%
2	Green Garden B5	Wa Li Xiang, Chao Yang District, Beijing	152,500	Offices, commercial (under construction)	100%
3	Fragrant Hill Qingqin	Lots A, B, C, E, Siji Qing Xiang Men Tou Village, Hai Dian District, Beijing	24,700	Residential (under construction)	49.50%
4	Changhe Yushu Garden Villas	Xiao Tang Shang, Chang Ping District, Beijing	164,500	Residential (under construction)	97.21%
5	Beichen • Xianglu (Hot Spring Project)	Hai Dian District, Beijing Wen Quan Town	327,800	Residential (under construction)	100%
6	Beichen • Fudi (Chang Ying Project)	Chang Ying Xiang, Chao Yang District, Beijing	320,400	Residential, commercial facilities (under construction)	100%
7	Changsha Xinhe Delta Project	Kaifu District, Changsha, Hunan Province	5,370,000	Residential, commercial facilities, offices and hotels (under construction)	80%

Directors' Proposal on the Appropriation of Profit for the Year of 2008

In accordance with the pertinent regulations and based on the actual situation of the Company, the Directors of Beijing North Star Company Limited, at a meeting held on 18th March 2009 resolved that the proposed appropriation of profit of the Company for the year of 2008 be as follows:

1. The appropriation of net profits after taxation shall be: 10% for Statutory Reserve Fund, 0% for Discretionary Reserve Fund and 90% for profit available for distribution.

2. A final dividend of RMB0.03 per share in cash (Note) is proposed to be paid to the shareholders whose names appear on the register of shareholders of the Company on Tuesday, 19th May 2009. Subject to the approval of the shareholders at the annual general meeting, the final dividend is expected to be paid on or before 3rd June 2009. Further announcement will be made as to the exact form of payment.

3. This proposal is subject to the approval by the shareholders at the annual general meeting.

Beijing North Star Company Limited

Note:

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 1st 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 the non-individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the corporate income tax.

Corporate Information

Legal name of the Company:	北京北辰實業股份有限公司
English name of the Company:	Beijing North Star Company Limited
Registered address of the Company:	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing, the PRC
Place of business of the Company:	Room 707, Tower A, Hui Xin Building, No. 8 Bei Chen Dong Road, Chao Yang District, Beijing, the PRC
Legal representative of the Company:	HE Jiang-Chuan
Company secretaries:	GUO Chuan LEE Ka-Sze, Carmelo
Person-in-charge on information disclosure:	GUO Chuan
Company information enquiry unit:	Secretariat of the Board

COMPANY INFORMATION ENQUIRY

Address:	707 Block A, Hui Xin Building, No. 8 Bei Chen Dong Road, Chao Yang District, Beijing, the PRC
Postal code:	100101
Telephone:	(8610) 6499 1277
Fax:	(8610) 6499 1352
Website:	www.beijingns.com.cn

REGISTRATION

Date and place of first registration:	2nd April 1997, Beijing, the PRC
Registration number with the Industry and Commerce Bureau:	63379193-0
Registration number with the Taxation Bureau:	110105633791930

Corporate Information

AUDITORS

PRC auditor:	PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd.
Address:	11/F PricewaterhouseCoopers Center No. 202 Hubin Road, Shanghai, the PRC
Postal code:	200021
Telephone:	(8621) 6123 8888
Fax:	(8621) 6123 8800
International auditor:	PricewaterhouseCoopers
Address:	22/F, Prince's Building, Central, Hong Kong
Telephone:	(852) 2289 8888
Fax:	(852) 2810 9888

LEGAL ADVISERS

PRC lawyer:	Beijing Da Cheng Solicitors Office
Address:	12-15/F Guo Hua Investment Building No. 3 Southern Street Dongzhimenwai Avenue Beijing, the PRC
Postal code:	100007
Telephone:	(8610) 5813 7799
Fax:	(8610) 5813 7788
Hong Kong lawyer:	Woo, Kwan, Lee & Lo
Address:	26/F, Jardine House, 1 Connaught Place, Central, Hong Kong
Telephone:	(852) 2847 7999
Fax:	(852) 2845 9225